



**EXAMINATION REPORT
OF
AUTO CLUB INSURANCE COMPANY OF
FLORIDA**

NAIC Company Code: 12813

**Tampa, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAMINATION FINDINGS	2
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY	2
GENERAL	2
DIVIDENDS	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	2
SURPLUS NOTES	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	3
MANAGEMENT AND CONTROL	3
CORPORATE GOVERNANCE	3
HOLDING COMPANY SYSTEM	5
CONSOLIDATED TAX ALLOCATION AGREEMENT	5
INVESTMENT MANAGEMENT AGREEMENT	5
CONSULTING SERVICES AGREEMENT	6
ADMINISTRATION AGREEMENT	6
AGENCY AGREEMENT	7
CALL CENTER SERVICES AGREEMENT	7
ROYALTY AGREEMENT	8
ACCOUNTS AND RECORDS	8
CUSTODIAL AGREEMENT	8
INDEPENDENT AUDITOR AGREEMENT	8
CORPORATE RECORDS REVIEW.....	8
TERRITORY AND PLAN OF OPERATIONS	10
REINSURANCE	11
REINSURANCE ASSUMED.....	11
REINSURANCE CEDED.....	11
FINANCIAL STATEMENTS	12
ASSETS	13
LIABILITIES, SURPLUS AND OTHER FUNDS	14
STATEMENT OF INCOME	15
RECONCILIATION OF CAPITAL AND SURPLUS.....	16
COMMENTS ON FINANCIAL STATEMENT ITEMS	17
LIABILITIES	17
CAPITAL AND SURPLUS	17
SUBSEQUENT EVENTS	18
CONCLUSION	19

June 21, 2021

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (“the NAIC”), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

Auto Club Insurance Company of Florida
9125 Henderson Road
Tampa, Florida 33634

hereinafter referred to as “the Company.” Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2016 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on April 5, 2021. The fieldwork concluded as of June 21, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2011 through December 31, 2015.

The examination was a multi-state/coordinated holding company group examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, 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. The lead state for this examination was Michigan, the other state that participated in this examination was Florida.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with the NAIC Statements of Statutory Accounting Principles (“SSAP”).

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no significant findings as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on September 11, 2006 and commenced business on December 11, 2007.

The Company was authorized to transact insurance in Florida on November 22, 2006, and continued to be authorized for the following coverages as of December 31, 2019.

Homeowners Multiple-Peril	Inland Marine
Other Liability	Private Passenger Auto Liability
Private Passenger Auto Physical Damage	

The Company was party to Consent Order 87063-06-CO, filed September 1, 2006, regarding the application for issuance of a Certificate of Authority. The Company was in compliance with this consent order.

Dividends

The Company did not declare or pay any dividends during the period under examination.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000
Number of shares issued and outstanding	220
Total common capital stock	\$220
Par value per share	\$1.00

There were no capital contributions during the period under examination.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Jeanine Marie Raquet	Plymouth, Michigan	Executive Vice President of Insurance Operations and Distribution Auto Club Services, Inc.
Sean Henry Maloney ⁽¹⁾	Grosse Pointe, Michigan	Executive Vice President, Chief Financial Officer & Treasurer Auto Club Services, Inc.
Margaret Ann Scheske	Milford, Michigan	Vice President, Financial Planning and Analysis & Assistant Treasurer Auto Club Services, Inc.
John Bruno	Grosse Point Park, Michigan	Executive Vice President, General Counsel, Corporate Secretary, & Chief Human Resource Officer Auto Club Services, Inc.
Peter Joseph Corrigan ^(a)	Jacksonville, Florida	President Auto Club Services, Inc.

^(a) Resigned on January 29, 2021, and was replaced by Jennifer Lynn Pintacuda as President on March 4, 2021.

⁽¹⁾ Chairman

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Peter Joseph Corrigan	Jacksonville, Florida	President
Jennifer Aylward Wiedrick	Dade City, Florida	Vice President and Chief Financial Officer
Bobby Shafter Futch	Tampa, Florida	Vice President, Claims
Sean Henry Maloney	Grosse Pointe, Michigan	Chairman of the Board, Executive Vice President, and Treasurer
Jeanine Marie Raquet	Plymouth, Michigan	Vice-Chair of the Board
Marcia Lynn Hannewald	Ann Arbor, Michigan	Vice President, Assistant Corporate Secretary, and Corporate Counsel
John Bruno	Grosse Point Park, Michigan	Executive Vice President, General Counsel, Corporate Secretary, and Chief Human Resource Officer
Dion Dennis Stevens	Troy, Michigan	Vice President and Assistant Treasurer

The Company's Board appointed an audit committee as required by Section 624.424(8)(c), Florida Statutes. The following were the members of the audit committee as of December 31, 2019. The first person listed is the chairman.

Audit Committee		
Name	City, State	Title, Company Name
Margaret A. Scheske	Milford, Michigan	Vice President, Financial Planning and Analysis & Assistant Treasurer Auto Club Services, Inc.
John Bruno	Grosse Point Park, Michigan	Executive Vice President, General Counsel, Corporate Secretary, and Chief Human Resource Officer Auto Club Services, Inc.
Jeanine Raquet	Plymouth, Michigan	Vice-Chair of the Board Auto Club Services, Inc.

Holding Company System

The Company is a member of an insurance holding company system within a separate but similar structure. The following agreements were in effect between the Company and its affiliates:

Consolidated Tax Allocation Agreement

The Company entered into a Consolidated Tax Allocation Agreement with its affiliates, including ACIA, on May 1, 2018. The agreement continues in force and will automatically renew unless otherwise terminated within the guidelines of the agreement. The agreement states that each Affiliate shall reimburse ACIA the amount (if any) of federal and state income taxes for which such Affiliate would have been liable for that year, computed as though the Affiliate had filed a separate tax return for that year. Each affiliate will be allowed recoup federal income taxes by carrying back net operating losses as permitted by the Internal Revenue Code. The Agreement required the Affiliates to make interim estimated payments to ACIA. The liability of the Affiliates shall be computed in a manner consistent with IRC Section 1552 (as amended) and Treasury Regulation 1.1552-(a)(1). ACIA will file the consolidated tax returns (federal and state as appropriate) for all parties to the Tax Allocation Agreement and will be reimbursed by its affiliates. The intent of this Agreement is that Affiliates should make ACIA whole, without more, by reimbursing ACIA only to the extent of each Affiliates actual federal income tax liability. Payments made under this agreement during 2019 amounted to \$8,058,465.

Investment Management Agreement

The Company entered into an Investment Management Agreement with Auto Club Services, Inc. (“ACSI”) on March 3, 2010. ACICF retains ACSI as the manager of ACICF’s investment assets in compliance with statutes, regulations, and ACICF’s investment guidelines as set forth as an exhibit to the agreement. ACSI, as the investment manager, must perform research and evaluate information relating to economics, industries, markets and other items; seek out and implement specific investment opportunities and regularly report back to ACICF. The agreement sets forth standards of conduct for ACSI and sets compensation. As of January 1, 2019, the fee for

investment management services increased from 6 basis points to 10 basis points. Fees incurred under this agreement during 2019 amounted to \$405,028.

Consulting Services Agreement

The Company entered into a Consulting Services Agreement with its affiliate, ACIA on June 1, 2007. ACIA shall provide executive and managerial services, services contributing to the development of product distribution methods, customer service methods and product design, and additional consulting and support services as requested by ACICF. The agreement sets a rate of compensation and standards of performance for ACIA. Fees incurred under this agreement during 2019 amounted to \$0.

Consulting Services Agreement

The Company entered into a Consulting Services Agreement with its affiliate, Auto Club South Insurance Company (ACSIC) on June 1, 2007. The agreement had an initial term of one year with automatic renewal for one-year terms. The agreement may be terminated with one hundred eighty (180) days written notice. Services performed under this agreement include executive and managerial services, claims management oversight, product management, and other administrative services as may be agreed by the parties from time to time. The agreement names ACICF as the consultant and ACSIC as the receiver of services. Fees incurred under this agreement during 2019 amounted to \$0.

Administration Agreement

The Company entered into an Administration Agreement with its affiliate, ACSIC on September 25, 2006, and later amended, restated and effective June 1, 2007. The agreement had an initial term until September 24, 2011, with automatic renewal for five-year periods. The agreement may be terminated with ninety (90) days written notice. Services performed under this agreement include executive and managerial services; underwriting services; policyholder services including receiving and processing applications, issuing policies, billing and maintaining policyholder files; premium collection; accounting and financial services; marketing support and product development, including actuarial services, market research, advertising and promotional

activities; producer management, including product training and supervision; commission computation and payment; IT support, including computer hardware and software support services for both insurance and corporate systems; personnel services, including recruitment, hiring, firing, payroll, and administering benefits; legal and regulatory compliance services; procurement support; insurance support; and other administrative and support services as requested. The agreement names ACSIC as the administrator and ACICF as the receiver of services. Fees incurred under this agreement during 2019 amounted to \$8,556,634.

Agency Agreement

The Company entered into an Agency Agreement with ACG South Insurance Agency, LLC on December 1, 2014. The agreement continues in force unless otherwise terminated within the guidelines of the agreement. The agreement specified the terms by which ACG South Insurance Agency, LLC will sell ACICF's policies. It appoints ACG South Insurance Agency, LLC as a non-exclusive agency and authorizes the agency to solicit, bind, execute and service policies and endorsements underwritten by ACICF pursuant to the underwriting standards, rules, policies, and procedures set forth in the agreement. The agreement sets forth the commissions paid to ACG South Insurance Agency, LLC by ACICF for the various products offered by ACICF. The agency agreement was terminated effective January 1, 2020. Fees incurred under this agreement during 2019 amounted to \$27,045,452.

Call Center Services Agreement

The Company entered into a Call Center Services Agreement with its affiliates, ACSIC and ACIA on December 11, 2007. The agreement continues in force unless otherwise terminated upon 30 days written notice by either party. Services performed under this agreement include that ACIA call center advocates will answer claim calls made to ACICF and ACSIC during closed and holiday hours. Fees incurred under this agreement during 2019 amounted to \$0. This agreement was terminated effective January 1, 2020.

Royalty Agreement

ACICF entered into a Royalty Agreement with its affiliate, ACG on January 1, 2020. Under this royalty agreement, ACICF compensates ACG for the use of its membership list and marketing rights to ACG members. The Agreement's purpose is meant to compensate ACG for the use of its intellectual property. No managerial services are to be performed.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Tampa, Florida.

The Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with Wells Fargo executed on April 1, 2013.

Independent Auditor Agreement

An independent CPA, Ernst & Young LLP audited the Company's statutory basis financial statements annually for the years 2019, 2018, 2017 and 2016.

Corporate Records Review

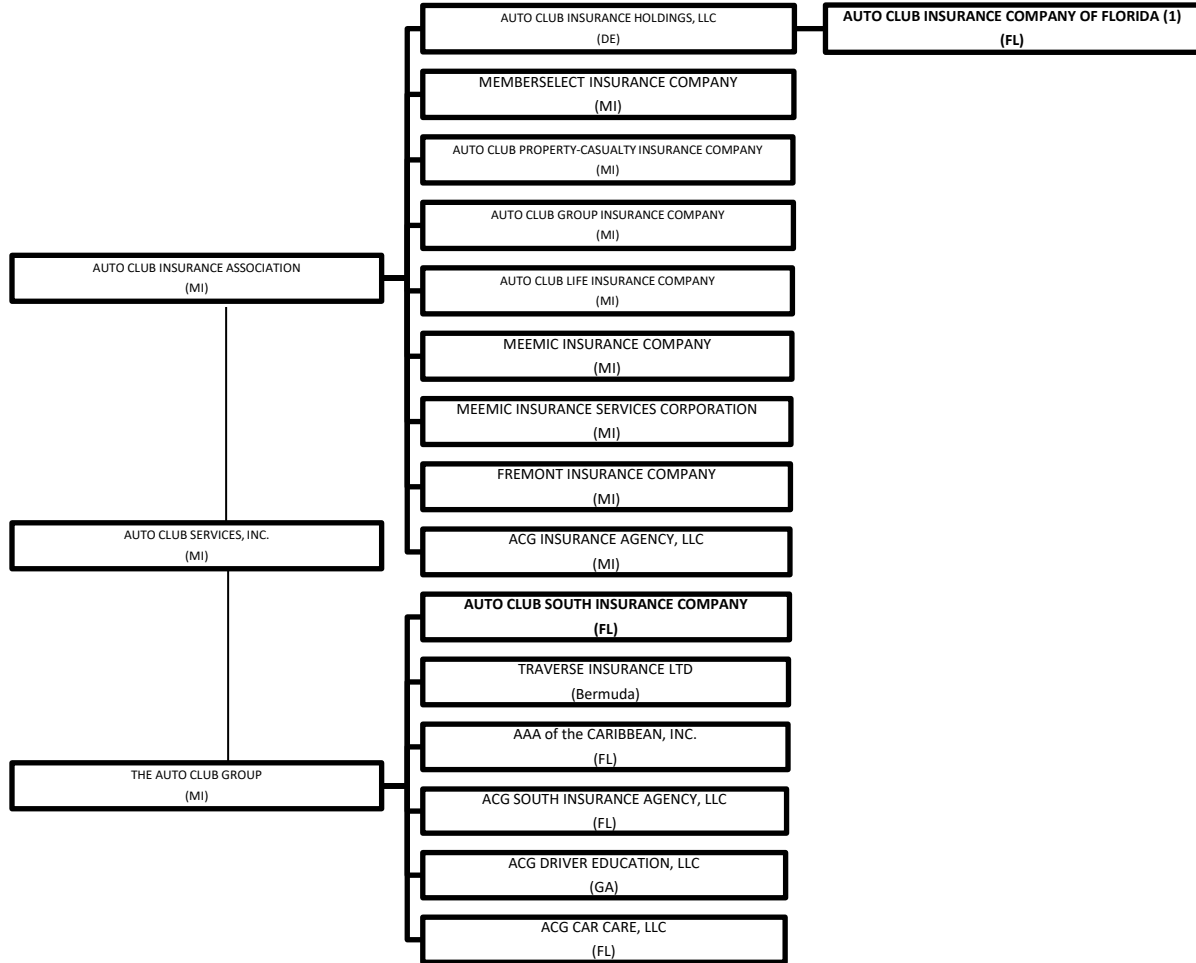
The recorded minutes of the Shareholder, Board of Directors (Board) and the audit committee were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 625.304, Florida Statutes.

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2019 annual statement provided a list of all related companies of the holding company group.

Auto Club Insurance Company of Florida

Simplified Organizational Chart

December 31, 2019



(1) ACICF is owned 91.67% by Auto Club Insurance Association and 8.33% by The Auto Club Group

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the state of Florida.

The Company was authorized to transact insurance in Florida on November 22, 2006, and is currently authorized for the following lines of business as of December 31, 2019:

Homeowners Multiple Peril	Inland Marine
Other Liability	Private Passenger Auto Liability
Private Passenger Auto Physical Damage	

The Company primarily writes homeowners multiple peril and private passenger auto policies in the state of Florida.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Company uses reinsurance to limit exposure to potential losses arising from large risks and to reduce the loss that may arise from catastrophe via excess of loss and quota share reinsurance contracts. The Company also participates in the Florida Hurricane Catastrophe Fund (FHCF)

Subsequent Event: ACICF entered into a quota-share reinsurance agreement with ACSIC on January 1, 2020. The agreement shall continue until either party terminates the agreement with 90-day written notice provided prior to January 1st, of each successive year.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Auto Club Insurance Company of Florida
Assets
December 31, 2019

	Per Company
Bonds	302,253,884
Common stocks	71,326,531
Cash and short-term investments	5,808,778
Other invested assets	26,571,887
Receivables for securities	317
Subtotals, cash and invested assets	405,961,397
Investment income due and accrued	2,006,350
Premiums and considerations	
Uncollected premiums and agents' balances	2,121,239
Deferred premiums, agents' balances and installments	22,069,261
Reinsurance	
Amounts recoverable from reinsurers	2,266,437
Net deferred tax asset	3,976,367
Electronic data processing equipment and software	1,207,337
Receivable from parent, subsidiaries and affiliates	510,340
Aggregate write-in for other than invested assets	2,115
Total	440,120,843

Auto Club Insurance Company of Florida
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company
Losses	83,967,697
Loss adjustment expenses	19,059,645
Commissions payable, contingent commissions and other similar charges	156,304
Other expenses	1,415,842
Taxes, licenses and fees	161,364
Current federal and foreign income taxes	1,533,755
Unearned premiums	115,557,949
Advance premiums	2,859,715
Ceded reinsurance premiums payable	(787,904)
Funds held by company under reinsurance treaties	34,926
Payable to parent, subsidiaries and affiliates	4,582,861
Total liabilities	228,542,154
Common capital stock	220
Gross paid-in and contributed surplus	94,444,245
Unassigned funds (surplus)	117,134,225
Surplus as regards policyholders	211,578,690
Totals	440,120,843

Auto Club Insurance Company of Florida
Statement of Income
December 31, 2019

	Per Company
Underwriting Income	
Premiums earned	206,638,593
Deductions	
Losses Incurred	128,787,477
Loss adjustment expenses incurred	20,972,119
Other underwriting expenses incurred	44,380,960
Total Underwriting deductions	194,140,557
Net underwriting gain (loss)	12,498,036
Investment Income	
Net investment income earned	9,777,349
Net realized capital gains or (losses)	471,912
Net investment gain or (loss)	10,249,261
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(42,826)
Finance and service charges not included in premiums	548,949
Aggregate write-ins for miscellaneous income	2,306
Total other income	508,429
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	23,255,726
Federal & foreign income taxes incurred	4,598,912
Net Income	18,656,814

	Per Company
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	186,060,842
Net Income	18,656,814
Change in net unrealized capital gains or losses less capital gains tax	6,874,950
Change in net deferred income taxes	(296,588)
Change in non-admitted assets	282,671
Change in surplus as regards policyholders for the year	25,517,847
Surplus as regards policyholders, December 31, current year	211,578,690

Auto Club Insurance Company of Florida
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2015, per Examination			\$153,060,549
	Increase	Decrease	
Net income	\$50,581,315		50,581,315
Change in net unrealized capital gain (loss)	\$7,200,323		\$7,200,323
Change in net deferred income tax		(\$2,920,325)	(\$2,920,325)
Change in non-admitted assets	\$3,656,826		\$3,656,826
Net increase (or decrease)			\$58,518,139
Surplus at December 31, 2019 per examination			\$211,578,690

No adjustments were made to surplus as regards policyholders as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Anthony E. Ptasznik, FCAS, MAAA, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Solomon Frazier, FSA, FCAS, MAAA, of Taylor-Walker Consulting, LLC, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$211,578,690, exceeded the minimum of \$22,147,993 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

The 2020 Annual Statement showed adverse development on reserves for the Company of approximately \$23.7 million, which is equal to roughly 11.2% of 2019 surplus. The examining actuary noted that the methods and assumptions used by the opining actuary to estimate the Company's reserves were found to be generally reasonable, given the information available at the time. Nonetheless, for examination purposes, the examining actuary recommended adjustment to booked reserves as a result of this adverse development. Examiners verified that this adverse development had been booked by the Company as of December 31, 2020, and prior to issuance of this report, therefore no further comment or adjustment was made to reserves as of December 31, 2019.

The COVID-19 pandemic has continued to develop throughout 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the Office's review of the Company noted that there has not been a significant impact to the Company. The Office has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Auto Club Insurance Company of Florida as of December 31, 2019, consistent with the insurance laws of the state of Florida.

In addition to the undersigned, Jim Kattman, CFE, Supervising Examiner, Brent Bostic, Participating Examiner, and Stefan Obereichholz-Bangert, AES, CISA, CISM, CDPSE, IT Specialist of Noble Consulting Services, Inc. also participated in the examination. Members of the Office who participated in the examination include Chad Mason, Financial Examiner/Analyst Supervisor, Examination Manager. Additionally, Solomon Frazier, FSA, FCAS, MAAA of Taylor-Walker Consulting Actuaries is recognized for participation in the examination.

Respectfully submitted,



Daniel P. McBay, CFE
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CPA, CFE, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation