



**EXAMINATION REPORT  
OF**

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

**NAIC Company Code: 41041**

**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 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, 2022, of the financial condition and corporate affairs of

**Auto Club South Insurance Company**

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 December 14, 1990, and commenced business on January 2, 1991. Effective November 30, 2014, AAA Auto Club South, Inc. was merged into The Auto Club Group (“ACG”). Concurrent with the transaction, the Company became a wholly owned subsidiary of ACG. Control of the Company is maintained by its parent, ACG, which owns one hundred percent (100%) of the common stock issued by the Company.

The Company was authorized to transact insurance in Florida on December 18, 1990, and continued to be authorized for the following coverages as of December 31, 2022:

- Allied Lines
- Private Passenger Auto Liability
- Private Passenger Auto Physical Damage

The Company is licensed in three states: Florida, Georgia, and Tennessee. In Florida, the Company writes private passenger automobile and federal flood lines. In the states of Georgia and Tennessee, the Company writes federal flood lines. The Company offers flood insurance in these three states as a “Write Your Own” company for the National Flood Insurance Program.

### **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	1,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$1,000,000
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 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:

<b>Directors</b>		
<b>Name</b>	<b>City, State</b>	<b>Principal Occupation, Company Name</b>
Gene Jerome Boehm	Saint Charles, Illinois	Senior Vice President, Office of Sustainability, Strategy, and Direct Call Centers, Auto Club Services, Inc.
Jamie Bryan Boutilier <sup>(a)</sup>	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.
Henry James McCafferty <sup>(2)</sup>	Mint Hill, North Carolina	Vice President, Independent Agent Strategy, and Automotive Retail, Auto Club Services, Inc. Head of Meemic Insurance Company & Fremont Insurance Company
Sean Henry Maloney <sup>(1)</sup>	Grosse Pointe Farms, Michigan	Executive Vice President, Chief Financial Officer & Treasurer, Auto Club Services, Inc.
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:

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Jennifer Lynn Pintacuda	Bradenton, Florida	President
Sean Henry Maloney	Grosse Pointe Farms, Michigan	Executive Vice President, Chief Financial Officer & Treasurer
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.

<b>Audit Committee</b>		
Gene Jerome Boehm	John Bruno	Margaret Ann Scheske

### **Holding Company System**

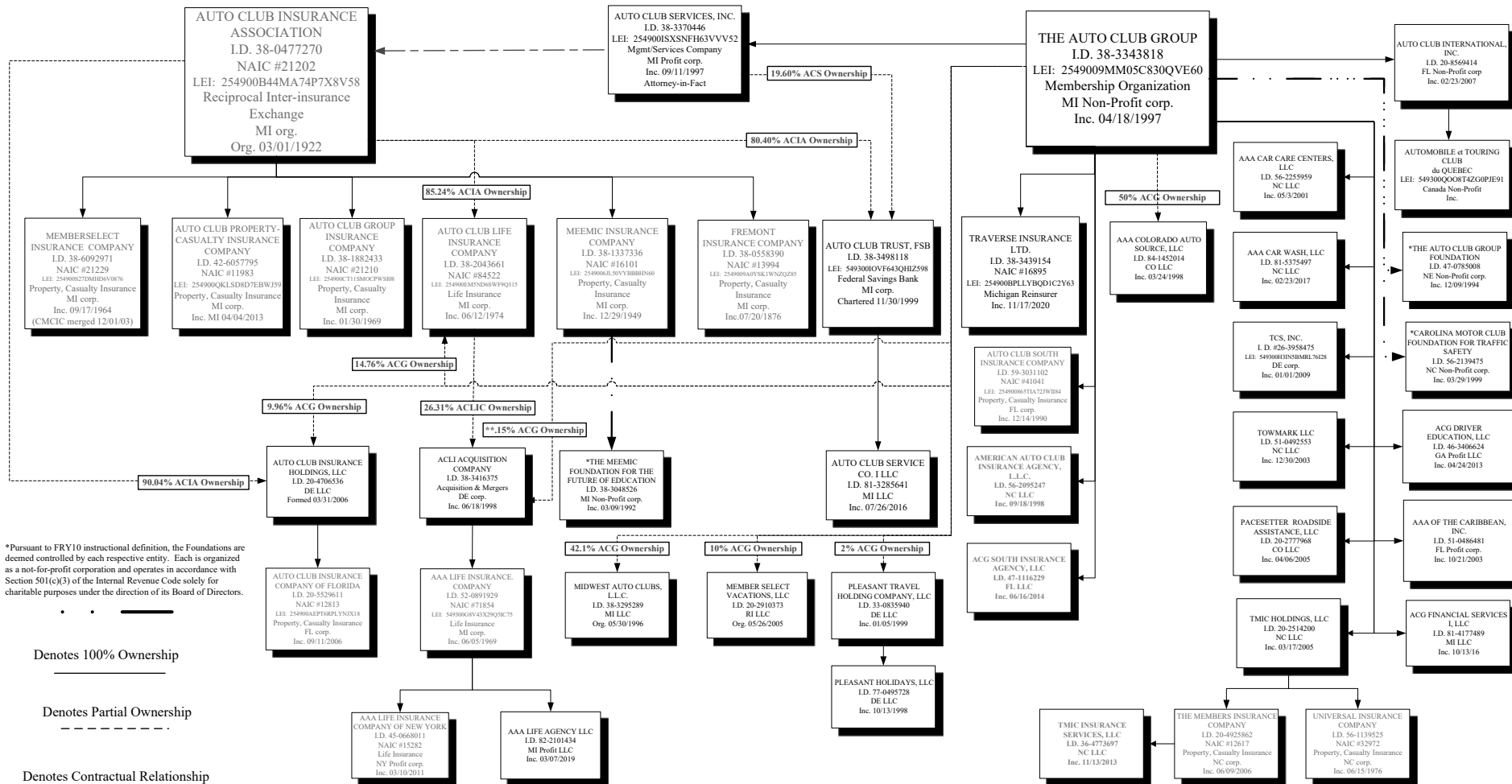
The Company is a member of a holding company system. The entire organization consists of an insurance holding company structure, Auto Club Insurance Association ("ACIA") and subsidiaries, with a separate but parallel motor club structure, ACG and subsidiary club territories.

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 South Insurance Company Organizational Chart December 31, 2022

## THE AUTO CLUB GROUP and AUTO CLUB INSURANCE ASSOCIATION ORGANIZATION CHART



\*Pursuant to FR10 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.

Denotes 100% Ownership

Denotes Partial Ownership

Denotes Contractual Relationship

\*\* 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 and its parent, ACG, and affiliates was effective January 1, 2022, replacing the terminated December 1, 2014 agreement. Under this agreement, each affiliate calculates its own federal tax liability, as if filing separately, and records an intercompany tax receivable or payable with ACG. 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 in the following states:

- Florida
- Georgia
- Tennessee

The Company was authorized to transact insurance in Florida on December 18, 1990, and is currently authorized for the following lines of business as of December 31, 2022:

- Allied Lines
- Private Passenger Auto Liability
- Private Passenger Physical Damage

The Company writes the majority of its business (99.8%) in the Florida private passenger automobile and federal flood lines. The remaining 0.2% of business is federal flood lines written in Georgia and Tennessee.

## **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 Insurance Company of Florida ("ACICF"), operate under an intercompany reinsurance pooling agreement. All premiums, losses and underwriting expenses incurred by the Company (excluding mandatory pools) are ceded to ACICF and pooled with ACICF. ACICF cedes to all third party reinsurers. ACICF retains 70% of the net pool and cedes 30% to the Company.

### **Reinsurance Ceded**

The Company and its affiliate, Traverse Insurance, Ltd., entered into an aggregate property catastrophe excess of loss reinsurance agreement effective August 1, 2022.

The Company participates in the federal government's National Flood Insurance Program, which is administered by the Federal Emergency Management Agency. Under this program, 100% of flood business is ceded to the federal government.

The Company participates with affiliates in multiple line excess of loss reinsurance contracts to limit its exposure on individual automobile risks.

Additionally, under the afore-mentioned reinsurance pooling agreement with ACICF, effective January 1, 2022, all premiums, losses, and underwriting expenses incurred by the Company are ceded to ACICF.

## **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 South Insurance Company**  
**Assets**  
**December 31, 2022**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$138,291,717		\$138,291,717
Stocks			
Common stocks	14,865,296		14,865,296
Cash, cash equivalents and short-term investments	6,455,028		6,455,028
Other invested assets	43,605,691		43,605,691
Subtotals, cash and invested assets	203,217,731		203,217,731
Investment income due and accrued	986,271		986,271
Premiums and considerations			
Uncollected premiums and agents' balances	13,396,824	85,363	13,311,460
Deferred premiums, agents' balances and installments	11,581,652		11,581,652
Reinsurance			
Amounts recoverable from reinsurers	12,261,775		12,261,775
Receivables from parent, subsidiaries and affiliates	24,879		24,879
Aggregate write-in for other than invested assets	199,517	17,013	182,504
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	241,668,649	102,377	241,566,272
<b>Total</b>	<b><u>\$241,668,649</u></b>	<b><u>\$102,377</u></b>	<b><u>\$241,566,272</u></b>

**Auto Club South Insurance Company  
Liabilities, Surplus and Other Funds  
December 31, 2022**

	Per Company
Losses	\$65,829,983
Reinsurance payable on paid losses and loss adjustment expenses	12,207,538
Loss adjustment expenses	17,148,930
Other expenses	2,929,099
Taxes, licenses and fees	570,409
Unearned premiums	66,943,644
Advance premiums	2,009,764
Ceded reinsurance premiums payable	13,469,670
Remittances and items not allocated	697,466
Payable to parent, subsidiaries and affiliates	5,457,477
Aggregate write-in for liabilities	457,136
Total liabilities excluding protected cell liabilities	187,721,115
Total liabilities	\$187,721,115
Common capital stock	\$1,000,000
Gross paid-in and contributed surplus	2,750,000
Unassigned funds (surplus)	50,095,156
Surplus as regards policyholders	53,845,156
Totals	<u>\$241,566,272</u>



**Auto Club South Insurance Company**  
**Statement of Income**  
**December 31, 2022**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$123,265,270
<b>Deductions</b>	
Losses incurred	110,578,567
Loss adjustment expenses incurred	15,938,314
Other underwriting expenses incurred	31,834,535
Total underwriting deductions	158,351,417
Net underwriting gain (loss)	(35,086,147)
<b>Investment Income</b>	
Net investment income earned	5,225,563
Net realized capital gains or (losses)	(1,390,480)
Net investment gain or (loss)	3,835,083
<b>Other Income</b>	
Net gain or (loss) from agents' or premium balances charged off	(102,616)
Finance and service charges not included in premiums	570,143
Aggregate write-ins for miscellaneous income	587
Total other income	468,114
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(30,782,949)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(30,782,949)
Federal & foreign income taxes incurred	(2,651,726)
Net income (loss)	<u>(\$28,131,223)</u>
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders, December 31 prior year	\$82,482,435
Net income (loss)	(28,131,223)
Change in net unrealized capital gains or losses less capital gains tax	(708,193)
Change in net deferred income taxes	268,626
Change in non-admitted assets	(66,488)
Change in surplus as regards policyholders for the year	(28,637,279)
Surplus as regards policyholders, December 31 current year	<u>\$53,845,156</u>

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

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

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2019, per Company			\$65,382,825
	Increase	Decrease	
Net income (loss)		13,487,439	
Change in net unrealized capital gain (loss)	2,626,537		
Change in net deferred income tax		630,627	
Change in non-admitted assets		46,139	
Net increase (or decrease)			(11,537,669)
Surplus at December 31, 2022, per Company			<u>\$53,845,156</u>

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$53,845,156, exceeds the minimum of \$16,459,700 required by Section 624.408, Florida Statutes.

### **SUBSEQUENT EVENTS**

On January 31, 2023, ACG contributed \$15,000,000 of capital to the Company for the purpose of maintaining target capital levels.

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

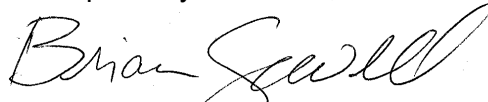
## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Auto Club South Insurance Company as of December 31, 2022, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, the following are recognized for participation 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