

REPORT ON EXAMINATION
OF THE
UNITED AUTOMOBILE INSURANCE COMPANY
NORTH MIAMI BEACH, FLORIDA
AS OF
DECEMBER 31, 2004

BY THE
OFFICE OF INSURANCE REGULATION

TABLE OF CONTENTS

SUBJECT	PAGE
LETTER OF TRANSMITTAL.....	-
HISTORY	1
General	1
ACCOUNTS AND RECORDS	2
MGA Agreement	3
Agents' Balances and Premiums Written	3
CONCLUSION	5

Tallahassee, Florida
May 19, 2005

Kevin M. McCarty
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes (FS), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), a limited scope examination has been made as of December 31, 2004, of the financed premiums of the:

**UNITED AUTOMOBILE INSURANCE COMPANY
3909 NORTH EAST 163RD STRRET,
NORTH MIAMI BEACH, FL 33160**

Hereinafter referred to as the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This limited scope examination was conducted as of December 31, 2004. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of June 30, 2003. This examination commenced on February 28, 2005, and was suspended as of March 4, 2005. The examination was then resumed on May 10, 2005 and concluded on May 19, 2005. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This examination represents a limited scope statutory examination conducted in accordance with the NAIC Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and Annual Statement Instructions, promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code (FAC), with due regard to the statutory requirements of the insurance laws, rules and regulations of the State of Florida

HISTORY

General

The Company was incorporated under the laws of the State of Florida. The Company writes only automobile insurance business. Approximately 86% of its premiums written during 2004 originated within the State of Florida, and over 95% of these premiums were written in Miami-Dade and Broward counties. Between 60% and 70% of the Company's premiums written in the State of Florida were financed through Safeway Premium Finance

Company (Safeway), a company under common ownership with the Company. Safeway collected funds from both agents and customers of the Company. The funds were remitted to the Company through its managing general agent (MGA), National Insurance Management Company (NIMC), who was also a company under common control. The current MGA agreement with NIMC, dated January 1, 2000, indicated that funds were to be transferred from NIMC to the Company at least monthly, although during 2004 some of the funds were transferred at least weekly.

Scope of Examination

This is a limited scope examination as of December 31, 2004 of the financed premiums.

The only annual statement balance of the Company examined in this limited scope examination was the financed premiums portion of "Uncollected premiums and agent's balances in the course of collection". This balance totaled \$14,395,098 pursuant to the December 31, 2004 annual statement. However, only \$8,592,869 of this balance related to collection from Safeway through NIMC.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in North Miami Beach, Florida, where this examination was conducted.

MGA Agreement

The current MGA agreement with NIMC, dated January 1, 2000, indicated that all checks representing premiums and policy fees were to be made payable and deposited into a designated Company bank account within 24 hours after receipt by NIMC.

Agents' Balances and Premiums Written

The Company wrote \$282,804,478 of premiums in the State of Florida for the 2004 calendar year. The MGA Commission was \$66,320,023, plus \$6,471,050 in policy fees, which represents approximately 24 percent of direct written premiums in accordance with the MGA agreement between the Company and NIMC.

Premiums received by NIMC that were paid in full or submitted with a down payment were remitted to the Company at time of receipt. Premiums that were to be financed were credited to NIMC, accounts receivable, and the policy applications were further sent to Safeway.

Safeway financed the premiums for the policyholder and the amounts financed were remitted by check at least monthly and most times more frequently to NIMC for the premiums financed during the month.

NIMC deposited and posted the amount to the Company's bank account within 24 hours of receipt of check. This was in accordance with the MGA agreement.

The premiums collected by Safeway did not retain their identity as they flowed through from Safeway to NIMC and then to the Company. For this reason, the Company was not able to match the premiums received from Safeway to an accounts receivable by policy.

The aging of receivables was accomplished using the First-In-First-Out (FIFO) method of accounting. The receivables were current at of December 31, 2004. Payments made in January of 2005 by Safeway to the Company were more than enough to clear the receivables. Therefore, the Company was in compliance with Section 627.827, FS, which requires that the premium finance company advance to the Company the premium financed in advance of the premium finance company collecting the financed premiums from the policyholder.

CONCLUSION

In addition to the undersigned, Mary M. James, CFE, CPM, Financial Examiner/Analyst Supervisor, and John Berry, Financial Examiner/Analyst Supervisor, participated in the examination.

Respectively submitted,

David C. Schleit,
Financial Examiner/Analyst II
Florida Office of Insurance Regulation

James D. Collins,
Financial Examiner/Analyst II
Florida Office of Insurance Regulation