



**EXAMINATION REPORT
OF**

**Auto Club Insurance Company of Florida
Tampa, Florida**

NAIC Company Code: 12813

**as of
December 31, 2022**

**By
The Florida Office of Insurance Regulation**

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May 17, 2024

Michael Yaworsky
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 690-138.005, 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, 2022, 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, 2020 through December 31, 2022 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on September 13, 2023. The fieldwork concluded as of May 17, 2024. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2016 through December 31, 2019.

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 states that participated were Florida and North Carolina.

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 is a wholly owned subsidiary of Auto Club Insurance Holdings, LLC, (“ACIH”) which is a limited liability partnership owned by Auto Club Insurance Association (“ACIA”) and The Auto Club Group (“ACG”). ACIH ownership percentages as of December 31, 2022 were 90.04% ACIA and 9.96% ACG.

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, 2022:

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

The Company provides private passenger automobile and homeowners insurance coverage through a package policy that combines both lines of insurance into a single contract.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2022, 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

During the period of examination, ACIH received capital contributions from its parents, ACIA and ACG, which were subsequently passed to the Company, as follows:

2020 - \$2,300,000

2022 - \$21,424,000

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 the Board of Directors (“Board”) members was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2022, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Gene Jerome Boehm	Saint Charles, Illinois	Senior Vice President, Office of Sustainability, Strategy, and Direct Call Centers, Auto Club Services, Inc.
Jamie Bryan Boutilier ^(a)	Waxhaw, North Carolina	Vice President, Product – Southeast/Florida, Auto Club Services, Inc. President, The Members Insurance Company & Universal Insurance Company
John Bruno	Grosse Pointe Park, Michigan	Executive Vice President, General Counsel, Corporate Secretary & Chief Human Resource Officer, Auto Club Services, Inc.
Sean Henry Maloney ⁽¹⁾	Grosse Pointe Farms, Michigan	Executive Vice President, Chief Financial Officer & Treasurer, Auto Club Services, Inc.
Henry James McCafferty ⁽²⁾	Mint Hill, North Carolina	Vice President, Independent Agent Strategy, and Automotive Retail, Auto Club Services, Inc. Head of Meemic Insurance Company & Fremont Insurance Company
Roger David Odle II	Northville, Michigan	Executive Vice President, Head of Insurance and Distribution, Auto Club Services, Inc.
Jennifer Lynn Pintacuda	Bradenton, Florida	Vice President, Brokered Business, Auto Club Services, Inc. President, Auto Club Insurance Company of Florida & Auto Club South Insurance Company
Margaret Ann Scheske	Milford, Michigan	Vice President, Financial Planning and Analysis & Assistant Treasurer, Auto Club Services, Inc.

(1) Chair of the Board

(2) Vice-Chair of the Board

(a) Effective May 23, 2023, Robert Ross replaced Jamie Boutilier as a Director.

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

Senior Officers		
Name	City, State	Title
Jennifer Lynn Pintacuda	Bradenton, Florida	President
Sean Henry Maloney	Grosse Pointe Farms, Michigan	Chair of the Board, Executive Vice President, Chief Financial Officer & Treasurer
Henry James McCafferty	Mint Hill, North Carolina	Vice-Chair of the Board
John Bruno	Grosse Pointe Park, Michigan	Executive Vice President, General Counsel, Corporate Secretary & Chief Human Resources Officer
Marcia Lynn Hannewald	Ann Arbor, Michigan	Vice President, Assistant Corporate Secretary & Corporate Counsel
Bobby Shafter Futch	Tampa, Florida	Vice President, Claims
Anthony Edward Ptasznik	Bloomfield Township, Michigan	Vice President & Chief Actuarial Officer
Margaret Ann Scheske	Milford, Michigan	Vice President & Assistant Treasurer

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes. The first person listed for the audit committee is the chairman.

Audit Committee		
Gene Jerome Boehm	John Bruno	Margaret Ann Scheske

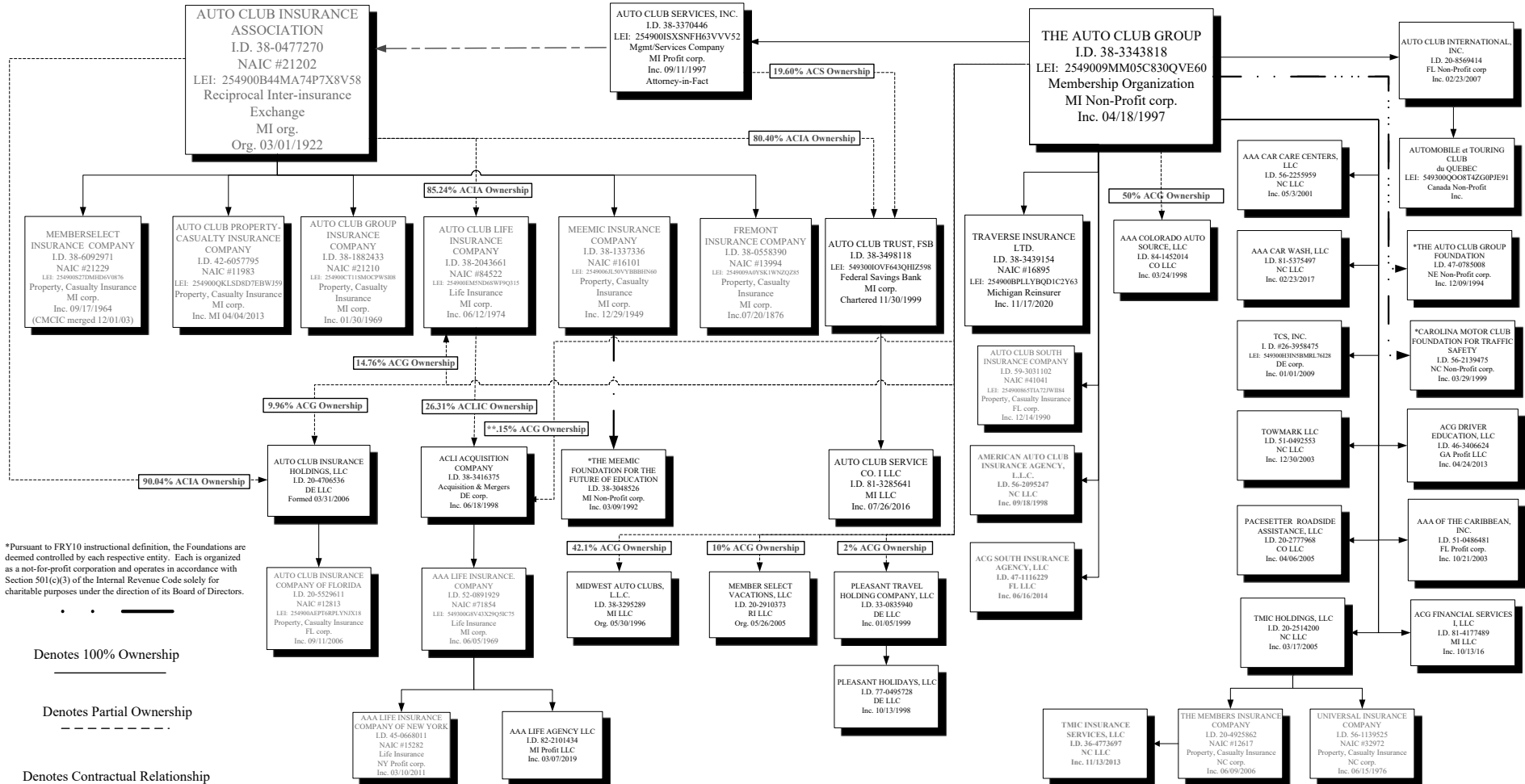
Holding Company System

The Company is a member of a holding company system. The entire organization consists of an insurance holding company structure, Auto Club Insurance Association ("ACIA") and subsidiaries, with a separate but parallel motor club structure, ACG and subsidiary club territories.

An organizational chart as of December 31, 2022, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2022 annual statement provided a chart of all related companies of the holding company group.

Auto Club Insurance Company of Florida Organizational Chart December 31, 2022

THE AUTO CLUB GROUP and AUTO CLUB INSURANCE ASSOCIATION ORGANIZATION CHART



*Pursuant to FR110 instructional definition, the Foundations are deemed controlled by each respective entity. Each is organized as a not-for-profit corporation and operates in accordance with Section 501(c)(3) of the Internal Revenue Code solely for charitable purposes under the direction of its Board of Directors.

** Partial ownership transfer of .1 is in process and has been submitted for approval; but it is not approved as of this date.

EFFECTIVE 12/31/2022 at 11:59:01 p.m. EST

The following agreements were in effect between the Company and its affiliates:

Tax Allocation Agreement

A Tax Allocation Agreement with the Company, ACIA and its affiliates was effective January 1, 2022, replacing the terminated May 1, 2018 agreement. Under this agreement, each affiliate calculates its own federal income tax liability, as if filing separately, and records an intercompany tax receivable or payable with ACIA. These intercompany tax balances are settled within 60 days of filing the consolidated return.

Management Services Agreement

Effective January 1, 2022, the Company became a party to the Auto Club Management/Services Agreement via Amendment No. 1. This amendment removed certain parties, added subsidiaries, and modified some rights and obligations. The original agreement, effective December 1, 2014, had Auto Club Services, Inc. (“ACSI”) providing various management services to affiliates, including marketing, financial, operational, and administrative services. Service fees are set at the cost of providing the services, determined monthly, and settled within 30 days.

Expense Sharing Agreement

Effective January 1, 2022, the Company became a party to an amended Expense Sharing Agreement. This amendment removed certain parties, added subsidiaries, and modified some rights and obligations. The original agreement, effective December 1, 2014, allocates expenses for centralized services, shared facilities, equipment, supplies, and human resources. In 2020, it was amended due to the dissolutions of ACG Insurance Agency, LLC and MEEMIC Insurance Services Corporation. Expense allocation is based on direct support, shared services, and corporate management using various methodologies such as activity percentage, unit cost, or fixed percentage.

Royalty Agreement

The Company entered into a Royalty Agreement with ACG on January 1, 2020. Under this royalty agreement, the Company 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.

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. On July 1, 2019, Principal Financial Group acquired Wells Fargo's Institutional Retirement and Trust and this custodial relationship.

Independent Auditor Agreement

The Company utilized an independent CPA, Ernst & Young LLP, to audit the Company's statutory basis financial statements. This audit was performed annually for the years 2020, 2021, and 2022.

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.

ACCOUNTS AND RECORDS

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

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, 2022:

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

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 from non-affiliates during the period of this examination.

Effective January 1, 2022, the Company and its affiliate, Auto Club South Insurance Company (“ACSIC”), operate under an intercompany reinsurance pooling agreement. All premiums, losses and underwriting expenses incurred by ACSIC (excluding mandatory pools) are ceded to the Company and pooled with the Company. The Company cedes to all third party reinsurers. The Company retains 70% of the net pool and cedes 30% to ACSIC.

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 through excess of loss and quota share reinsurance contracts.

In its 2022/2023 catastrophe excess of loss reinsurance program, the Company utilized the 90% catastrophe (CAT) coverage via the Reinsurance to Assist Policyholders Program (RAP), administered by the Florida State Board of Administration, with coverage from the Florida Hurricane Catastrophe Fund (FHCF). Additionally, CAT risk for automobile and homeowner lines is ceded through four layers of private reinsurance.

The contract period for the RAP reinsurance program was from June 1, 2022 to May 31, 2023.

The Company participates with affiliates in multiple line excess of loss reinsurance contracts to limit its exposure on individual automobile and homeowners risks. Furthermore, the Company has

a quota share agreement for an umbrella endorsement to its package automobile and homeowner policy.

Additionally, under the afore-mentioned reinsurance pooling agreement with ACSIC, effective January 1, 2022, all ACSIC premiums, losses, and underwriting expenses are ceded 100% to the Company. The Company then cedes business to third-party reinsurers and retrocedes 30% back to ACSIC, retaining 70%.

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, 2022. 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, 2022. (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, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$349,731,418		\$349,731,418
Stocks			
Common stocks	49,277,677		49,277,677
Cash, cash equivalents and short-term investments	10,797,195		10,797,195
Other invested assets	95,394,848		95,394,848
Receivables for securities	15		15
Subtotals, cash and invested assets	505,201,155		505,201,155
Investment income due and accrued	2,403,304		2,403,304
Premiums and considerations			
Uncollected premiums and agents' balances	18,055,816	59,488	17,996,328
Deferred premiums, agents' balances and installments	27,023,854		27,023,854
Reinsurance			
Amounts recoverable from reinsurers	18,558,255		18,558,255
Current federal and foreign income taxes recoverable and interest thereon	87,738		87,738
Electronic data processing equipment and software	23,667	6,768	16,899
Furniture and equipment, including health care delivery assets	3,337	3,337	
Aggregate write-in for other than invested assets	359,664	29,684	329,980
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	571,716,789	99,276	571,617,513
Total	\$571,716,789	\$99,276	\$571,617,513

Auto Club Insurance Company of Florida
Liabilities, Surplus and Other Funds
December 31, 2022

	Per Company
Losses	\$153,603,294
Reinsurance payable on paid losses and loss adjustment expenses	12,261,775
Loss adjustment expenses	40,014,170
Commissions payable, contingent commissions and other similar charges	12,158
Other expenses	1,302,266
Taxes, licenses and fees	3,379,268
Borrowed money and interest thereon	20,185,898
Unearned premiums	156,201,837
Advance premiums	4,689,450
Ceded reinsurance premiums payable	17,203,356
Funds held by company under reinsurance treaties	1,997
Remittances and items not allocated	18,272
Payable to parent, subsidiaries and affiliates	6,281,314
Aggregate write-in for liabilities	1,603,719
Total liabilities excluding protected cell liabilities	416,758,774
Total liabilities	\$416,758,774
Common capital stock	\$220
Gross paid-in and contributed surplus	118,168,245
Unassigned funds (surplus)	36,690,274
Surplus as regards policyholders	154,858,740
Totals	<u>\$571,617,513</u>

Auto Club Insurance Company of Florida
Statement of Income
December 31, 2022

	Per Company
Underwriting Income	
Premiums earned	\$287,618,964
Deductions	
Losses incurred	257,952,479
Loss adjustment expenses incurred	37,189,400
Other underwriting expenses incurred	58,116,741
Total underwriting deductions	353,258,620
Net underwriting gain (loss)	(65,639,657)
Investment Income	
Net investment income earned	12,306,572
Net realized capital gains or (losses)	(1,537,343)
Net investment gain or (loss)	10,769,229
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(239,437)
Finance and service charges not included in premiums	538,955
Aggregate write-ins for miscellaneous income	1,486
Total other income	301,004
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(54,569,424)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(54,569,424)
Federal & foreign income taxes incurred	(70,187)
Net income (loss)	(\$54,499,237)
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$201,040,853
Net income (loss)	(54,499,237)
Change in net unrealized capital gains or losses less capital gains tax	(7,786,532)
Change in net deferred income taxes	(5,305,543)
Change in non-admitted assets	(14,802)
Paid in	21,424,000
Change in surplus as regards policyholders for the year	(46,182,113)
Surplus as regards policyholders, December 31 current year	<u>\$154,858,740</u>

**Auto Club Insurance Company of Florida
Reconciliation of Capital and Surplus
December 31, 2022**

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2019, per Company			\$211,578,690
	Increase	Decrease	
Net income (loss)		83,314,124	
Change in net unrealized capital gain (loss)	5,253,678		
Change in net deferred income tax		2,579,821	
Change in non-admitted assets	196,317		
Change in paid in surplus	23,724,000		
Net increase (or decrease)			(56,719,950)
Surplus at December 31, 2022, per Company			<u>\$154,858,740</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$154,858,740, exceeded the minimum of \$36,837,624 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Effective May 23, 2023, Robert Ross was appointed as Director replacing Jamie Boutilier.

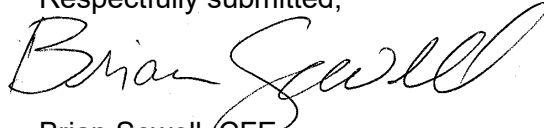
CONCLUSION

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, 2022, consistent with the insurance laws of the State of Florida.

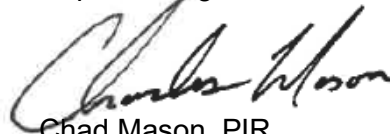
In addition to the undersigned, the following also participated in the examination:

James Menck, CFE, CPA, CIA, CFE (Fraud)	Participating Examiner	Noble Consulting Services, Inc.
Bobby Jackson, CPA, MBA	Examination Manager	The Office
Daniel W. Lupton, FCAS, MAAA, CSPA, MBA	Participating Examiner	Taylor & Mulder, Inc.
Evelyn Toni Mulder, FCAS, MAAA, FCA	Participating Examiner	Taylor & Mulder, Inc.
Steve Killingsworth, ARM, CFE, CISA, CPCU	IT Specialist	Michigan Department of Insurance and Financial Services

Respectfully submitted,



Brian Sewell, CFE
Senior Associate
Noble Consulting Services, Inc.
Representing the Florida Office of Insurance Regulation



Chad Mason, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation