ASSOCIATION EXAMINATION
on
ALFA ALLIANCE INSURANCE CORPORATION
Glen Allen, Virginia
as of
December 31, 2008

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

ALFRED W. GROSS
COMMISSIONER OF INSURANCE

COMMONWEALTH OF VIRGINIA

P.O. BOX 1157
RICHMOND, VIRGINIA 23218
TELEPHONE: (804) 371-9741
TDD/VOICE: (804) 371-9206
http://www.state.va.us/scc

STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

I, Alfred W. Gross, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Alfa Alliance Insurance Corporation as of December 31, 2008, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed to the original the seal of the Bureau at the City of Richmond, Virginia this 2nd day of June, 2010

Alfred W. Gross

Alfred W. Gross
Commissioner of Insurance

(SEAL)

TABLE OF CONTENTS

Richmond, Virginia
March 1, 2010

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition (E) Committee
Commissioner of Insurance
Commonwealth of Virginia
Richmond, Virginia

Honorable James J. Donelon
Secretary-Southeastern Zone, NAIC
Commissioner of Insurance
State of Louisiana
Baton Rouge, Louisiana

Dear Sirs:

Pursuant to your instructions and by authority of § 38.2 - 1317 of the Code of Virginia, a financial condition examination of the records and affairs of the

ALFA ALLIANCE INSURANCE CORPORATION

Glen Allen, Virginia

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

DESCRIPTION

The Corporation is a stock property and casualty insurer and was last examined by representatives of the Commonwealth of Virginia State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2005. The current examination, which was called and conducted under the auspices of the NAIC, was made by Examiners from the Bureau representing the Southeastern Zone. This examination covers the period from January 1, 2006 through December 31, 2008.

HISTORY

The Corporation was incorporated under the laws of the Commonwealth of Virginia on September 5, 1935, under the name of "Virginia Auto Mutual Insurance Company." On June 10, 1949, the Corporation's name was changed to Virginia Mutual Insurance Company. Prior to its conversion to a stock corporation in 2007, as described below, the Corporation's articles of incorporation have been amended five times, the most recent being effective January 1, 2007, which stated that the principal office of the Corporation shall be in the State of Virginia.

On August 9, 2001, the Corporation entered into a strategic affiliation agreement with Alfa Mutual Insurance Company (AMIC) of Montgomery, Alabama. Under this agreement, AMIC assumed managerial and operational control of the Corporation. This affiliation was made possible by changes in the articles of incorporation and bylaws of the Corporation, which were approved by the Corporation's policyholders. On August 9, 2001, the employees of the Corporation became employees of AMIC. Operational services are provided to the Corporation through a management and operational agreement with AMIC. Effective August 10, 2001, the Corporation also entered into a quota share reinsurance agreement with, an affiliate, Alfa Mutual Fire Insurance Company (AMFIC).

On March 26, 2002, AMFIC provided capital of $2,500,000 to the Corporation in exchange for a surplus note. The surplus note was increased to $5,000,000 when an additional $2,500,000 was provided to the Corporation on October 16, 2003. The surplus note was scheduled to mature on March 26, 2012; however, the repayment of this and other surplus notes was completed February 5, 2007 as a result of the conversion described below.

On January 1, 2007, the Corporation merged with a stock corporation and survived the merger. The Corporation redeemed all outstanding surplus notes and converted to a stock corporation which was wholly-owned by Alfa Corporation (Alfa), a holding company with approximately 55% of its outstanding shares held by AMIC, AMFIC, and Alfa Mutual General Insurance Company and the remaining shares publicly held. In addition, the Corporation made payment to policyholders to satisfy their policyholders interests, changed its name to Alfa Alliance Insurance Corporation, commuted its quota share reinsurance agreement with AMFIC, and became a member of the intercompany pooling agreement between AMIC and its affiliates in the Alfa Insurance Group. The conversion plan was approved by the Commission on October 2, 2006 and by the policyholders of the Virginia Mutual Insurance Company on November 29, 2006.

The initial par value of the outstanding stock after the conversion was $1 per share. On August 28, 2007, the Corporation amended its Articles of Incorporation to change the par value of the outstanding shares to $2 per share in order to meet the minimum capital requirements of North Carolina.

On April 15, 2008, AMI completed a transaction in which it and AMFIC acquired the shares of Alfa not previously owned by them. As a result of the transaction, Alfa became a wholly-owned subsidiary of AMI, which currently owns 65% of Alfa and AMFIC, which owns the remaining 35%. Each share of outstanding common stock of Alfa (other than shares owned by members of the Alfa Insurance Group and holders of shares subject to certain company awards) was cancelled and converted to the right to receive $22 in cash, without interest.

MANAGEMENT AND CONTROL

Management is vested in a board of directors consisting of between one and twenty members. A majority of the board members shall constitute a quorum for the transaction of business.

The bylaws provide that the board shall elect a president, an executive vice president, a secretary, a treasurer and a general manager. In addition, the board may appoint such other officers as may be deemed necessary. The president is the chief executive officer of the Corporation and has general charge and supervision of the business and affairs of the Corporation.

At December 31, 2008, the directors and officers of the Corporation were as follows:

Directors	Principal Business Affiliation
C. Lee Ellis, III	Executive Vice President – Operations Alfa Mutual Insurance Company Montgomery, Alabama
Jerry A. Newby	President Alfa Mutual Insurance Company Montgomery, Alabama
Stephen G. Rutledge	Senior Vice President Alfa Mutual Insurance Company Montgomery, Alabama

Herman A. Scott	Senior Vice President, General Counsel and Secretary Alfa Mutual Insurance Company Montgomery, Alabama

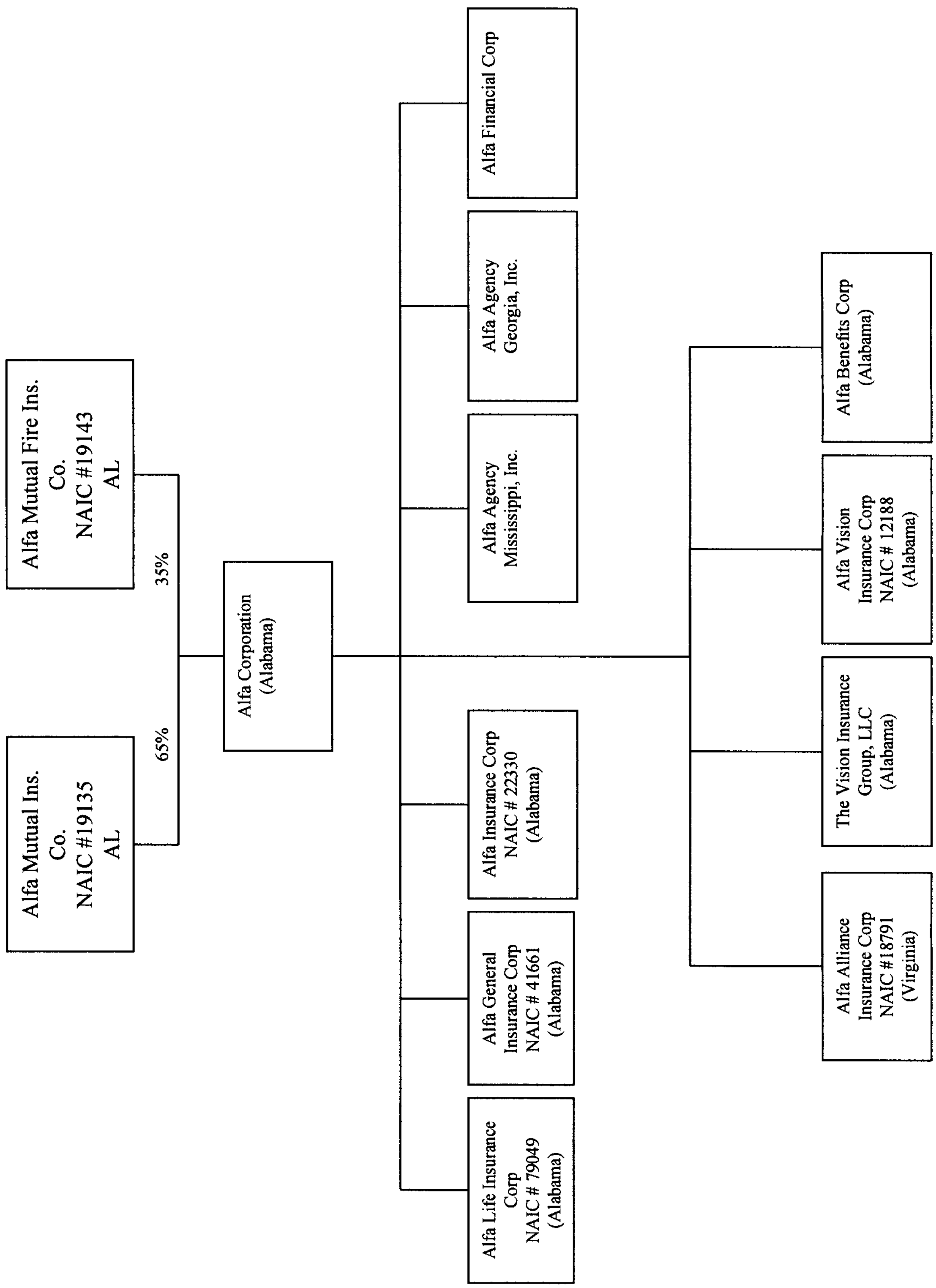
Elected Officers

Jerry A. Newby	Chairman of the Board
Douglas S. Joyce	President and General Manager
C. Lee Ellis, III	Executive Vice President, Operations and Treasurer

Elected Officers (continued)

Stephen G. Rutledge	Senior Vice President, Chief Financial Officer and Chief Investment Officer
Herman A. Scott	Secretary
Joseph L. Hudgins	Vice President, NC/VA Insurance Operations
Kenneth T. Gee	Vice President, Claims
Jeff Huff	Vice President, Sales and Marketing
Scott Beller	Vice President, Product Development
George Fox	Assistant Vice President, Information Systems
J. Daniel Black	Vice President, P & C Accounting
Angela Cooner	Assistant Secretary

The Corporation is part of the Alfa Insurance Group. The following chart illustrates this insurance holding company system at December 31, 2008:


Alfa Mutual Ins. Co. NAIC #19135 AL
Alfa Mutual Fire Ins. Co. NAIC #19143 AL
65%
35%
Alfa Corporation (Alabama)
Alfa Life Insurance Corp NAIC # 79049 (Alabama)
Alfa General Insurance Corp NAIC # 41661 (Alabama)
Alfa Insurance Corp NAIC # 22330 (Alabama)
Alfa Agency Mississippi, Inc.
Alfa Agency Georgia, Inc.
Alfa Financial Corp
Alfa Alliance Insurance Corp NAIC #18791 (Virginia)
The Vision Insurance Group, LLC (Alabama)
Alfa Vision Insurance Corp NAIC # 12188 (Alabama)
Alfa Benefits Corp (Alabama)

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2008, the Corporation had fidelity coverage of $1,000,000 in force, subject to a single loss deductible of $15,000. The Corporation also had the following coverages in place at December 31, 2008: insurance company errors and omissions and directors and officers liability and company indemnification.

TERRITORY AND PLAN OF OPERATION

At December 31, 2008, the Corporation was licensed to transact the business of insurance in the following jurisdictions:

Georgia	South Carolina
Maryland	Tennessee
North Carolina	Virginia

The Corporation, however, writes business only in Virginia (59%), North Carolina (30%) and Tennessee (11%). In Virginia, the Corporation was authorized to write the following lines of business as of December 31, 2008:

> Fire, miscellaneous property, farm multiple-peril, home-owners multiple-peril, commercial multi-peril, ocean marine, inland marine, workers' compensation and employers liability, liability other than automobile, automobile liability, automobile physical damage, aircraft liability, aircraft physical damage, fidelity, glass, burglary and theft, boiler and machinery and water damage.

Business is produced by independent agents. Control over underwriting and settlement of claims is maintained at the Corporation's home office. The Corporation issues non-assessable policies only. All policies are issued annually. Insureds may elect to pay on an installment basis.

Leases:

On August 25, 2000, the Corporation entered into a ten-year noncancellable operating lease for its home office facility. This lease was extended by five years on November 30, 2004.

GROWTH OF THE CORPORATION

The following statistics, obtained from Annual Statements filed with the Bureau and from examination reports, indicate the growth of the Corporation for the ten year period ending December 31, 2008:

Year	Admitted Assets	Liabilities	Surplus Note Certificates	Unassigned Funds
1999	$52,875,908	$39,590,681	$462,901	$12,822,326
2000	41,810,693	33,735,042	445,901	7,629,750
2001	33,611,126	28,769,975	354,963	4,486,188
2002	33,727,208	27,568,282	2,849,843	3,309,083
2003	28,433,828	20,999,935	5,349,843	2,084,050
2004	28,705,043	19,463,936	5,328,543	3,912,564
2005	27,350,419	18,744,234	5,327,543	3,278,642
2006	26,741,488	19,697,161	5,190,046	1,854,281

Year	Admitted Assets	Liabilities	Common Capital Stock	Gross Paid In and Contributed Surplus	Unassigned Funds
2007*	$45,171,981	$29,992,527	$2,000,000	$6,760,000	$6,419,454
2008	34,514,381	16,937,549	2,000,000	6,760,000	8,816,832

*Effective January 1, 2007, the Corporation converted from a mutual insurer to a stock insurer.

Year	Premiums Earned	Losses and Loss Adjustment Expenses Incurred	Other Underwriting Expenses	Net Underwriting Gains or (Loss)
1999	$40,733,863	$30,802,820	$11,768,793	($1,837,750)
2000	35,263,963	32,714,220	11,615,810	(9,066,067)
2001	22,343,986	21,516,975	5,608,782	(4,781,771)
2002	7,603,108	6,767,626	3,509,478	(2,673,996)
2003	8,400,017	7,870,464	2,675,042	(2,145,489)
2004	8,654,508	6,468,801	1,469,239	716,468
2005	8,889,470	6,789,015	3,075,516	(975,061)
2006	10,575,953	8,030,353	5,614,303	(3,068,703)
2007	19,300,180	10,104,138	3,464,947	5,731,095
2008	9,151,827	5,016,548	5,104,579	(969,300)

REINSURANCE

The Company had the following reinsurance agreements in-force at December 31, 2008:

Intercompany Reinsurance Pooling Agreement:

This agreement was originally effective August 1, 1987 between AMI and its affiliates: AMFIC; Alfa Mutual General Insurance (AMG); Alfa Insurance Corporation (AIC); and Alfa General Insurance Corporation (AGI). Alfa Specialty Insurance Company (ASI) was added to the pool in 2001, Alfa Vision Insurance Corporation (AVI) was added in 2005, and the Corporation ("AAI" in table below) was added in 2007. The participants in the pool are referred to as the "affiliates" for purposes of this report.

The affiliates cede 100% of their property and casualty business (except certain voluntary reinsurance assumed, policyholder dividends, income taxes, investment income, and other strictly corporate expenses) and AMI retains or retrocedes the pooled business in accordance with the following percentages:

	Effective 1/1/2007	Effective 1/1/2008
AMI	18%	52%
AMF	13%	30%
AMG	3%	4%
AIC	29%	3%
AGI	29%	4%
ASI	1%	2%
AVI	5%	4%
AAI	2%	1%
Total	100%	100%

Effective January 1, 2008, the pooling agreement was amended so that the allocation of catastrophe costs among the members of the pool mirrored the allocation of the non-catastrophe costs. Losses prior to the effective date of the amendment will be accounted for on a runoff basis.

Reinsurance Ceded:

As of December 31, 2008, the Corporation ceded reinsurance to AMFIC via four Intercompany Traditional Excess Catastrophe Reinsurance contracts.

1) Intercompany Traditional Excess Catastrophe Reinsurance Contract, effective June 15, 2008, whereby the Corporation cedes 100% of the Excess Catastrophe Reinsurance as follows:

Retention	$75,000,000
Intercompany Placement %	68%
Corporation's Participation Rate	1%
Reinsurer's Per Occurrence Limit (100% of)	$25,000,000
Term Limit (100% of)	$50,000,000

2. Intercompany Traditional Excess Catastrophe Reinsurance Contract, effective January 1, 2008, whereby the Corporation cedes 100% of the Excess Catastrophe Reinsurance as follows:

Retention	$100,000,000
Intercompany Placement %	25%
Corporation's Participation Rate	1%
Reinsurer's Per Occurrence Limit (100% of)	$100,000,000
Term Limit (100% of)	$200,000,000

3. Intercompany Traditional Excess Catastrophe Reinsurance Contract, effective June 1, 2008, whereby the Corporation cedes 100% of the First, Second, Third, and Fourth Excess Catastrophe Reinsurance, subject to the following:

	First Excess	Second Excess	Third Excess	Fourth Excess
Retention	$100,000,000	$200,000,000	$325,000,000	$475,000,000
Intercompany Placement %	75%	100%	100%	100%
Corporation's Participation Rate	1%	1%	1%	1%
Reinsurer's Per Occurrence Limit (100% of)	$100,000,000	$125,000,000	$150,000,000	$225,000,000
Term Limit (100% of)	$200,000,000	$250,000,000	$300,000,000	$450,000,000

4) Intercompany Traditional Excess Catastrophe Reinsurance Contract, effective July 1, 2008, whereby the Corporation cedes 100% of the Excess Catastrophe Reinsurance as follows:

Retention	$700,000,000
Intercompany Placement %	100%
Corporation's Participation Rate	1%
Reinsurer's Per Occurrence Limit (100% of)	$65,000,000
Term Limit (100% of)	$130,000,000

As of December 31, 2008, the following contracts for ceding reinsurance to non-affiliated companies were applicable to the Corporation:

American Agricultural Insurance Company:

- Liability Excess of Loss Reinsurance Agreement (effective April 1, 2008): The Corporation's retention for the first excess cover was $600,000 and the second excess cover was $1,000,000. The limit of liability of the reinsurer will not exceed a total payment of net loss and adjustment expenses combined under the first excess cover of $1,500,000 or under the second excess of $3,000,000 all risks involved in one occurrence.

- Property Excess of Loss Reinsurance Agreement (effective April 1, 2008): The Corporation's retention was $750,000. The limit of liability of the reinsurer will not exceed a total payment of net loss and adjustment expenses combined of $1,750,000 all risks involved in one occurrence.

- Umbrella Liability Quota Share and Excess of Loss Reinsurance Agreement on Personal Umbrella Business (effective September 1, 2008) on automobile liability, licensed recreational vehicles, uninsured/underinsured motorists' coverages, business pursuits, employers' liability, personal liability and unlicensed recreational vehicles and watercraft liability. The Corporation's retention is 10% of the first $1,000,000 each occurrence.

- Umbrella Liability Quota Share and Excess of Loss Reinsurance of Farm and Ranch Umbrella Liability Business (effective September 1, 2008) on automobile liability, licensed recreational vehicles, uninsured/underinsured motorists' coverages, business pursuits, farm liability, employers' liability, personal liability and unlicensed recreational vehicles and watercraft liability. The Corporation's retention is 10% of the first $1,000,000 each occurrence.

- Umbrella Quota Share and Excess of Loss Reinsurance of Commercial Umbrella Liability Business (effective September 1, 2008) on commercial general liability, comprehensive automobile liability including hired and non-owned auto coverage. The Corporation's retention is 10% of the first $1,000,000 each occurrence.

- Property Facultative Agreement of Reinsurance (effective September 1, 2008) on Fire, Allied, Inland Marine, and certain Commercial Multiple Peril and Homeowner Perils. The Corporation's retention is $2,500,000.

The Hartford Steam Boiler Inspection and Insurance Company (2007-009):

- Effective March 1, 2007. Coverage for 100% of the Equipment Breakdown liability of the Corporation under its Businessowners policies. The reinsurer's liability shall not exceed $25,000,000 on any one policy.

North Carolina Reinsurance Facility (NCRF):

On a monthly basis, the Corporation cedes certain personal and commercial auto business to the NCRF. The policies in question are those policies, required to be written by statute, which the Corporation does not wish to maintain on its books. After ceding a policy, the company retains full responsibility for billing, servicing and adjusting claims upon the policy.

All of the above reinsurance agreements contain an insolvency clause.

Retrocessional Pools

The corporation is a member or participates in the following residual market facilities:

- Virginia Automobile Insurance Plan
- Virginia Commercial Auto Insurance Procedure
- Virginia Property Insurance Association - Fair Plan
- North Carolina Reinsurance Facility
- North Carolina Joint Underwriting Association - Fair Plan
- North Carolina Insurance Underwriting Association - Beach Plan
- National Workers' Compensation Reinsurance Pool

Reinsurance Assumed

As of December 31, 2008, the Corporation assumed reinsurance under the following agreements:

North Carolina Reinsurance Facility

The Corporation assumes business under the above pooling arrangement for high risk automobile coverage. Participation in the facility is required for authority to write automobile insurance in North Carolina. The Company shares proportionally in any gain or loss depending on the experience of the facility.

Virginia Commercial Auto Procedure

The Corporation assumes business under the above pooling arrangement for high risk commercial automobile coverage. Profits and losses are credited or charged against each subscriber in accordance with determined participation ratios.

National Council on Compensation Insurance

The Corporation assumes business under the above pooling arrangement for assigned risk workers' compensation insurance. Participation in either the pool or direct assignment of risks is required for authority to write workers' compensation insurance (the Corporation chooses to participate in the pool). The Corporation shares proportionally in any gains or losses depending on the experience of the pool. This arrangement is in run-off.

SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period from January 1, 2006 through December 31, 2008. Assets were verified and liabilities were established at December 31, 2008. A review of income and disbursements for the period was made to the extent deemed necessary.

The items comprising the Balance Sheet for which Specific Risk Analyses (SRA) were required had medium or low risk assessments as determined from the NAIC *Financial Condition Examiners Handbook.* Analytical review procedures were applied for non-SRA items.

The services of AMI Risk Consultants, Inc. were engaged pursuant to the provisions of Code of Virginia § 38.2-1318.E. This engagement was made to provide an actuarial report as to the reasonableness of the Corporation's loss and loss adjustment expense reserves reported as of December 31, 2008.

In addition, the following items were reviewed, several of which are discussed separately under their respective captions in this report.

History
Management and Control
Records of the Corporation
Related Party Transactions
Welfare and Pension Plans
Fidelity Bond and Other Insurance
Conflict of Interest
Territory and Plan of Operation
Growth of the Corporation
Reinsurance
Accounts and Records
Financial Statements
Subsequent Events

FINANCIAL STATEMENTS

There follows a statement of financial condition as of December 31, 2008, a statement of income for the period ending December 31, 2008, a reconciliation of surplus for the period under review and a statement of cash flow for the period ending December 31, 2008. The financial statements are presented in accordance with Statutory Accounting Principles.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$14,145,965		$14,145,965
Cash and short-term investments	13,749,747		13,749,747
Receivables for securities	81,267	81,267	
Investment income due and accrued	161,225		161,225
Uncollected premiums and agents' balances in the course of collection	511,302	2,913	508,389
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,227,533	327	1,227,206
Amounts recoverable from reinsurers	2,580,365		2,580,365
Net deferred tax asset	1,254,432	843,074	411,358
Guaranty funds receivable or on deposit	73,028	73,028	
Electronic data processing equipment and software	193,896	193,896	
Furniture and equipment	12,070	12,070	
Receivables from parent, subsidiaries and affiliates	60,795		60,795
Health care and other amounts receivable	5,409	5,409	
Aggregate write-ins for other than invested assets	1,847,244	177,913	1,669,331
Totals	$35,904,278	$1,389,897	$34,514,381

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		$7,386,869
Reinsurance payable on paid losses and loss adjustment expenses		546,490
Loss adjustment expenses		884,863
Commissions payable, contingent commissions and other similar charges		893,773
Other expenses		939,398
Taxes, licenses and fees		274,282
Current federal income taxes		223,429
Unearned premiums		3,336,710
Advance premiums		266,260
Ceded reinsurance premiums payable		1,510,364
Amounts withheld or retained by company for account of others		152,213
Drafts outstanding		5,702
Payable to parents, subsidiaries and affiliates		517,196
Total liabilities		$16,937,549
Common capital stock	$2,000,000	
Gross paid in and contributed surplus	6,760,000	
Unassigned funds (surplus)	8,816,832	
Surplus as regards policyholders		17,576,832
Totals		$34,514,381

UNDERWRITING AND INVESTMENT EXHIBIT
STATEMENT OF INCOME

UNDERWRITING INCOME

Premiums earned	$9,151,827
Deductions:	
Losses incurred	$4,661,272
Loss expenses incurred	355,276
Other underwriting expenses incurred	5,104,579
Total underwriting deductions	$10,121,127
Net underwriting loss	($969,300)

INVESTMENT INCOME

Net investment income earned	$1,428,072
Net realized capital losses	(86,846)
Net investment gain	$1,341,226

OTHER INCOME

Net loss from agents' or premium balance charged off	($31,510)
Finance and service charges not included in premiums	178,225
Aggregate write-ins for miscellaneous income	(84,247)
Total other income	$62,468
Net income before federal income taxes	$434,394
Federal income taxes incurred	795,718
Net income	($361,324)

RECONCILIATION OF CAPITAL AND SURPLUS FOR PERIOD UNDER REVIEW

	2006	2007	2008
Surplus as regards policyholders, December 31, previous year	$8,606,185	$7,044,327	$15,179,454
Adjustment for previous examination changes	$403,765		
Net income	(1,650,465)	5,608,891	(361,324)
Change in net unrealized capital gains	1,343		
Change in net deferred income tax	1,003,273	(5,542,733)	(125,441)
Change in nonadmitted assets	(981,560)	5,785,636	2,117,363
Change in surplus notes	(137,496)	(5,190,047)	
Cumulative effect of changes in accounting principles	(1,056,000)	412,671	
Capital changes: Paid in		2,000,000	
Surplus adjustments: Paid in		6,760,000	
Aggregate write-ins for gains and losses in surplus	855,282	(1,699,291)	766,780
Change in surplus as regards policyholders for the year	($1,561,858)	$8,135,127	$2,397,378
Surplus as regards policyholders, December 31, current year	$7,044,327	$15,179,454	$17,576,832

CASH FLOW

Cash From Operations

Premiums collected net of reinsurance	$6,975,759
Net investment income	1,478,915
Miscellaneous income	62,468
Total	$8,517,142
Benefit and loss related payments	$12,376,825
Commissions, expenses paid and aggregate write-ins for deductions	6,921,484
Federal income taxes recovered	(724,833)
Total	$18,573,476
Net cash from operations	($10,056,334)

Cash From Investments

Proceeds from investments sold, matured or repaid:	
Bonds	$12,669,171
Net losses on cash and short-term investments	(6,118)
Total investment proceeds	$12,663,053
Cost of investments acquired (long-term only):	
Bonds	$4,814,846
Miscellaneous applications	81,267
Total investments acquired	$4,896,113
Net cash from investments	$7,766,940

Cash From Financing and Miscellaneous Sources

Cash provided (applied):	
Other cash provided	$1,636,674
Net cash from financing and miscellaneous sources	$1,636,674
Net change in cash and short-term investments	($652,720)

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments:	
Beginning of year	$14,402,467
End of year	13,749,747
Net change in cash and short-term investments	($652,720)

RECOMMENDATIONS FOR CORRECTIVE ACTION

Management and Control

1. The NAIC Annual Statement Instructions state that the Actuarial Opinion (Opinion) and Actuarial Report (Report) must be presented to the Board of Directors (Board) each year. Also, the minutes of the Board should indicate that the Opinion and Report were presented to the Board or the Audit Committee or that the Opinion and Report were made available. The Examiners' review of the Board minutes for the period covered by this examination did not indicate that the Opinion or Report were presented to the Board or made available for review on a consistent basis.

   The Examiners recommend that the Corporation take the necessary steps to ensure both the Opinion and Report are presented to the Board and made available for review on a consistent basis. This is the second consecutive examination in which this recommendation appears.

Accounts and Records

2. During the review of the Corporation's unclaimed property reports for the period covered by this examination, the Examiners noted the following:

   A. The Corporation was unable to provide the 2006 Unclaimed Property Report. It was not apparent whether this report was filed as required.

   B. The Corporation did not file the 2008 Unclaimed Property Report by the required due date of May 1, 2009 as stated in the Code of Virginia.

   The Examiners recommend the Corporation be able to provide the requested documentation in a timely manner and ensure that reports are filed as required by the Code of Virginia.

CONCLUSION

The courteous cooperation extended by the Corporation's officers and employees during the course of the examination is gratefully acknowledged.

In addition to the undersigned, Jennifer K. Crawley, CFE, Mario A. Cuellar, CFE, Gina M. Gainer, and Theresa C. Lewis, CFE of the Bureau participated in the work of the examination.

Respectfully submitted,

T. Bradford Earley, Jr., CFE, CPCU, AIAF
Insurance Principal Financial Analyst
Commonwealth of Virginia
Representing the Southeastern Zone, NAIC

ALFA
INSURANCE®

10 MAY 21 AM 9:23

May 20, 2010

4480 COX ROAD ■ SUITE 300
GLEN ALLEN, VIRGINIA 23060-6718
WWW.ALFAAIC.COM
(800) 394-8642 FAX (804) 346-1995

Mr. David Smith, Chief Examiner
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218

Mr. Smith,

We appreciate the courtesy extended by your team during their exam fieldwork, and we provide now the following responses to their recommendations for corrective action. If you have any questions, please feel free to contact us at any time.

Sincerely,

Tim S Fite

Tim Fite

Cc: Doug Joyce

RECOMMENDATIONS FOR CORRECTIVE ACTION

Item 1

The NAIC Annual Statement Instructions state that the Actuarial Opinion (Opinion) and Actuarial Report (Report) must be presented to the Board of Directors (Board) each year. Also, the minutes of the Board should indicate that the Opinion and Report were presented to the Board or Audit Committee or that the Opinion and Report were made available. The Examiners' review of the Board minutes for the period covered by this examination did not indicate that the Opinion or Report were presented to the Board or made available for review on a consistent basis.

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ALFA INSURANCE®

4480 COX ROAD ■ SUITE 300
GLEN ALLEN, VIRGINIA 23060-6718
WWW.ALFAAIC.COM
(800) 394-8642 FAX (804) 346-1995

Management's Response:

All companies' Actuarial Opinions and Actuarial Reports are consistently shared with the full Board and the Audit Committee of Alfa Alliance's parent companies. We have implemented measures to ensure that these documents are consistently made available to the internal Board for Alfa Alliance in the future.

Item 2

During the review of the Corporation's unclaimed property reports for the period covered by this examination, the Examiners noted the following:

A. The Corporation was not able to provide the 2006 Unclaimed Property Report.
B. The Corporation did not file the 2008 Unclaimed Property Report by the required due date of May 1, 2009 as stated in the Code of Virginia.

Management's Response:

The Corporation files annual Unclaimed Property Reports as required by law, to all relevant states. We acknowledge that the 2009 report was filed late, after completion of required due diligence procedures. We are adding to our long-term calendar the unclaimed property due diligence procedures, with enough advance time to allow for consistently timely filing of the reports.