



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

Tel 919.807.6602 Fax 919.807.6635

I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of Occidental Fire & Casualty Company of North Carolina and Wilshire Insurance Company as of December 31, 2024 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 18th day of May, 2026.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
Financial Examination Division

Occidental Fire & Casualty Company of North Carolina

Wilshire Insurance Company

Raleigh, North Carolina

Multi-Entity Report on Examination

As of December 31, 2024

TABLE OF CONTENTS

SCOPE OF THE EXAMINATION	2
REPORT ABBREVIATIONS	4
SUMMARY OF SIGNIFICANT FINDINGS	5
ORGANIZATIONAL STRUCTURE	9
Organizational Chart	9
INDIVIDUAL COMPANY HISTORY	10
Capital Stock	10
Dividends to Stockholder	11
MANAGEMENT AND CONTROL	11
Corporate Governance.....	11
Code of Conduct and Conflict of Interest.....	14
Corporate Records	14
Statutory Deposits	14
Accounts and Records	14
Information Technology Controls	15
Fidelity Bonds and Other Insurance	15
Employee Benefits and Pension Plans	15
Related Party Agreements	16
TERRITORY AND PLAN OF OPERATION	17
Trends of the Companies.....	18
Actuarial Opinion	18
REINSURANCE PROGRAM OVERVIEW	19
Internal Reinsurance Ceded and Assumed	19
External Reinsurance Ceded.....	20
External Reinsurance Assumed.....	20
FINANCIAL STATEMENTS	21
COMMENTS ON FINANCIAL STATEMENTS	27
SUBSEQUENT EVENTS	31
DISTRIBUTION OF REPORT ON EXAMINATION	33
CONCLUSION	34
APPENDIX A	36

May 4, 2026

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

**Occidental Fire & Casualty Insurance Company of North Carolina (“OFC”)
Wilshire Insurance Company (“WIC”)**

and acknowledge that their main administrative and statutory office is located at 4200 Six Forks Road, Suite 1400, Raleigh, North Carolina 27609.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of OFC and WIC. This examination covers the period from January 1, 2020, to December 31, 2024, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examinations of OFC and WIC were as of December 31, 2019.

The purpose of this examination is to assess the financial condition and controls of OFC and WIC and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

This was a multi-state coordinated financial examination of ten (10) insurance company subsidiaries of IAT Insurance Group, Inc. (“IAT Inc.”) (collectively known as the “IAT Insurance Group”). Illinois served as the Lead State, and Participating States included: Florida, Nebraska, New Jersey, North Carolina, and Texas.

We conducted our examination in accordance with standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of OFC and WIC, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of OFC and WIC were considered in accordance with the Handbook risk-focused surveillance process, and the following key functional activities were identified:

Claims Handling and Data
Investments
Premiums and Underwriting
Reinsurance – Assuming and Ceding
Related Party
Reserves – Property & Casualty

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with GS Chapter 58 and evaluating management’s compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact and general information about the insurers and their financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to the IAT Insurance Group.

OFC’s and WIC’s Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the IAT Insurance Group’s ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the IAT Insurance Group’s management.

The books and records of the IAT Insurance Group are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Johnson Lambert, LLP of Raleigh, North Carolina, the designated independent public accountant of the IAT Insurance Group, issued an unmodified opinion on a combined audit for Harco National Insurance Company (“Harco”) and its affiliates, which includes OFC and WIC, for each year subsequent to the Department’s prior examination through, and including, the year ended December 31, 2024.

REPORT ABBREVIATIONS

2024 NAIC Property and Casualty Annual Statement Instructions	“AS Instructions”
Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
Managing General Agent	“MGA”
National Association of Insurance Commissioners	“NAIC”
North Carolina Department of Insurance	“Department”
Premium Deficiency Reserves	“PDR”
IAT Insurance Group, Inc.	“IAT Inc.”
IAT Reinsurance Company, Ltd.	“IAT Re”
SageSure Insurance Managers, LLC	“SageSure”
Statements of Statutory Accounting Principles	“SSAP”
“IAT Insurance Group” includes the following companies:	
Acceptance Casualty Insurance Company	None
Acceptance Indemnity Insurance Company	None
Allegheny Casualty Company	None
Commercial Alliance Insurance Company	None
Harco National Insurance Company	“Harco”
International Fidelity Insurance Company	None
Occidental Fire & Casualty Insurance Company of North Carolina	“OFC”
SafePort Insurance Company	None
TransGuard Insurance Company of America, Inc.	None
Wilshire Insurance Company	“WIC”
“Harco and its Affiliates” include the following insurance companies:	
Acceptance Casualty Insurance Company	None
Acceptance Indemnity Insurance Company	None
Commercial Alliance Insurance Company	None
Harco National Insurance Company	“Harco”
International Fidelity Insurance Company	None
Occidental Fire & Casualty Insurance Company of North Carolina	“OFC”
TransGuard Insurance Company of America, Inc.	None
Wilshire Insurance Company	“WIC”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

- a. OFC was in violation of GS § 58-10-245(h), which requires that the proportion of independent audit committee members meet or exceed a supermajority of members (75% or more) when the prior calendar year's direct written and assumed premiums exceed \$500 million. The Executive Committee of the Board of Directors ("Board") for IAT Inc. serves as the designated Audit Committee for OFC, and there were no independent members at December 31, 2024; however, OFC's direct written and assumed premiums exceeded the \$500 million threshold each year during the examination period from January 1, 2020, to December 31, 2023. OFC is directed to comply with GS § 58-10-245(h). (Refer to Trends of Companies, Management and Control, and Subsequent Events)
- b. OFC and WIC violated GS § 58-19-30(b) by failing to provide written notice to the Department at least 30 days prior to entering into amendments to its Tax Allocation Agreement and a Cost Sharing Agreement with IAT Inc. and its affiliates. GS § 58-19-30(b) requires such notice for amendments or modifications of affiliated agreements that were previously filed on a Form D and shall include the reason for the change and the financial impact on the domestic insurer. OFC and WIC are directed to comply with GS § 58-19-30(b). (Refer to Subsequent Events)
- c. OFC and WIC violated GS § 58-34-2(i) by failing to provide written notice to the Department within 15 days after entering into a contract for claims management services with SageSure Insurance Managers, Inc. ("SageSure") on April 1, 2022. In 2019, SageSure was contracted by OFC and WIC for underwriting authority only; therefore, the executed claims services contract qualified SageSure as a Managing General Agent ("MGA") pursuant to GS § 58-34-2(a)(3). OFC and WIC are directed to comply with GS § 58-34. (Refer to Subsequent Events)
- d. OFC and WIC did not properly disclose information regarding the direct premiums written by SageSure in Note 19 of the 2024 Annual Statements as required by the 2024 NAIC Property and Casualty Annual Statement Instructions ("AS Instructions"). According to the AS Instructions, insurers shall "disclose the aggregate amount of direct premiums written through/produced by MGAs or third-party administrators" and if this amount is equal to or greater than 5% of surplus, additional information shall be provided for each MGA and third-party administrator. In 2024, SageSure wrote direct written premiums of approximately \$519.3 million and \$44.9 million on behalf of OFC and WIC, respectively. OFC and WIC are directed to comply with the AS Instructions pursuant to GS § 58-2-165(c) and to ensure accurate financial reporting in future filings with the Department.
- e. OFC violated GS § 58-19-30(b)(1) by advancing \$30 million to IAT Inc. on January 2, 2025, for the pursuit of an investment opportunity without notifying the Department at least 30 days prior to the execution of the transaction. IAT Inc. repaid OFC on June 13, 2025, without interest; however, GS § 58-19-30(b)(1) requires a Form D to be filed with the Department at least 30 days prior to transacting any related party loans or extensions of credit equal to or exceeding the lesser of 3% of admitted assets or 25% of surplus as of the preceding December 31. OFC filed a Form D with the Department on August 15, 2025; however, the Department did not approve the transaction because it was not deemed to be fair or reasonable. The Department determined that OFC's interest-free, short-term loan to IAT Inc. could not be unwound and, as a result, OFC sustained a loss of investment income. OFC is directed to comply with GS § 58-19-30(b)(1).

- f. OFC violated the terms of its Cost Sharing Agreement with IAT Inc., which requires a monthly settlement of related party expenses to occur by no later than 30 days following the previous month-end. OFC reported \$50,595,837 in amounts receivable from parent, subsidiaries and affiliates in its June 2024 Quarterly Statement, which included \$39,598,389 in amounts receivable due from IAT Inc. that were not fully collected until three months after being allocated and due. This violation also occurred in 2025 based on the Department's review of OFC's June 2025 Quarterly Statement, which included \$34,022,856 in amounts receivable due from IAT Inc. that were not fully collected until three months after being allocated and due. OFC is directed to comply with the terms of its Cost Sharing Agreement with IAT Inc., including the settlement of prefunding transactions, or amend the agreement in accordance with the Form D filing requirements pursuant to GS § 58-19-30(b) to reflect current business practices.

- g. OFC failed to maintain adequate records in violation of the Statements of Statutory Accounting Principles ("SSAP") No. 25 paragraph 22 and did not demonstrate compliance with Section 5 of its Cost Sharing Agreement, which states that "no funds shall be advanced from the insurance companies to IAT Inc. other than as necessary for the payment of the expenses as defined in the agreement." The Department noted various transfers from OFC to IAT Inc. totaling \$19.9 million in 2024, and \$19.25 million from January 1, 2025, through September 30, 2025. Due to inadequate records, the Department was unable to verify that the funds advanced to IAT Inc. represent prefunding transactions solely for shared expenses pursuant to its Cost Sharing Agreement. According to SSAP 25 paragraph 22 "expenses that result from cost allocations shall be allocated subject to the same fair and reasonable standards, and the books and records of each party shall disclose clearly and accurately the precise nature and details of the transaction"; therefore, the Department determined the following:
 - i. OFC is directed to implement formal protocols and procedures to 1) ensure that sufficient records are maintained for internal transfers from OFC to IAT Inc. detailing the purposes of any prefunding transactions as required by SSAP No. 25 paragraph 22 and 2) demonstrate compliance with Section 5 of its Cost Sharing Agreement.
 - ii. OFC is directed to refrain from making any prefunding transfers or advance payments to IAT Inc. until appropriate protocols and procedures are implemented.
 - iii. OFC is directed to implement protocols and procedures for reviewing all expenses that are prefunded to IAT Inc. in order to 1) identify any prepaid expenses being allocated to the IAT Insurance Group and 2) non-admit any prepaid expenses for items such as leases, software, and software maintenance pursuant to SSAP 29.
 - iv. The Department recommends OFC consider whether establishing a revolving line of credit between OFC and IAT Inc., subject to the Form D filing requirements as described in GS § 58-19-30(b), would be more appropriate based on current business practices.

- h. The Form D filed with the Department for the Cost Sharing Agreement between IAT Inc. and various affiliates, including OFC and WIC, states that expenses associated with personnel, electronic data processing hardware and software, and office leases will initially be borne by IAT Inc.; however, the Department noted that substantially all expenses under the agreement are initially borne by OFC, either through direct payments to vendors or prefunding transactions, and that OFC is reimbursed after allocating proportional shares of the expenses based on net earned premium by company for the month, prior to pooling. OFC is directed to comply with its Cost Sharing Agreement or amend the agreement in accordance with the Form D filing requirements pursuant to GS § 58-19-30(b) to reflect current business practices and clarify the company responsible for prefunding transactions and bearing the initial costs of each expense category.
- i. OFC disclosed inaccurate information for transactions involving related parties in Note 10(B) of its 2024 Annual Statement, which incorrectly states that OFC “disbursed settlements totaling \$109,083,074”; however, the note disclosure should have stated that OFC “incurred management fees totaling \$109,083,074” in accordance with its 2024 Underwriting and Investment Exhibit Part 3 – Expenses. OFC is directed to ensure accurate reporting to the Department in future filings pursuant to GS § 58-2-165(c).
- j. WIC incorrectly reported management fees incurred totaling \$16,940,075 in its 2024 Underwriting and Investment Exhibit Part 3 – Expenses; however, WIC should have reported management fees incurred totaling \$22,070,968 in accordance with Note 10(B) of its 2024 Annual Statement. WIC is directed to ensure accurate reporting to the Department in future filings pursuant to GS § 58-2-165(c).
- k. The 2024 Actuarial Report for the IAT Insurance Group’s pooled companies, which includes OFC and WIC, did not fully comply with the AS Instructions due to the following:
 - i. The Schedule P reconciliation takes place at the Schedule P line of business level but did not show how the analysis segments are aggregated to Schedule P lines of business. The AS Instructions dictate that the reconciliation should include enough detail to reflect the segmentation of exposures used in the reserve analysis.
 - ii. Adjusting and other expense data was not included in the reconciliation; however, it is relied upon in the Appointed Actuary’s analysis of unpaid claims. The AS Instructions state that paid adjusting and other expenses should be reconciled if relied upon significantly in forming the actuarial opinion.
 - iii. Claim counts were not included in the reconciliation and an explanation was not provided. The AS Instructions state that if the Appointed Actuary chooses not to reconcile certain data elements used in the analysis, such as claim counts, a brief explanation should be included in the Actuarial Report to make it clear that these elements were not inadvertently overlooked.

OFC and WIC are directed to comply with the AS Instructions pursuant to GS § 58-2-165(c).

- l. OFC and WIC incorrectly reported “Not Applicable” for a required financial statement disclosure in Note 30 of the 2024 Annual Statements regarding the evaluation for Premium Deficiency Reserves (“PDR”). According to the AS Instructions, insurers shall disclose the amount of the PDR, the date of evaluation for PDR, and whether anticipated investment income was utilized as a factor in the PDR calculation even if no liability is accrued. OFC and WIC are directed to comply with the AS Instructions pursuant to GS § 58-2-165(c) and to ensure accurate financial reporting in future filings with the Department.

- m. OFC and WIC are named insureds on a fidelity bond, which provides IAT Reinsurance Company, Ltd. (“IAT Re”) and its affiliates coverage totaling \$2,250,000 in aggregate; however, the coverage is less than the \$3 million minimum coverage recommended by the Handbook for the IAT Insurance Group. The Department recommends that OFC and WIC maintain fidelity bond coverage for no less than the Handbook’s recommended minimum. (Refer to Subsequent Events)

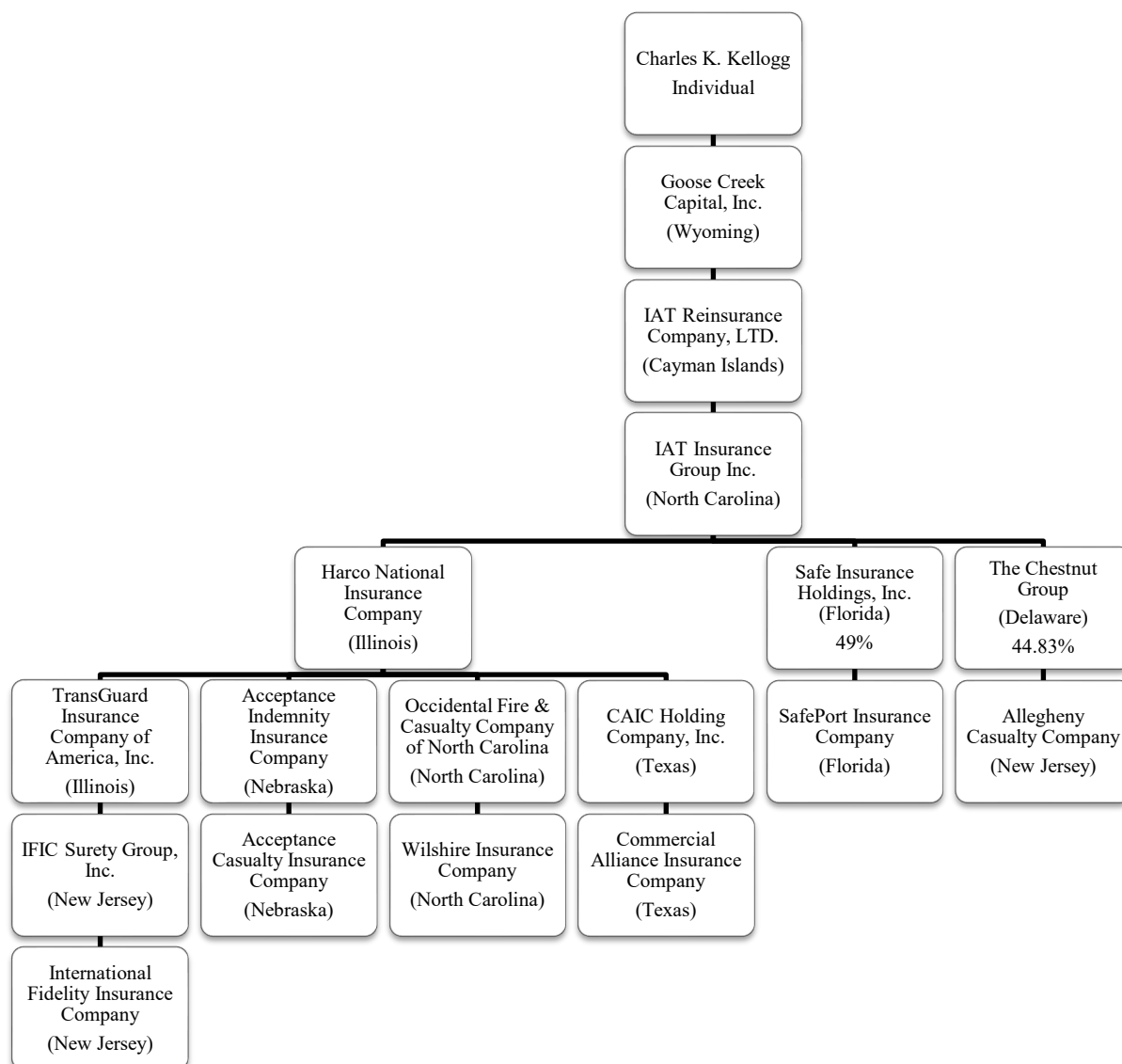
ORGANIZATIONAL STRUCTURE

OFC and WIC are part of an insurance holding company system as defined in GS § 58-19 and are either wholly owned or partially owned subsidiaries of IAT Inc., a North Carolina corporation. IAT Inc. is the parent to Harco, which owns 100% of all the outstanding shares of OFC, a North Carolina corporation. WIC, a North Carolina corporation, is wholly owned by OFC.

IAT Re, a privately held Cayman Islands domiciled reinsurer, is wholly owned by Goose Creek Capital Inc., which is owned by Charles K. Kellogg, the ultimate controlling person. IAT Re wholly owns IAT Inc., which includes the companies within the IAT Insurance Group.

ORGANIZATIONAL CHART

The 2024 Annual Statement Schedule Y contains a complete organizational chart. The following is a summarized organizational chart of OFC and WIC within the holding company group as of December 31, 2024:



INDIVIDUAL COMPANY HISTORY

OFC

OFC was incorporated on October 31, 1961, under the laws of the State of North Carolina as a stock property and casualty insurance company and commenced operations on January 2, 1962, with 300,000 shares of \$10.40 par value capital common stock authorized. To begin business, OFC issued 250,000 shares of its common stock, at \$10.40 per share, providing OFC with an initial capital of \$2,600,000.

OFC was a wholly owned subsidiary of McM Corporation, a North Carolina insurance holding company, which was a subsidiary of IAT Re. Effective May 5, 2016, McM Corporation changed its name to IAT Insurance Group, Inc.

Effective July 1, 2019, IAT Insurance Group, Inc. contributed 100% of OFC and its subsidiary WIC to Harco. As part of the transaction, unassigned funds of OFC and WIC became paid-in and contributed surplus of Harco.

WIC

WIC was incorporated under the laws of the State of California in 1956 as a commercial automobile liability and automobile physical damage insurance company. WIC merged into a new company with the same name and re-domesticated under the laws of the State of North Carolina in 1985.

WIC commenced business on September 6, 1985, with 6,000,000 shares of \$2.10 par value capital common stock authorized. To begin business, WIC issued 2,000,000 shares of its common stock, at \$2.10 per share, providing WIC with an initial capital of \$4,200,000.

CAPITAL STOCK

As of December 31, 2024, capitalization of the individual companies consisted of the following:

OFC

Description	Value
Number of authorized common capital shares	300,000
Number of shares issued and outstanding	250,000
Total common capital stock	\$4,200,000
Par value per share	\$16.80

No additional shares of OFC common stock were issued during the period under examination. As of December 31, 2024, all outstanding shares of OFC were owned by Harco. Effective April 23, 2024, OFC contributed \$1,600,000 of capital, increasing the par value of the common stock from \$10.40 to \$16.80. In addition, OFC had 500,000 shares of 8% redeemable preferred stock with a par value of \$10 per share authorized.

At December 31, 2024, OFC reported \$117,864,146 of gross paid-in and contributed surplus and unassigned funds totaling \$174,842,168. A portion of unassigned funds represents a cumulative unrealized capital gain of \$71,679,364 excluding OFC's investment in WIC. OFC has recorded a deferred tax liability related to its cumulative unrealized capital gains of \$15,052,667.

WIC

Description	Value
Number of authorized common capital shares	6,000,000
Number of shares issued and outstanding	2,000,000
Total common capital stock	\$4,200,000
Par value per share	\$2.10

No additional shares of WIC common stock were issued during the period under examination. At December 31, 2024, WIC reported \$34,931,424 of gross paid-in and contributed surplus and unassigned funds totaling \$138,145,216. A portion of unassigned funds represents a cumulative unrealized capital gain of \$125,694,969. WIC has recorded a deferred tax liability related to its cumulative unrealized capital gains of \$26,395,943.

DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the directors of OFC and WIC. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which OFC and WIC may pay to their shareholder is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. OFC and WIC paid no dividends during the examination period.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

OFC and WIC have the same directors and principal officers. The companies within the IAT Insurance Group occupy the same home office space and share various systems (i.e., accounting, policy administration, claims) and personnel. All personnel are employees of IAT Inc.

Shareholders

The bylaws for OFC provide that the shareholders will meet no less frequently than one time each year at such time and place as the Board may appoint. Special meetings of the shareholders may be called at any time by the Board, the Executive Committee, or upon written request of shareholders holding 25% of the outstanding stock entitled to vote.

The bylaws for WIC provide that an annual meeting of the shareholders be held in Raleigh, North Carolina at such time as the Board may appoint. Special meetings of the shareholders may be called at any time by resolution of the Board or upon written request of shareholders holding 25% of the outstanding stock entitled to vote.

Board of Directors

Oversight of IAT Insurance Group is driven primarily by the Advisory Board, which is elected by the three-member corporate Board of the parent, IAT Re, which includes the Chief Executive Officer/Chairman, Chief Financial Officer and Secretary. The six-member Advisory Board includes CEO of IAT, William Cunningham, who is the only member of the Advisory Board that is an employee. Peter Kellogg is the Chairman, and his son, Charles Kellogg, is also a director. The remaining three Advisory Board members are independent, and each have significant experience with the insurance industry and an understanding of the business.

The following individuals served on the Advisory Board at December 31, 2024:

Name	Principal Occupation
Peter R. Kellogg	Retired Investment Executive
Charles K. Kellogg	Retired Investment Executive
Justin Sadrian	Managing Director Co-Head of US Technology, Warburg Pincus
Gina Papush	Chief Data Officer, Fannie Mae
Michael J. McSally	Retired Insurance Company Executive
William Cunningham	Chief Executive Officer, IAT Inc.

The Board of IAT Inc. annually elects an Executive Committee, which is comprised of four directors of IAT Inc. The business of the IAT Insurance Group is conducted by its management team and is subject to the oversight and review of the Executive Committee.

The bylaws for OFC and WIC specify that the number of directors shall not be less than seven (7) or more than twenty-one (21). Directors are elected at the annual meeting of IAT Re's Board meeting or by the written consent of IAT Re's Board, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2024:

Name	Location	Principal Occupation
William Cunningham	Cheshire, CT	Chief Executive Officer, IAT Inc. and Chairman of the Board, IAT Re
Kenneth Coon	Omaha, NE	Senior Vice President Business Development, IAT Inc.
Michael Blinson	Clayton, NC	Secretary, IAT Re
Todd Bateson	Cumming, GA	Executive Vice President Transportation, IAT Inc.
Alisa Miller	Raleigh, NC	Chief Human Resources Officer, IAT Inc.
Gregory Even	Wethersfield, CT	Chief Underwriting Officer, IAT Inc.
David Pirrung	Wake Forest, NC	Chief Financial Officer, IAT Re

IAT Inc.'s Board has the authority to establish committees including, but not limited to, an audit committee and an investment committee, which have the power and duties deemed appropriate by the Board of IAT Inc.; however, their power cannot exceed the power of IAT Inc.'s Board.

IAT Inc.'s Board has only one standing committee, an Executive Committee, which was appointed to act on behalf of the 10 insurance entities within the IAT Insurance Group and serves as the Audit Committee and the Investment Committee for each company within the IAT Insurance Group. (Refer to Summary of Significant Findings and Subsequent Events)

The following individuals served on the Executive Committee of the Board for IAT Inc. at December 31, 2024:

Name	Principal Occupation
William Cunningham	Chief Executive Officer, Inc. & Chairman of the Board, IAT Re
David Pirrung	Chief Financial Officer, IAT Re
Michael Blinson	Secretary, IAT Re
Todd Bateson	Executive Vice President Transportation, IAT Inc.

Officers

The bylaws provide that the Board will elect the officers, which shall consist of a president, secretary, treasurer and any other officers deemed necessary. Each officer will have powers delegated by the Board or Executive Committee and bylaws. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person, except the offices of president and secretary.

The following individuals served as officers as of December 31, 2024:

Name	Title
David Pirrung	President
Michael Blinson	Senior Vice President, Corporate Secretary
John Mruk	Senior Vice President, Treasurer
Todd Bateson	Executive Vice President, Transportation
Kenneth Coon	Executive Vice President, Business Development
John Passaro	Executive Vice President, Management Liability
Alisa Miller	Executive Vice President, Chief Human Resources Officer
Gregory Even	Executive Vice President, Chief Underwriting Officer
Coy Rudd	Executive Vice President, Excess and Surplus
Joseph Tracy	Executive Vice President, Inland Marine, Property and Aviation
Trenton Haas	Executive Vice President, Chief Claims Officer
Manish Chawla	Executive Vice President, Chief Information Officer

CODE OF CONDUCT AND CONFLICT OF INTEREST

IAT Insurance Group has established policies and procedures to identify existing or potential conflicts of interest and to report the same to the IAT Insurance Group Board. Annually, IAT Insurance Group requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the IAT Insurance Group acted in accordance with its policy and procedures for disclosure of conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Boards and the committees for OFC and WIC, as well as the minutes of meetings held by the Advisory Board for the period under examination. Based on our review, it appears that the minutes documented OFC and WIC's significant transactions and events and that the directors approved these transactions and events.

The articles of incorporation and bylaws were reviewed for any changes during the period under examination. Based on our review, it appears on October 21, 2020, both OFC and WIC amended their articles of incorporation to include Michael D. Blinson as the registered agent. On April 23, 2024, OFC amended its articles of incorporation to amend the par value of its common stock increasing the par value from \$10.40 to \$16.80. Based on our review, it appears that no other changes to the articles of incorporation or bylaws of OFC and WIC were made during the examination period.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2024 Annual Statement Schedule E, Part 3 for OFC and WIC contain a complete description and listing of the statutory deposits by state.

ACCOUNTS AND RECORDS

The IAT Insurance Group's books and records are maintained at its main administrative office located at 4200 Six Forks Road, Suite 1400, Raleigh, North Carolina 27609.

The IAT Insurance Group utilizes information systems to sell products to customers, to establish service and maintain customer policies, as well as to gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. Significant applications are hosted on multiple servers at the data center located in Raleigh, North Carolina. The majority of the IAT Insurance Group's financially significant applications are supported and maintained internally by its information technology staff.

INFORMATION TECHNOLOGY CONTROLS

A risk-based assessment and review of the IAT Insurance Group's IT General Controls ("ITGCs") was performed in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the IAT Insurance Group's ITGCs were derived from Exhibit C Part 1 – Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 – Information Technology Work Program (collectively, "Exhibit C"). The IAT Insurance Group's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The coordinated examination's objectives were to obtain reasonable assurance about whether:

1. the IAT Insurance Group had a process in place to effectively identify, mitigate and manage its IT risks;
2. the IAT Insurance Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. the IAT Insurance Group was complying with those policies and procedures.

The objectives above were achieved through a combination of reviewing the IAT Insurance Group's policies and procedures, testing in key areas related to Exhibit C, interviewing the IAT Insurance Group's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by the Illinois Department of Insurance.

Based upon the risk-based assessment and review, IAT Insurance Group's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

OFC and WIC were listed as insured parties under IAT Re's fidelity bond, which provides \$2,250,000 in both aggregate and single loss liability coverage from losses due to dishonest acts, including forgery and computer fraud, by its employees. The fidelity bond coverage was adequate for the years 2020, 2021, 2022 and 2023; however, at December 31, 2024, the total coverage was below the minimum amount recommended in the Handbook. (Refer to the Summary of Significant Findings and Subsequent Events)

In addition, OFC and WIC are covered by various corporate property and liability policies that include, but not limited to, commercial property, general liability, and workers' compensation policies that are issued to IAT Re, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

IAT Inc. sponsors a qualified defined contribution savings and profit-sharing plan covering substantially all employees of IAT Inc. Employees may contribute a portion of their pay to the plan on a pre-tax basis. IAT Inc. matches these contributions, which vest immediately, up to 7% of its employees' annual compensation. In addition, contributions are made to the profit-sharing portion of this plan at the discretion of the IAT Inc., based on each eligible employee's annual compensation. In 2024, OFC and WIC incurred expenses related to the benefit plans totaling \$7,891,559 and \$481,525, respectively.

RELATED PARTY AGREEMENTS

Pursuant to various agreements, services such as financial management, operational management, accounting, human resources management, tax, legal, investment advisory, and data processing are provided for or by IAT Insurance Group and its affiliates as follows:

Cost Sharing Agreements

IAT Insurance Group entered into a Cost Sharing Agreement for EDP Expenses, Office Rental Expenses and Personnel Costs with its insurance company affiliates, including OFC and WIC, effective January 1, 2021. All of the employees of IAT Insurance Group perform services for all of the companies in the group with the personnel costs of no employees being exclusively tied to any one company. Additionally, companies combine the efforts of the group by coordinating the purchases and development of all software and hardware for all of the companies in IAT Insurance Group. These costs are allocated proportionally to the individual insurance companies based on net earned premium by company for the month prior to pooling. Allocation of these expenses are to be performed on a monthly basis with settlement occurring by no later than 30 days following the previous month-end. OFC and WIC incurred \$109.1 million and \$22.1 million in management fees related to the IAT Insurance Group's cost sharing agreement in 2024. (Refer to the Summary of Significant Findings and Subsequent Events)

Tax Allocation Agreement

Effective May 2, 2002, OFC and WIC are included in a tax allocation agreement with IAT Re, the ultimate parent, which defines the settlement terms for tax liabilities and benefits among each company included in the IAT Insurance Group in relation to the consolidated federal income tax return. Under this agreement, the provision for federal income tax is computed as if the companies within the IAT Insurance Group were filing a separate federal income tax return. Benefits, which arise from tax credits and net operating losses, are allocated to those subsidiaries producing such results to the extent they are utilized in the consolidated federal income tax return. OFC and WIC received settlements totaling \$5.3 million and \$5.1 million in 2024, respectively, from affiliated members included in the tax allocation agreement.

SageSure Administrator Agreement

OFC, WIC, Acceptance Casualty Insurance Company, Acceptance Indemnity Insurance Company, TransGuard Insurance Company of America, Inc. and Harco have an administrator agreement with SageSure effective July 1, 2019, whereby SageSure writes business on behalf of the companies in specific zones of the United States (primarily coastal areas) up to certain limitations in each zone. The limitations range from \$50 million in Alaska up to \$650 million in both the Gulf Zone (i.e., Alabama, Louisiana, Texas and Mississippi) and Atlantic Zone (i.e., Massachusetts, Connecticut, New York, New Jersey and Virginia). SageSure is specifically authorized to procure and evaluate applications, underwrite risks, determine appropriate premiums for insurance policies, and to negotiate, quote, bind, and deliver policies in the designated areas. OFC and WIC incurred fees totaling \$142,993,184 and \$11,947,536 in 2024, respectively.

SageSure Claims Services Agreement

OFC, WIC, Acceptance Casualty Insurance Company, Acceptance Indemnity Insurance Company, TransGuard Insurance Company of American, Inc. and Harco have a claims service agreement with SageSure effective April 1, 2022, whereby SageSure serves as an administrator and certain claim services may be delegated to SageSure. SageSure is authorized to receive and process claims,

provide claim adjusting and other claim-related services, including payment of claims. In 2024, OFC and WIC incurred fees totaling \$5,901,918 and \$493,622, respectively.

Effective April 1, 2022, as a result of OFC and WIC entering into a claims service agreement, SageSure became an MGA subject to GS § 58-34 due to its authority to underwrite insurance policies and process claims on behalf of OFC and WIC. (Refer to the Summary of Significant Findings and Subsequent Events)

TERRITORY AND PLAN OF OPERATION

OFC

OFC writes personal property coverage, primarily homeowners’ business, in select states and provides inland marine coverage to self-storage facilities across the United States, which are produced through managing general agents. OFC has served the trucking transportation industry writing full coverage insurance policies for local, intermediate and long-haul trucking risks, including the commercial auto liability, physical damage and inland marine (cargo) lines of business, and these policies are marketed through general agents. OFC also writes specialty program business marketed in a limited number of states; this business consists primarily of commercial auto and small business owner package businesses and is marketed through general agents.

As of December 31, 2024, OFC was licensed to write business in the District of Columbia and all fifty (50) states.

WIC

WIC is a diversified specialty insurance company, whose primary emphasis is writing local, intermediate and long-haul coverages for the trucking industry that include commercial auto liability, physical damage, general liability and inland marine (cargo) primarily through retail agents on a direct bill basis, but it also markets a small portion of this business through general agents that are billed on an account current basis. A majority of WIC’s business is written on a surplus lines basis where WIC is authorized in nine (9) states and is a qualified reinsurer in New York. WIC also writes specialty program excess and surplus lines business for commercial auto, excess liability and umbrella, small business owner and homeowners’ business through large general agents.

As of December 31, 2024, WIC was licensed to write business in the District of Columbia and the following thirty-two (32) states:

Alaska	Arizona	California	Colorado	Connecticut
Delaware	Hawaii	Idaho	Illinois	Indiana
Iowa	Kansas	Kentucky	Maine	Maryland
Missouri	Montana	Nebraska	Nevada	New Mexico
Michigan	Minnesota	North Carolina	North Dakota	Ohio
Oregon	South Dakota	Tennessee	Utah	Washington
Wisconsin	Wyoming			

TRENDS OF THE COMPANIES

The following data, obtained from annual statements filed with the Department, illustrates the trends of each company for the five-year period ended December 31, 2024:

OFC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2024	\$523,784,574	\$296,906,314	\$1,072,864,709	\$134,258,798	\$8,820,755
2023	\$450,299,730	\$244,025,477	\$886,717,936	\$128,868,335	\$17,282,222
2022	\$381,162,302	\$210,444,590	\$838,727,379	\$131,853,831	\$3,523,014
2021	\$529,479,318	\$251,867,291	\$806,726,840	\$116,700,783	(\$8,662,949)
2020	\$395,167,056	\$214,572,462	\$695,098,405	\$107,350,137	\$10,225,661

WIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2024	\$510,127,004	\$177,276,640	\$428,234,453	\$230,757,310	\$21,705,818
2023	\$458,744,668	\$142,982,998	\$401,252,996	\$221,492,459	\$7,305,875
2022	\$413,718,410	\$123,665,000	\$368,166,654	\$226,623,779	\$8,078,660
2021	\$429,835,816	\$149,483,329	\$351,011,848	\$200,579,468	(\$10,990,733)
2020	\$360,353,474	\$123,623,009	\$320,057,180	\$184,508,044	\$7,312,500

ACTUARIAL OPINION

Every property and casualty insurance company doing business in North Carolina, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2024 were reviewed and certified by the IAT Insurance Group's Appointed Actuary, Kyle Mrotek, FCAS, MAAA with The Actuarial Advantage, Inc., in an Actuarial Report for the IAT Insurance Group's pooled companies, which included OFC and WIC. An actuarial opinion regarding the IAT Insurance Group's reserves for losses and loss adjustment expenses was issued by an appointed actuary for all years in the examination period. The Appointed Actuary evaluated the data provided by the IAT Insurance Group for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the IAT Insurance Group's reserves on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid losses and loss expense obligations of the IAT Insurance Group.

REINSURANCE PROGRAM OVERVIEW

INTERNAL REINSURANCE CEDED AND ASSUMED

Intercompany Pooling Arrangement

Effective January 1, 2016, Harco, the pool leader, and six of its affiliates (collectively referred to as the “Pool Participants”), entered into an intercompany pooling arrangement whereby all participants pool their net underwriting results proportionately in order to reduce administrative and management expenses and to provide a broader distribution of risk by both line of insurance and territory. The following provides the participation percentages for the Pool Participants:

- Harco (Pool Leader) – 23.0%
- Acceptance Casualty Insurance Company – 9.0%
- Acceptance Indemnity Insurance Company – 13.1%
- Commercial Alliance Insurance Company – 6.5%
- OFC – 9.6%
- TransGuard Insurance Company of America – 22.3%
- WIC – 16.5%

For certain reinsurance contracts, business is ceded to external reinsurers by the Pool Participants prior to the intercompany pooling, and each Pool Participant has a contractual right of direct recovery from its own external reinsurers. Each Pool Participant establishes a provision for reinsurance and a write-off of uncollectible reinsurance for its own external reinsurance.

Types of agreements included in this pooling arrangement include, but are not limited to, property catastrophe excess of loss, property per risk excess of loss, commercial property catastrophe excess of loss, and quota share agreements.

The Pool Participants reported the following amounts as receivable from and/or payable to affiliated reinsurers as of December 31, 2024:

Name of Insurer	Receivable	Payable
Harco	\$49,115,459	\$779,564
TransGuard Insurance Company of America	-	\$942,421
OFC	-	\$37,709,997
WIC	\$779,564	-
Acceptance Indemnity Insurance Company	-	\$7,087,479
Acceptance Casualty Insurance Company	-	\$2,422,752
Commercial Alliance Insurance Company	-	\$952,811

In 2024 and 2023, OFC ceded premiums totaling \$934,033,339 and \$740,419,458, respectively, and WIC ceded premiums totaling \$187,690,851 and \$172,241,176, respectively, to Harco under this contract.

In 2024 and 2023, OFC assumed premiums totaling \$137,769,505 and \$132,997,097, respectively, and WIC assumed premiums totaling \$236,791,339 and \$228,588,760, respectively, from Harco under this contract.

Adverse Development Coverage

Effective December 31, 2018, the Pool Participants entered into an Adverse Development Cover Aggregate Excess of Loss Reinsurance Contract with IAT Re, which provides the Pool Participants with reinsurance protection against unfavorable development arising from existing and/or newly reported claims on all business related to accident years 2018 and prior. In exchange for a total premium of \$500,000, the Pool Participants have up to \$100 million in protection against unfavorable development for those accident years. The Pool Participants remain obligated to policyholders for amounts ceded to reinsurers in the event that any reinsurer does not meet its obligation to the Pool. As of December 31, 2024, this contract was fully exhausted, resulting in a recoverable amount of \$0.

EXTERNAL REINSURANCE CEDED

OFC and WIC have a property facultative reinsurance contract with Arch Reinsurance Company effective August 1, 2023, which renews annually, whereby the companies cede risks of loss in excess of \$3,500,000, subject to a limit of liability of up to \$13,000,000 for any one loss occurrence (or \$6,500,000 for wildfire losses), as determined by the amounts reported and ceded under the contract. In 2024 and 2023, OFC ceded premiums totaling approximately \$1,053,000 and \$559,000, respectively, and WIC ceded premiums totaling approximately \$1,842,000 and \$89,000 respectively, to Arch Reinsurance Company under this contract.

OFC and WIC ceded a minimal amount of premiums to various miscellaneous reinsurers and mandatory pools.

In 2024 and 2023, OFC ceded premiums totaling \$1,061,863 and \$13,301,384, respectively, and WIC ceded premiums totaling \$3,752,261 and \$423,058, respectively, to non-affiliated reinsurers.

EXTERNAL REINSURANCE ASSUMED

WIC has a 100% quota share reinsurance contract with Home State County Mutual Insurance Company effective September 15, 2008, whereby WIC assumes commercial automobile business subject to a combined single limit of liability of \$1,000,000, uninsured motorist coverage of \$1,000,000, personal injury protection of \$10,000, physical damage per any one unit of \$500,000 and cargo of \$500,000. In 2024, WIC assumed premiums totaling approximately \$11,706,000 under this contract.

In 2024 and 2023, OFC assumed premiums totaling \$297,637 and \$329,450, respectively, and WIC assumed premiums totaling approximately \$11,790,296 and \$7,091,771, respectively, from non-affiliated reinsurers.

OFC and WIC assume a minimal amount of reinsurance on a pro-rata and excess of loss basis covering both personal and commercial line risk. The majority of the assumed reinsurance business is ceded to IAT Re.

FINANCIAL STATEMENTS

The financial statements are based on the statutory financial statements filed with the Department and present the financial condition of OFC and WIC for the period ending December 31, 2024. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department.

Statutory Statement of Admitted Assets
December 31, 2024

	OFC	WIC
Bonds	\$82,509,030	\$237,382,251
Preferred stocks	1,906,824	4,357,023
Common stocks	296,511,858	183,419,547
Cash, cash equivalents and short-term investments	44,687,599	62,789,239
Other invested assets	400,000	-
Total cash and invested assets	426,015,311	487,948,060
Investment income due and accrued	1,102,692	2,918,544
Uncollected premiums and agents' balances in course of collection	42,630,725	11,282,928
Deferred premiums and agents' balances booked but deferred and not yet due	29,522,660	3,794,595
Amounts recoverable from reinsurers	63,003	28,592
Funds held by or deposited with reinsured companies	207,034	66,557
Receivable from parent, subsidiaries, and affiliates	24,237,214	4,085,533
Assumed reinsurance recoverable	5,935	-
Misc receivable	-	2,195
Total admitted assets	\$523,784,574	\$510,127,004

Statement of Liabilities, Surplus, and Other Funds
December 31, 2024

	OFC	WIC
Losses	\$90,734,985	\$155,950,758
Reinsurance payable on paid losses and loss adjustment expenses	(7,550)	(18,071)
Loss adjustment expenses	17,836,821	30,657,033
Commissions payable, contingent commissions and other similar charges	(66,706,485)	(4,525,590)
Other expenses	23,608,100	118,308
Taxes, licenses, and fees	10,557,084	102,463
Current federal and foreign income taxes	1,992,679	1,438,751
Net deferred tax liability	21,763,326	18,625,080
Unearned premiums	68,504,286	117,741,741
Advance premium	12,220,213	1,649,326
Ceded reinsurance premiums payable	38,090,760	448,737
Funds held by company under reinsurance treaties	73,151	-
Amounts withheld or retained by company account of others	3,103,428	901,201
Payable to parent, subsidiaries, and affiliates	-	5,833,073
Third party balances payable	2,092,263	1,109,059
Recoupment	1,388,645	-
Loss deposits payable	500,000	-
Premium deposit payable	47,978	2,818,464
Miscellaneous other liabilities	1,078,576	31
Total liabilities	226,878,260	332,850,364
Common capital stock	4,200,000	4,200,000
Gross paid in and contributed surplus	117,864,146	34,931,424
Unassigned funds	174,842,168	138,145,216
Total capital and surplus	296,906,314	177,276,640
Total liabilities, capital and surplus	\$523,784,574	\$510,127,004

Statutory Statement of Income
December 31, 2024

	OFC	WIC
Underwriting income		
Premiums earned	\$134,258,798	\$230,757,310
Deductions		
Losses incurred	63,878,417	109,790,932
Loss adjustment expenses incurred	14,135,509	24,312,652
Other underwriting expenses incurred	51,825,317	89,072,565
Miscellaneous expenses	58,890	100,986
Total underwriting deductions	129,898,133	223,277,135
Net underwriting gain	4,360,665	7,480,175
Investment income		
Net investment income earned	5,984,142	15,247,916
Net realized capital gains	3,610,600	3,960,478
Net investment gain	9,594,742	19,208,394
Other income		
Net loss from agents' or premium balances charged off	(5,030)	(8,646)
Miscellaneous Fee income	59,836	102,604
Total other income	54,806	93,958
Net income before dividends to policyholders	14,010,213	26,782,527
Dividends to policyholders	130,309	223,969
Federal income taxes incurred	5,059,149	4,852,740
Net income	\$8,820,755	\$21,705,818

Statutory Statement of Capital and Surplus
December 31, 2024

	OFC	WIC
Capital and surplus, beginning of year	\$244,025,477	\$142,982,998
Capital and surplus increases (decreases):		
Net income	8,820,755	21,705,818
Change in net unrealized capital gains	41,296,174	12,402,806
Change in net deferred income tax	2,402,282	(344,176)
Change in non-admitted assets	361,626	529,194
Paid in capital changes	1,600,000	-
Paid in surplus adjustments	(1,600,000)	-
Net change in capital and surplus	52,880,837	34,293,642
Capital and surplus, end of year	\$296,906,314	\$177,276,640

Statutory Statement of Cash Flow
December 31, 2024

	OFC	WIC
Cash from operations		
Premiums collected net of reinsurance	\$118,030,878	\$237,257,009
Net investment income	5,721,931	15,226,269
Miscellaneous income	54,806	93,958
Total	123,807,615	252,577,236
Benefit and loss related payments	59,990,739	103,281,651
Commissions, expenses paid and aggregate write-ins	46,376,449	113,771,335
Dividends paid to policyholders	130,309	223,968
Federal income taxes paid (recovered)	(14,903,017)	3,234,602
Total	91,594,480	220,511,556
Net cash from operations	32,213,135	32,065,680
Cash used by investments		
Proceeds from investments sold, matured, or repaid	20,638,432	52,437,527
Cost of investments acquired	24,489,394	84,872,897
Net cash used by investments	(3,850,962)	(32,435,370)
Cash from (used by) financing and miscellaneous sources		
Other cash (applied)	2,048,287	(1,149,087)
Net cash from (used by) financing and miscellaneous sources	2,048,287	(1,149,087)
Reconciliation of cash, cash equivalents, and short-term investments		
Net change in cash and short-term investments	30,410,460	(1,518,777)
Cash and short-term investments, beginning of year	14,277,139	64,308,016
Cash and short-term investments, end of year	\$44,687,599	\$62,789,239

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by OFC and WIC are as follows:

Bonds: Investment grade bonds not backed by other loans are stated at amortized cost. Non-investment grade bonds with NAIC designations of 3 through 6 are stated at the lower of amortized cost or fair value.

Short-term investments: Carried at amortized cost, which approximates fair value. Non-investment grade short-term investments are stated at the lower of amortized cost or fair value.

Common stocks: Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under the equity method.

Preferred stocks: Investment grade redeemable preferred stocks are stated at amortized cost. Investment grade perpetual preferred stocks are stated at fair value. Non-Investment grade preferred stocks are stated at the lower of amortized cost or fair value.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, prepaid expenses, furniture, equipment, electronic data processing equipment and software, and deferred tax assets, are “non-admitted” and are charged against surplus.

Net investment income: Income earned consists primarily of interest and dividends less investment related expenses. Interest is recognized on an accrual basis, and dividends are recognized on an ex-dividend basis. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed. Realized capital losses include write-downs for impairments considered to be other than temporary.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are accounted for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported net of balances ceded to reinsurers. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Losses & loss adjustment expense: Liabilities for estimated losses determined from case estimates based on the number of reported loan defaults and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The following represents an analysis of OFC's and WIC's net admitted assets at December 31, 2024:

OFC	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$ 82,509,030	\$ -	\$ 82,509,030
Preferred stocks	1,906,824	-	1,906,824
Common stocks	296,511,858	-	296,511,858
Cash, cash equivalents and short-term investments	44,687,599	-	44,687,599
Other invested assets	400,000	-	400,000
Total cash and invested assets	426,015,310	-	426,015,311
Investment income due and accrued	1,102,692	-	1,102,692
Uncollected premiums and agents' balances in course of collection	43,423,960	793,235	42,630,725
Deferred premiums and agents' balances booked but deferred and not yet due	29,522,660	-	29,522,660
Reinsurance recoverable	63,003	-	63,003
Funds held by or deposited with reinsured companies	207,034	-	207,034
Furniture and equipment	69,738	69,738	-
Receivable from parent, subsidiaries, and affiliates	24,237,214	-	24,237,214
Assumed reinsurance payable	5,935	-	5,935
Miscellaneous receivables	3,802	3,802	-
Prepaid expenses and deposits	7,357,484	7,357,484	-
Miscellaneous other assets	14,733	14,733	-
Total admitted assets	\$532,023,566	\$8,238,992	\$523,784,574

WIC	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$237,382,251	\$ -	\$237,382,251
Preferred stocks	4,357,023	-	4,357,023
Common stocks	183,419,547	-	183,419,547
Cash, cash equivalents and short-term investments	62,789,239	-	62,789,239
Total cash and invested assets	487,948,060		487,948,060
Investment income due and accrued	2,918,544	-	2,918,544
Uncollected premiums and agents' balances in course of collection	11,915,274	632,346	11,282,928
Deferred premiums and agents' balances booked but deferred and not yet due	3,794,595	-	3,794,595
Reinsurance recoverable	28,592	-	28,592
Funds held by or deposited with reinsured companies	66,557	-	66,557
Receivable from parent, subsidiaries, and affiliates	4,085,533		4,085,533
Misc receivable	3,077	882	2,195
Prepaid claims	150,000	150,000	-
Prepaid expenses and deposits	16,448	16,448	-
Total admitted assets	\$510,926,680	\$799,676	\$510,127,004

Reinsurance Activity:

OFC and WIC have various types of reinsurance contracts to minimize their exposure to losses. Reinsurance contracts do not relieve the companies of their primary obligation to policyholders, and failure of the reinsurers to discharge their obligations could result in losses to the companies.

Direct, assumed, and ceded premiums written and earned were as follows:

OFC	2024	2023
Direct written premiums	\$934,797,567	\$753,391,389
Reinsurance assumed: affiliates	137,769,505	132,997,097
Reinsurance assumed: non-affiliates	297,637	329,450
Total reinsurance assumed	138,067,142	133,326,547
Ceded reinsurance: affiliates	934,033,339	740,419,458
Ceded reinsurance: non-Affiliates	1,061,863	13,301,384
Total ceded reinsurance	935,095,202	753,720,842
Net written premiums	137,769,507	132,997,094
Net earned premiums	\$134,258,798	\$128,868,335

WIC	2024	2023
Direct written premiums	\$179,652,818	\$165,572,465
Reinsurance assumed: Affiliates	236,791,339	228,588,760
Reinsurance assumed: Non-Affiliates	11,790,296	7,091,771
Total reinsurance assumed	248,581,635	235,680,531
Ceded reinsurance: Affiliates	187,690,851	172,241,176
Ceded reinsurance: Non-Affiliates	3,752,261	423,058
Total ceded reinsurance	191,443,112	172,664,234
Net written premiums	236,791,341	228,588,762
Net earned premiums	\$230,757,310	\$221,492,459

The reinsurers share the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described in the Reinsurance Program Overview.

Summary of Reserves:

The following provides a reconciliation of the reserves for losses and loss adjustment expenses:

OFC	2024	2023
Reserves for losses and loss adjustment expenses, beginning of year	\$ 105,513,820	\$ 98,134,369
Add:		
Provision for losses and loss adjustment expenses, current year	78,294,926	87,376,481
Change in estimated losses and loss adjustment expenses, prior years	(281,000)	(4,060,000)
Total incurred	78,013,926	83,316,481
Deduct:		
Losses and loss adjustment expenses paid, current year	32,646,000	27,710,000
Losses and loss adjustment expenses paid, prior year	42,309,940	48,227,030
Total paid	74,955,940	75,937,030
Reserves for losses and loss adjustment expenses, end of year	108,571,806	105,513,820
Increase in reserves for losses and loss adjustment expenses	\$3,057,986	\$7,379,451

OFC's reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under reinsurance contracts. At December 31, 2024 and 2023, the liability for losses and loss adjustment expenses was reduced by \$252,854,733 and \$243,412,746, respectively, for amounts to be recovered from reinsurers.

WIC	2024	2023
Reserves for losses and loss adjustment expenses, beginning of year	\$181,334,731	\$168,651,342
Add:		
Provision for losses and loss adjustment expenses, current year	134,569,584	136,208,148
Change in estimated losses and loss adjustment expenses, prior years	(466,000)	6,992,000
Total incurred	134,103,584	143,200,148
Deduct:		
Losses and loss adjustment expenses paid, current year	56,110,000	47,627,000
Losses and loss adjustment expenses paid, prior year	72,720,524	82,889,759
Total paid	128,830,524	130,516,759
Reserves for losses and loss adjustment expenses, end of year	186,607,791	181,334,731
Increase in reserves for losses and loss adjustment expenses	\$5,723,060	\$12,683,389

WIC reserves for losses and loss adjustment expenses are reported net of the amounts that are recoverable under reinsurance contracts. At December 31, 2024 and 2023, the liability for losses and loss adjustment expenses was reduced by \$185,035,965 and \$185,001,936, respectively, for amounts to be recovered from reinsurers.

Capital and Surplus:

The data obtained from annual statements filed with the Department, as reflected in Appendix A, in conjunction with the Statutory Statement of Capital and Surplus, represents the changes in the capital and surplus reported by OFC and WIC since the Department's last examination as of December 31, 2019.

SUBSEQUENT EVENTS

On July 14, 2025, OFC and WIC filed MGA agreements between SageSure and various IAT Inc. affiliates, which were subsequently approved by the Department on September 17, 2025.

On July 18, 2025, OFC and WIC filed amended Tax Allocation and Cost Allocation Agreements between IAT Inc. and various affiliates, which were subsequently approved by the Department on July 25, 2025.

Effective April 21, 2025, IAT Re increased its fidelity bond coverage to \$3,000,000, which is the minimum amount recommended by the Handbook for the IAT Insurance Group.

Effective January 1, 2026, Michael McSally, Boyce Oglesby and Gina Papush were appointed as directors of OFC and WIC, increasing the number of directors to ten (10).

Effective January 1, 2026, IAT Inc. approved three independent members to serve on its Board's Executive Committee, which is the designated Audit Committee for OFC and WIC.

The following individuals serve on the Audit Committee for OFC and WIC as of January 1, 2026:

Name	Principal Occupation
David Pirrung	Chief Financial Officer, IAT Re
Michael McSally	Retired former Senior Executive for public and private companies
Boyce Oglesby	Retired former Chief Risk Officer for IAT Re
Gina Papush	Chief Data Officer, Fannie Mae

On April 7, 2026, John Mruk, Senior Vice President and Treasurer of OFC and WIC, resigned, and the Board has not yet elected a replacement for the position.

**Occidental Fire & Casualty Company of North Carolina
Wilshire Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2024**

Dave Pirrung, Chief Financial Officer
IAT Insurance Group
4200 Six Forks Road, Suite 1400
Raleigh, North Carolina 27609

Michael Blinson, Secretary
IAT Insurance Group
4200 Six Forks Road, Suite 1400
Raleigh, North Carolina 27609

Michelle Greer, Finance and Accounting
IAT Insurance Group
4200 Six Forks Road, Suite 1400
Raleigh, North Carolina 27609

CONCLUSION

The examination procedures described herein revealed no material adverse findings or adjustments to surplus.

We conclude that OFC and WIC comply with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that they have been authorized to write, which is 2,250,000, respectively.

The courteous cooperation and assistance extended by the officers and employees of the companies during the examination is hereby acknowledged.

Respectfully submitted,




Monique D. Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

May 4, 2026

STATE OF NORTH CAROLINA

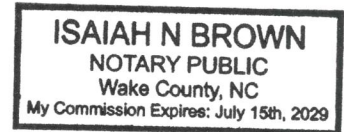
COUNTY OF WAKE

Jeffrey Streyle, Chief Financial Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by him is true and correct to the best of his knowledge and belief.

Signature:  Date: 5/4/2026

Sworn and subscribed before me this 4th day of May, 2026.

Notary Public Signature:  Notary Public Seal:



**Occidental Fire & Casualty Company of North Carolina
Wilshire Insurance Company
APPENDIX A
December 31, 2024**

Changes in Capital and Surplus:

The following represents the changes in capital and surplus since the Department's last examination as of December 31, 2019:

OFC	2023	2022	2021	2020
Capital and surplus, beginning of year	\$210,444,590	\$251,867,291	\$214,572,462	\$217,135,083
Capital and surplus increases (decreases):				
Net income (loss)	17,282,222	3,523,014	(8,662,949)	10,225,661
Change in net unrealized capital gains (losses)	30,924,720	(42,393,925)	44,237,767	(9,387,360)
Change in net deferred income tax	(13,264,154)	(2,196,758)	2,135,122	(1,797,258)
Change in non-admitted assets	(1,361,901)	(355,032)	(415,111)	(1,603,664)
Change in surplus as regards policyholders for the year	33,580,887	(41,422,701)	37,294,829	(2,562,621)
Capital and surplus, end of year	\$244,025,477	\$210,444,590	\$251,867,291	\$214,572,462

WIC	2023	2022	2021	2020
Capital and surplus, beginning of year	\$123,665,000	\$149,483,329	\$123,623,009	\$119,900,021
Capital and surplus increases (decreases):				
Net income (loss)	7,305,875	8,078,660	(10,990,733)	7,312,500
Change in net unrealized capital gains (losses)	12,254,064	(32,142,613)	34,769,067	(3,617,747)
Change in net deferred income tax	(541,905)	(895,795)	2,105,308	536,682
Change in non-admitted assets	299,963	(858,581)	(23,322)	(508,447)
Change in surplus as regards policyholders for the year	19,317,998	(25,818,329)	25,860,320	3,722,988
Capital and surplus, end of year	\$142,982,998	\$123,665,000	\$149,483,329	\$123,623,009