

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

JUN 25 2023

FILED

CERTIFICATION

June 25, 2023

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

AMERICAN INTERSTATE INSURANCE COMPANY

AS OF

DECEMBER 31, 2021

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.





DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

AMERICAN INTERSTATE INSURANCE COMPANY

2301 HIGHWAY 190 WEST

DERIDDER, LA 70634

dated as of December 31, 2021, verified under oath by the examiner-in-charge on
June 6, 2023, and received by the company on June 6, 2023, has been adopted
with modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 15th day of June 2023.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink, appearing to read "L. Crawford", written in a cursive style.

Lindsay Crawford, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

AMERICAN INTERSTATE INSURANCE COMPANY

as of

December 31, 2021

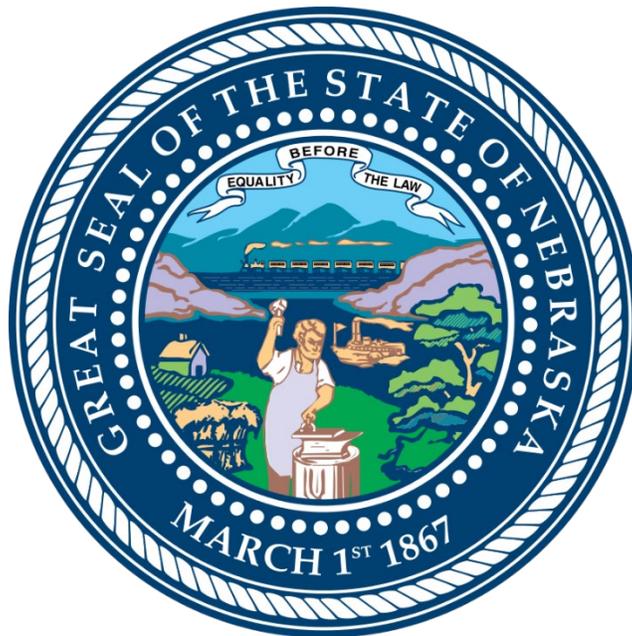


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Deridder, Louisiana
May 31, 2023

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

AMERICAN INTERSTATE INSURANCE COMPANY

which has its Statutory Home Office located at

13321 California Street, Suite 310
Omaha, Nebraska 68154

with its Principal Executive Office Located at

2301 Highway 190 West
Deridder, Louisiana 70634

(hereinafter also referred to as the "Company"), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2017. The current financial condition examination covers the intervening period to and includes the close of business on December 31, 2021 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska and Texas participated in this examination and assisted in the preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company's subsidiaries, Silver Oak Casualty, Inc. (SOCl) and American Interstate Insurance Company of Texas (AIICTX).

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Nebraska Department of Insurance as the coordinating state and the Texas Department of Insurance as a participating state. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their

respective companies' financial condition and to summarize key results of examination procedures.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholder, Board of Directors, and committees held during the examination period were read and noted. Attendance at meetings, proxy information, election of Directors and Officers, approval of investment transactions, and authorizations of salaries were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed, as were plans for employee welfare. Certificates of Authority to conduct the business of insurance in the various states were inspected and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination

process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Ernst & Young, LLP, the Company's external auditors, during their audit of the Company's accounts for the year ended December 31, 2020 and 2021. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated in Georgia under the name of American Interstate Insurance Company of Georgia on October 24, 1973. The petition of charter was filed December 21, 1973. The Company commenced business on April 12, 1974 with the stated purpose of engaging in the business of a property, casualty, marine, and transportation insurer.

Prior to commencing business, the outstanding shares of the Company were acquired by American Interinsurance Exchange (AIE), a reciprocal insurer organized under the laws of Indiana. In 1985, Gulf Universal Holdings, Inc. (now AMERISAFE, Inc.), a Texas Insurance Holding Company, acquired all the outstanding shares of the Company from AIE.

The Company re-domesticated to Louisiana and amended its Articles of Incorporation on June 30, 1993 (approved, by the Louisiana Commissioner of Insurance on July 12, 1993). At that

time the "of Georgia" was dropped from the name. The new name became American Interstate Insurance Company.

On September 2, 1997, AMERISAFE, Inc. (AMERISAFE) was re-capitalized by the acquisition of approximately 68% of its issued and outstanding capital stock by Welsh, Carson, Anderson, and Stowe VII, L.P., a Delaware limited partnership, making Welsh, Carson, Anderson, and Stowe VII, L.P. the ultimate controlling entity at that time. This acquisition was approved by the Louisiana Department of Insurance on August 27, 1997.

On November 17, 2005, AMERISAFE completed its initial public offering, issuing 8 million shares of common stock at \$9 per share. A second public offering, held November 15, 2006, offered 7,888,326 shares of common stock. AMERISAFE did not receive any proceeds from the sale of the common stock in this offering. Additionally, the selling shareholders granted an over-allotment option to sell up to 1,183,250 additional shares of common stock. Upon completion of this offering, the over-allotment option was exercised in full. Welsh, Carson, Anderson, and Stowe VII, L.P. no longer owns any shares of AMERISAFE common stock.

In December 1993, the Company acquired all the issued and outstanding stock of SOCI, a Louisiana domiciled Company. In 2004, the Company formed a Texas domiciled subsidiary, AIICTX to write workers' compensation risks in Texas.

The Articles of Incorporation and By-Laws were last amended on September 30, 2013 for the purpose of redomesticating the Company and SOCI to Nebraska. The amended and restated Articles of Incorporation were filed November 27, 2013. The amended and restated By-Laws were filed with the Department on November 14, 2013.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the “Ultimate Controlling Person,” as reported in the 2021 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

- AMERISAFE, Inc. (Texas)
 - Amerisafe Risk Services, Inc.
 - Amerisafe General Agency, Inc.
 - American Interstate Insurance Company (Nebraska)
 - Silver Oak Casualty, Inc. (Nebraska)
 - American Interstate Insurance Company of Texas (Texas)

AMERISAFE is a publicly held Texas corporation and holding company. AMERISAFE's stock is traded on the NASDAQ Stock Exchange under the symbol AMSF.

Shareholder

Article V of the Company's Articles of Incorporation states that, “the aggregate number of shares which the corporation shall have to the authority to issue is one hundred thousand (100,000) shares of common stock of One Hundred Dollars (\$100) par value per share.” As of December 31, 2021, the issued and outstanding common stock was 30,010 shares for a total capital of \$3,001,000. Paid-in and contributed surplus was \$53,497,855. The issued and outstanding shares did not change during the period under examination.

Article II, Section (a) of the Company's By-Laws states that, “the annual meeting of Shareholders shall be held on or before the 30th day of June in each and every calendar year, for the purpose of receiving the report of its Officers and Directors, electing Directors, and for the transaction of such other business as may come before the meeting.”

Dividends paid to the Shareholder, AMERISAFE, during the period under examination were \$65,400,000 in 2018, \$115,900,000 in 2019, \$88,600,000 in 2020, and \$148,400,000 in 2021. The dividends in 2019 and 2021 were considered extraordinary by Nebraska statutes and were filed and approved by the Nebraska Department of Insurance.

Dividends received during the period under examination from the Company's subsidiary, SOCI, were \$9,900,000 in 2018, \$11,500,000 in 2019, \$14,100,000 in 2020, and \$32,900,000 in 2021.

Dividends received during the period under examination from the Company's subsidiary, AICTX, were \$3,000,000 in 2018, \$3,400,000 in 2019, \$4,400,000 in 2020 and \$3,800,000 in 2021.

Board of Directors

Article III, Section (b) of the Company's By-Laws states that, "the number of Directors of the corporation shall be no fewer than five (5), the exact number to be determined by the Shareholders. Each Director shall hold office until the next annual meeting of Shareholders, and until his or her successor shall have been elected and qualified, or until his or her death, resignation or removal. Each Director shall qualify as a Director of the corporation under applicable insurance laws of the State of Nebraska, and at least one Director shall be a resident of the State of Nebraska. The permissible number of Directors may be increased or decreased from time to time by amendment to these By-Laws, but no decrease shall have the effect of shortening the term of any incumbent Director."

According to Article III, Section (c) of the Company's By-Laws, "a regular meeting of the Board of Directors shall be held without other notice than this By-Law immediately after and at the same place as the annual meeting of Shareholders. The Board of Directors may provide for

the time and place, either within or without the State of Nebraska, for the holding of additional regular meetings, without other notice than that furnished by the resolution calling such meeting or meetings.”

As of December 31, 2021, the Board of Directors consisted of eight members, all of which were employees of the Company. A regular meeting of the Board is held immediately after and at the same place as the annual meeting of Shareholders.

The following persons were serving as Directors at December 31, 2021:

<u>Name and Residence</u>	<u>Principal Occupation</u>
G. Janelle Frost Deridder, LA	Chairman of the Board, President and Chief Executive Officer
Neal A. Fuller Deridder, LA	Executive Vice President and Chief Financial Officer
Vincent J. Gagliano Lake Charles, LA	Executive Vice President and Chief Risk Officer
Shane S. Hook Omaha, NE	Assistant Vice President, Claims
Henry O. “Chris” Lestage, IV Deridder, LA	Senior Vice President, Claims
Andrew B. McCray DeRidder, LA	Executive Vice President, Chief Underwriting Officer
Angela W. Pearson Deridder, LA	Senior Vice President, Controller
Kathryn H. Shirley Deridder, LA	Executive Vice President, Chief Administrative Officer

Neal Fuller retired during 2022 and was replaced on the Board of Directors by the new Chief Financial Officer, Anastasios Omiridis.

Article III, Section (h) of the Company’s By-Laws states that, “by resolution of the Board of Directors, Directors may be paid their expense of attendance at each meeting.” Per Company management, fees are not paid to Board members by the Company. Non-employee Board members of AMERISAFE are paid compensation in the form of cash and restricted common stock by AMERISAFE. Board committees, other than Investment Committee, only exist at the AMERISAFE level, but, according to Company management, govern activities within their responsibilities enterprise-wide.

Officers

Article IV, Section (a) of the Company’s By-Laws states that, “the Officers of the corporation shall be a President, a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other Officers and Assistant Officers as may be deemed necessary, including Chair of the Board or one or more Vice Presidents, may be elected or appointed by the Board of Directors... Any two (2) or more offices may be held by the same person except as may otherwise be required by law.”

The following is a partial listing of Senior Officers elected and serving the Company at December 31, 2021:

<u>Name</u>	<u>Office</u>
G. Janelle Frost	President and Chief Executive Officer
Neal A. Fuller	EVP, Chief Financial Officer & Treasurer
Vincent J. Gagliano	EVP and Chief Risk Officer
Andrew B. McCray	EVP, Chief Underwriting Officer
Kathryn H. Shirley	EVP, Chief Administrative Officer
Mary E. Hamel	SVP, Sales
Henry O. “Chris” Lestage, IV	SVP, Claims Operations
Garrett Little	SVP, Safety Operations
Barbara McCrary	SVP, Policyholder Services
Angela W. Pearson	SVP, Controller

Committees

The Company's Articles of Incorporation and By-Laws do not address required or allowed Board committees. All of the Company's Board committees, with the exception of the Management Investment Committee, were dissolved in 2006. The Audit, Compensation, Nominating and Corporate Governance, and Risk Committees exist at the AMERISAFE level only.

The following persons were serving on the Management Investment Committee at December 31, 2021:

G. Janelle Frost
Vincent J. Gagliano
Kathryn H. Shirley

Neal A. Fuller
Andrew B. McCray

TRANSACTIONS WITH AFFILIATES

Cost Sharing Agreement

The Company participates in a Cost Sharing Agreement with AMERISAFE, SOCI, AIICTX, Amerisafe Risk Services, Inc. (ARSI), and Amerisafe General Agency, Inc. (AGAI). Under the terms of the agreement participants utilize goods and services, including but not necessarily limited to shared personnel services, as well as management services provided by AMERISAFE and the Company. The services provided by AMERISAFE include payroll administration, human resource services, employee benefit administration, management services, and related administrative support. Services provided by the Company include regulatory and filing services and consultation, assistance on market conduct exams and other regulatory audits, accounting services, underwriting services, policy services, audit services, and related administrative support. The costs are allocated 80 percent to the Company, 15 percent to SOCI, and 5 percent to AIICTX. Upon redomestication to Nebraska, the cost sharing agreement

(effective January 1, 2005) was amended and restated to be effective December 10, 2013. The agreement was amended again in 2016 to include the right to offset amounts owed with amounts due pursuant to Statement of Statutory Accounting Principles (SSAP) No. 64 – *Offsetting and Netting of Assets and Liabilities*.

Tax Allocation Agreement

The Company participates in a Tax Allocation Agreement with its Parent, AMERISAFE, and other affiliated companies. Tax is computed first by allocating the affiliated group's tax liability amongst the participants in accordance with the ratio of the consolidated taxable income attributable to each participant to the consolidated taxable income of the group. Secondly, an additional amount is allocated to each participant equal to 100% of the excess of the separate return tax liability for the participant over the group tax liability already allocated to the participant. Lastly, any additional amounts allocated pursuant to the second step will be credited to the earning and profits of those participants which had income, deductions, or credits to which such additional allocated amounts were attributable. This agreement was effective January 1, 2005. The Agreement was amended on May 6, 2019 to include requirements for record retention and maintenance, and add language to the termination provisions.

Claims and Safety Services Agreement

The Company is party to a Claims and Safety Services Agreement with ARSI. Claims services refer to all unallocated loss adjustment expenses arising from claims and demands made on the Company. Safety services refer to the complete cost of pre-quotation safety inspection, reports, post binding inspections, post-accident inspections, consultation with Company underwriters, and periodic reports as requested by the Company. In return for services, the Company is to pay a sum equal to actual expenses. The effective date of this agreement is

January 1, 2003 and continues until terminated by either party with 30 days' notice. The amounts paid by the Company under this agreement were approximately \$20.0 million in 2021, \$20.4 million in 2020, \$20.2 million in 2019, and \$21.0 million in 2018.

This agreement was amended on March 10, 2015 to require quarterly payments of amounts due, no more than 45 days after the close of the quarter. The agreement was further amended on March 15, 2019 to add language about the Commissioner of Insurance rights if the Company was placed in receivership and to provide the right to offset intercompany account balances in accordance with Statutory Accounting Principles.

Managing General Agent's Contract

AGAI has a Managing General Agent Contract with the Company and AMERISAFE under which business is marketed and sold for the Company. The agreement also permits AGAI to negotiate and assist in settling claims on behalf of the Company. The net expenses of AGAI and the Company are to be paid by AMERISAFE.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact business in all states with the exception of Connecticut, New Jersey, and Ohio.

The Company's business is focused on select hazardous core trade groups, including construction, trucking, lumber, manufacturing, oil and gas, and agriculture. Hazardous industry employers tend to have less frequent but more severe claims compared to other industries. Injuries often involve death, dismemberment, and paralysis. The Company remains focused on small to mid-sized accounts with loss control and safety engineering strongly emphasized.

Through ARSI the Company utilizes field auditors, safety engineers, and field case managers located in areas where most of the business is written. The Company's insurance business is marketed by both independent agents and through AGAI.

REINSURANCE

Pooling

The Company was a party to a reinsurance pooling agreement with SOCI and AIICTX throughout the examination period. Pursuant to the agreement, which was amended and restated effective December 9, 2013, the companies pooled direct business according to the following schedule:

<u>Ceding Company</u>	<u>Assuming Company</u>	<u>Percentage of Business</u>
SOCI	The Company	100% after 1/1/1998 (direct liability)
AIICTX	The Company	100% after 1/1/2005 (direct liability)
The Company	SOCI	20% 1/1/1998 through 12/31/2004 (net liability) 15% on or after 1/1/2005 (net liability)
The Company	AIICTX	5% on or after 1/1/2005 (net liability)

Net Liability means gross direct liability, less all outside ceded reinsurance and net voluntary and involuntary assumed liability. Direct liabilities include the following:

- Direct written and unearned premiums
- Losses and loss adjustment expenses for accident year 1998 and thereafter
- Underwriting expenses incurred
- Premium balances charged off
- Policyholder dividends
- Other miscellaneous liabilities related to the production of income

The accounts are rendered quarterly with balances settled within 45 days of the end of the quarter. Interim settlements may be made more often.

Assumed

The Company, SOCI, and AIICTX are required by many of the states in which business is conducted to participate in a program to provide workers' compensation insurance to those employers who have not or cannot obtain coverage from a carrier on a negotiated basis. The companies fulfill this requirement in one of two ways:

1. Direct assignment whereby the Company administers the policy issuance, claims, loss control, audit, and other policy management function.
2. Participation in reinsurance pools where the results of all policies provided through the pool are shared by the participating companies. The Company participates in mandatory pooling arrangements with National Council on Compensation Insurance, Indiana and Mississippi. At December 31, 2021 the assumed premium and losses for the mandatory pools were as follows:

Premium - \$8,442,000
Paid Loss and LAE- \$2,585,000
Case/IBNR- \$7,405,000

Ceded

The Company, SOCI, and AIICTX are parties to reinsurance agreements with unaffiliated reinsurers. In 2021, the unaffiliated reinsurance coverage consisted of two layers of excess of loss reinsurance up to \$70,000,000 on all casualty business, subject to applicable limitations, deductibles, and retentions. The Company retained \$2,000,000, subject to annual aggregate deductibles.

The following table depicts the Workers Compensation coverage as of December 31, 2021.

<u>Description</u>	<u>Coverage</u>	<u>Percentage of Coverage and Reinsurer</u>
Casualty Excess of Loss - Effective January 1, 2020 to January 1, 2023	Per occurrence coverage: \$8,000,000 excess \$2,000,000	Arch Re (US) – 25% Hannover RE (Ireland) – 75%
Part A	<p>Subject to an annual aggregate deductible equal to the greater of 3% of Net Earned Premium (NEP) or \$7,299,000.</p> <p>The Reinsurer’s liability with respect to all losses occurring during any one contract year shall not exceed the lesser of: 6% of NEP for the applicable contract year or \$21,896,000 each contract year.</p> <p>The Reinsurer’s liability with respect to all losses occurring during the term of the contract shall not exceed the lesser of: 4% of NEP for all contract years or \$44,570,000.</p>	Arch Re (US) – 25% Hannover RE (Ireland) – 75%
Part B	<p>Subject to an annual aggregate deductible equal to the sum of i) the annual aggregate deductible under Part A plus ii) 6% of NEP for the applicable year.</p> <p>The Reinsurer’s liability in respect to all losses occurring during any one contract year shall not exceed the lesser of: 3% of NEP for the applicable year, or \$11,142,000 each contract year.</p> <p>The reinsurer’s liability in respect to all losses occurring during the term of the contract</p>	Arch Re (US) – 25% Hannover RE (Ireland) – 75%

	shall not exceed the lesser of: 1% of NEP for all contract years or \$11,142,000.	
Casualty Catastrophe Excess – Effective January 1, 2021 to January 1, 2022	Per occurrence coverage: \$60,000,000 excess \$10,000,000 Maximum any one Life - \$10,000,000 Aggregate limit of \$120,000,000	10% - Arch Reinsurance Company 10% - Allied World (Bermuda) 5% - Markel Global Reinsurance Company 10% - Munich Reinsurance America, Inc. 10% - Houston Casualty Company 55% Lloyds of London (various syndicates)

The Company, as a part of the AMERISAFE Insurance Group is a member of the Workers' Compensation Reinsurance Association (WCRA). The Minnesota workers' compensation business is required, by Minnesota law, to be reinsured by the WCRA. The Company, as a member of the WCRA, is required to select a low, high, super, or jumbo retention limit each calendar year. The limit selected by the Company for the 2021 calendar year was the super retention level of \$2,000,000.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Bonds	\$ 852,673,438	\$ 780,674,107	\$ 730,512,104	\$ 643,267,793
Admitted assets	1,224,750,064	1,168,544,078	1,137,147,062	1,013,552,323
Losses	500,746,540	488,839,336	472,901,960	454,972,732
Total liabilities	841,174,811	808,592,558	771,622,743	735,763,815
Capital and surplus	383,575,253	359,951,520	365,524,319	277,788,508
Premiums earned	281,832,006	267,909,082	245,042,409	222,452,045
Net investment income	35,689,117	39,244,568	39,995,642	55,267,925
Losses incurred	139,658,548	115,260,535	104,110,160	110,522,689
Net income	70,856,806	88,613,736	83,909,837	78,439,393

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2021

<u>Assets</u>	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 643,267,793		\$ 643,267,793
Common stocks	149,448,904		149,448,904
Cash	<u>46,980,566</u>	<u> </u>	<u>46,980,566</u>
Subtotal, cash and invested assets	\$ 839,697,263		\$ 839,697,263
Investment income due and accrued	5,624,372		5,624,372
Uncollected premiums and agent's balances in course of collection	29,219,025	\$4,747,637	24,471,388
Deferred premiums, agent's balances and installments booked, but deferred and not yet due	110,963,539	34,169	110,929,370
Amounts recoverable from reinsurers	3,754,004		3,754,004
Current federal income tax recoverable	6,314,515		6,314,515
Net deferred tax asset	12,354,639		12,354,639
Guaranty funds receivable or on deposit Receivable from parent, subsidiaries and affiliates	237,672 195,447		237,672 195,447
Security deposit	5,276	5,276	
Prepaid expenses	1,026,203	1,026,203	
Experience rating commission receivable	957,257		957,257
Interest receivable	8,717,424		8,717,424
State tax recoverable	298,972		298,972
Operating lease ROU assets	<u>181,497</u>	<u>181,497</u>	
Totals	<u>\$1,019,547,105</u>	<u>\$5,994,782</u>	<u>\$1,013,552,323</u>

Liabilities, Surplus, and Other Funds

Losses	\$ 454,972,732
Reinsurance payable on paid losses and loss adjustment expenses	3,538,922
Loss adjustment expenses	48,550,879
Commissions payable	2,878,516
Other expenses	3,217,560
Taxes, licenses and fees	15,975,689
Unearned premiums	98,100,401
Ceded reinsurance premiums payable	27,463,869
Funds held by company under reinsurance treaties	41,064,109
Amounts withheld or retained by company for account of others	2,639,089
Provision for reinsurance	5,992
Payable to parent, subsidiaries and affiliates	245,444
Security deposits	36,929,116
Operating lease liabilities	<u>181,497</u>
 Total liabilities	 <u>\$ 735,763,815</u>
 Common capital stock	 \$3,001,000
Gross paid in and contributed surplus	53,497,855
Unassigned funds (surplus)	<u>221,289,653</u>
 Total capital and surplus	 <u>\$ 277,788,508</u>
 Totals	 <u>\$1,013,552,323</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned	\$222,452,045
Losses incurred	\$110,522,689
Loss adjustment expenses incurred	18,677,831
Other underwriting expenses incurred	<u>54,735,554</u>
Total underwriting deductions	<u>\$183,936,074</u>
Net underwriting gain	<u>\$ 38,515,971</u>

Investment Income

Net investment income earned	\$ 55,267,925
Net realized capital gain	<u>644,192</u>
Net investment gain	<u>\$ 55,912,117</u>

Other Income

Net loss from agents' or premium balances charged off	\$ (4,146,668)
Miscellaneous income	150,916
Penalties and fines	<u>(6,912)</u>
Total other income	<u>\$ (4,002,664)</u>
Net income before dividends to policyholders and federal income taxes	\$ 90,425,424
Dividends to policyholders	3,090,045
Federal income taxes incurred	<u>8,895,986</u>
Net income	<u>\$ 78,439,393</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus, beginning	\$382,061,499	\$383,575,253	\$359,951,520	\$365,524,319
Net income	\$ 70,856,806	\$ 88,613,736	\$ 83,909,837	\$ 78,439,393
Change in net unrealized capital gains	1,944,482	6,093,857	2,201,752	(18,018,562)
Change in net deferred income tax	2,464,814	(1,990,566)	(2,410,844)	(151,731)
Change in nonadmitted assets	(8,352,128)	(439,319)	8,821,421	399,437
Change in provision for reinsurance	(220)	(1,441)	17	(4,348)
Dividends to stockholders	(65,400,000)	(115,900,000)	(88,600,000)	(148,400,000)
Prior period tax adjustment	_____	_____	1,650,616	_____
Net change for the year	<u>\$ 1,513,754</u>	<u>\$ (23,623,733)</u>	<u>\$ 5,572,799</u>	<u>\$ (87,735,811)</u>
Capital and surplus, ending	<u>\$383,575,253</u>	<u>\$359,951,520</u>	<u>\$365,524,319</u>	<u>\$277,788,508</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$221,289,653, as reported in the Company's 2021 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendations appearing in the previous report of examination are reflected below together with the remedial actions taken by the Company to comply therewith:

Violation of SSAP No. 25 - It is recommended the Company comply with SSAP No. 25 disclosure requirements going forward.

Actions: The Company has complied with this recommendation.

Violation of SSAP No. 64 – It is recommended that the Company comply with SSAP No. 64 and report amounts receivable from and amounts due to parents, subsidiaries, and affiliates separately in the annual statement going forward.

Actions: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

There are no comments or recommendations that have been made as a result of this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There are no comments or recommendations that have been made as a result of this examination.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, James Menck, CFE, CPA, Joe Jacobson, CFE, and John Wiatr, CFE, Financial Examiners; Michael Nadeau, CFE, CPA, CISA, Information Systems Specialist; and Alan Kaliski, FCAS, MAAA; all with the Nebraska Department of Insurance or Noble Consulting Services and Financial Examiners, Information Systems Specialists, and Actuarial Examiners with the Texas Department of Insurance; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Joseph Hofmeister, CFE
Examiner-in Charge
Noble Consulting Services
Representing the Department of Insurance
State of Nebraska



Tadd Wegner, CFE
Assistant Chief Examiner - Field
Department of Insurance
State of Nebraska

State of Nebraska,

County of Lancaster,

Joseph Hofmeister, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examination of American Interstate Insurance Company.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of American Interstate Insurance Company was performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.



Examiner-in-Charge's Signature

Subscribed and sworn before me by JOSEPH HOFMEISTER on this 10 day of JUNE, 20 23.

(SEAL)



Notary Public

JESSICA A ROMERO
General Notary - State of Nebraska
My Commission Expires Dec 29, 2025

My commission expires 12/29/2025 [date].