

# STATE OF MISSOURI



## DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

### ORDER

After full consideration and review of the report of the financial examination of Auto Club Family Insurance Company for the period ended December 31, 2019, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Auto Club Family Insurance Company as of December 31, 2019 be and is hereby ADOPTED as filed and for Auto Club Family Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 13<sup>th</sup> day of May, 2021.



*Chlora Lindley-Myers*

Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# **AUTO CLUB FAMILY INSURANCE COMPANY**

AS OF  
DECEMBER 31, 2019

**STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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St. Louis, MO  
March 17, 2021

Honorable Chlora Lindley-Myers, Director  
Missouri Department of Commerce and Insurance  
301 West High Street, Room 530  
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

**Auto Club Family Insurance Company (NAIC #27235)**

hereinafter referred to as such, or as the Company. Its administrative office is located at 12901 North Forty Drive, St. Louis, MO 63141, telephone number (314) 523-7350. The fieldwork for this examination began on March 4, 2020, and concluded on the above date.

**SCOPE OF EXAMINATION**

**Period Covered**

The Missouri Department of Commerce and Insurance (Department) has performed a multiple-state financial examination of Auto Club Family Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2013 through December 31, 2015. The current examination covers the period of January 1, 2016 through December 31, 2019, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

**Procedures**

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook), except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to the Company included Investments, Premium, Reserving, Reinsurance and Related Party. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the Auto Club Enterprises Insurance Group (Group), which consists of eight insurance companies domiciled in numerous states. The California Department of Insurance is the lead state regulator for the group. Along with Missouri, regulators from Rhode Island and Texas participated in the coordinated examination. The examination was also conducted concurrently with the examination of the Company's Missouri domiciled affiliate, Automobile Club Inter-Insurance Exchange.

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

### **COMPANY HISTORY**

#### **General**

The Company was incorporated under the laws of Missouri on June 22, 1987 and commenced business on June 27, 1987 as Alternative Insurance Company of North America, Inc. Automobile Club Inter-Insurance Exchange purchased the Company on January 1, 1990 and the current name of Auto Club Family Insurance Company was adopted on January 11, 1990.

#### **Mergers, Acquisitions, and Major Corporate Events**

There were no mergers, acquisitions, or other major corporate events during the examination period.

#### **Dividends and Capital Contributions**

There were no dividends or capital contributions during the examination period.

#### **Surplus Notes**

There were no surplus notes issued or outstanding during the examination period.

## **MANAGEMENT AND CONTROL**

### **Board of Directors**

The management of the Company is vested in a Board of Directors that are elected by the shareholder. The Company's Articles of Incorporation and Bylaws specify that there shall be nine members. The Board of Directors elected and serving as of December 31, 2019, were as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Occupation and Business Affiliation</u></b>
Janet Borje St. Louis, MO	Vice President, Travel Services Auto Club of Missouri
Carl Kraft St. Louis, MO	Director, Legal Services and Assistant Secretary Auto Club of Missouri
James McGrath St. Louis, MO	President Auto Club of Missouri
Christopher Miller St. Louis, MO	Director, Human Resources Auto Club of Missouri
Anwar Othman Riverside, CA	Vice President, Field Sales (CA, HI, NM) Auto Club of Southern California
Terrance Ponchak, Jr. St. Louis, MO	Vice President Auto Club of Missouri
Steven Schone St. Louis, MO	Vice President, Public Affairs and Government Relations Auto Club of Missouri
James Strike St. Louis, MO	Director, Claims Auto Club of Missouri
Raju Varma Yorba Linda, CA	Senior Vice President, CFO, Treasurer Automobile Club of Southern California

### **Senior Officers**

The officers elected and serving, as of December 31, 2019, were as follows:

<b><u>Name</u></b>	<b><u>Office</u></b>
James McGrath	President
Raju Varma	Vice President, CFO & Treasurer
Gail Louis	Secretary
Carl Kraft	Assistant Secretary
Terrance Ponchak, Jr.	Vice President
Steven Schone	Vice President

### **Principal Committees**

The Company does not have any committees of its own. The investment and audit committees of the parent, Automobile Club Inter-Insurance Exchange, act on behalf of the Company.

### **Corporate Records**

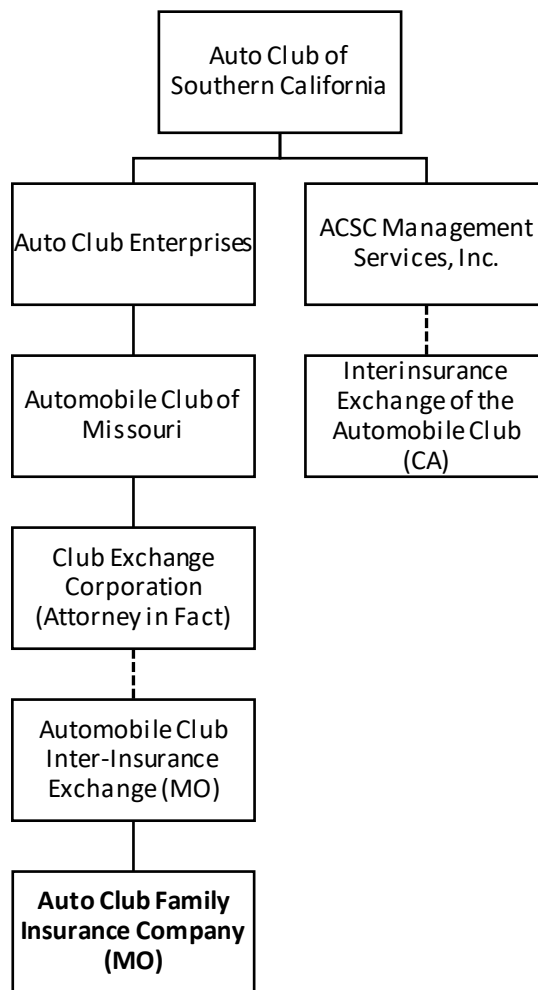
The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the meetings of the sole shareholder and Board of Directors were reviewed for the period under examination.

**Holding Company, Subsidiaries, and Affiliates**

The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). The Company is wholly-owned by Automobile Club Inter-Insurance Exchange (Exchange), which is a reciprocal inter-insurance exchange. The affairs of Exchange are managed by Club Exchange Corporation (CEC), the attorney-in-fact appointed by the subscribers of Club Exchange Corporation. CEC is wholly-owned by Automobile Club of Missouri (ACMO). Automobile Club of Southern California (ACSC) is the ultimate controlling entity.

**Organizational Chart**

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2019. Dotted lines represent affiliation through a Subscriber Agreement whereby affairs are managed by an attorney-in-fact.





### **Intercompany Transactions**

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2019. A brief description of these agreements are as follows:

**Affiliation Agreement:** An agreement between the Company, Exchange, ACMO, CEC, Interinsurance Exchange of the Automobile Club (IEAC), ACSC, ACSC Management Services, Inc. and Auto Club Enterprises Insurance Group, effective March 1, 2006, which sets forth provisions for control among the companies and various terms and conditions agreed upon in order to carry out the transactions detailed in the agreement.

**Reinsurance Pooling Agreement:** An agreement between the Company, Exchange and IEAC, effective June 30, 2006, whereby the Company and Exchange cede 100% of their net premium to IEAC. In turn, IEAC retrocedes their net premium retained under other pooling agreements in place with other affiliates. The amount retroceded to the Company and Exchange is 1% and 4%, respectively. IEAC retains 95% of the premiums for itself.

**Tax Allocation Agreement:** An agreement between the Company and Exchange, effective June 1, 1990, stating the parties will file a consolidated federal income tax return.

**Parental Guarantee:** Letter dated August 29, 1991, from Exchange to the Kansas Insurance Department, stating the surplus of the Company will not fall below \$1.25 million at any time.

**Parental Guarantee:** Confirmation dated June 28, 2006, from Exchange to the California Department of Insurance, stating the surplus of the Company will not fall below \$20 million at any time.

**Amended and Restated Service Agreement:** An agreement between the Company, Exchange, CEC and ACMO, effective October 12, 2009, whereby ACMO provides general and administrative services to the parties.

**Amended and Restated Multiple Cedent Allocation Agreement:** An agreement between Exchange and IEAC, effective January 1, 2008, to allocate and record reinsurance premiums, reinstatement premiums, and recoveries among the parties as cedents to a multiple-cedent reinsurance arrangement as required by Statements of Statutory Accounting Principles (SSAP) 62. By definition, the term “affiliate” in the agreement shall mean the Company.

### **TERRITORY AND PLAN OF OPERATION**

The Company is licensed by the Missouri Department of Commerce and Insurance under Chapter 379 RSMo (Insurance other than life) to write property, liability, accident & health and miscellaneous insurance. The Company is also licensed in the states of Alabama, Arkansas, Illinois, Indiana, Kansas, Louisiana, Mississippi, Ohio and an accredited reinsurer in California. Approximately 64% of the 2019 direct premiums were written in Missouri.

The Company markets homeowners insurance, non-standard private passenger auto insurance and rental dwelling insurance through licensed captive agents, who are employed by ACMO branch and sales offices. The Company does not sell through independent agents, and insurance is only sold to members of ACMO. During the examination period, the Company expanded its direct sales and online options for selling products.

**GROWTH OF COMPANY AND LOSS EXPERIENCE**

The table below summarizes the Company's premium writings and writing ratios for the period under examination. The Company experienced steady growth in premiums and surplus during the examination period.

(\$000s omitted)

<b>Year</b>	<b>Net Premiums Written</b>	<b>Change in Net Premiums</b>	<b>Benefit and Loss Payments</b>	<b>Capital and Surplus</b>	<b>Ratio of Net Premiums to Surplus</b>
2016	\$ 34,331	\$ 2,574	\$ 21,622	\$ 45,017	76%
2017	38,137	3,806	22,902	49,784	77%
2018	43,161	5,024	24,319	49,774	87%
2019	45,465	2,304	25,837	60,775	75%

The table below summarizes the Company's incurred losses and loss ratios for the period under examination. The Company's loss ratio has improved over the examination period. Over the past decade, the reinsurance pooling agreement has resulted in consistent positive operating results and has dampened the effects of severe weather events.

(\$000s omitted)

<b>Year</b>	<b>Net Premiums Earned</b>	<b>Net Losses and Loss Adjustment Expenses</b>	<b>Loss Ratio</b>
2016	\$ 33,035	\$ 26,228	79.4%
2017	36,245	28,842	79.6%
2018	41,393	30,042	72.6%
2019	44,519	32,498	73.0%

**REINSURANCE****General**

The Company's premium activity on a direct written, assumed, and ceded basis for the period under examination is detailed below:

(\$000s omitted)

<b>Premium Type</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Direct Premiums Written	\$ 122,412	\$ 124,276	\$ 130,978	\$ 130,744
Reinsurance Assumed:				
Affiliates	34,332	38,138	43,162	45,466
Non-Affiliates	0	0	0	0
Reinsurance Ceded:				
Affiliates	114,482	117,366	124,213	122,719
Non-Affiliates	7,930	6,910	6,765	8,025
<b>Net Premiums Written</b>	<b>\$ 34,332</b>	<b>\$ 38,138</b>	<b>\$ 43,162</b>	<b>\$ 45,466</b>

**Assumed Reinsurance**

The Company participates in a reinsurance pooling agreement with IEAC and Exchange. Under the agreement, Exchange and the Company cede 100% of their net premiums and losses, after outside reinsurance, to IEAC. In turn, IEAC retrocedes 1% and 4% of the pooled premiums and losses to the Company and Exchange, respectively, and retains 95% for itself.

**Ceded Reinsurance**

The Company participates in a reinsurance program with Exchange, IEAC, Auto Club County Mutual Insurance Company, Auto Club Casualty Company and Auto Club Indemnity Company. The purpose of the program is to control exposure to potential losses arising from large risks and to reduce the losses that may arise from catastrophes. The reinsurance is provided under a series of excess of loss reinsurance agreements managed by two reinsurance intermediaries, Guy Carpenter and BMS. Below is a summary of the limits of liabilities as of December 31, 2019 under the treaties:

Type of Contracts	Reinsurer(s) Name	Retention (in 000's)	Reinsurer's Maximum Limits (in 000's)
Catastrophe Excess of Loss			
1 <sup>st</sup> Layer (*)	Various Authorized and Unauthorized	(A) \$100,000 per Occurrence (B) \$200,000 per Occurrence	\$150,000 per Occurrence
2 <sup>nd</sup> Layer	Various Authorized and Unauthorized	(A) \$250,000 per Occurrence (B) \$350,000 per Occurrence	\$200,000 per Occurrence
3 <sup>rd</sup> Layer	Various Authorized and Unauthorized	(A) \$450,000 per Occurrence (B) \$550,000 per Occurrence	\$350,000 per Occurrence
4 <sup>th</sup> Layer	Various Authorized and Unauthorized	(A) \$800,000 per Occurrence (B) \$900,000 per Occurrence	\$ 50,000 per Occurrence
5 <sup>th</sup> Layer	Various Authorized and Unauthorized	(A) \$850,000 per Occurrence (B) \$950,000 per Occurrence	\$ 25,000 per Occurrence
6 <sup>th</sup> Layer (*)	Various Authorized and Unauthorized	(A) \$875,000 per Occurrence (B) \$975,000 per Occurrence	\$ 300,000 per Occurrence
7 <sup>th</sup> Layer (*)	Various Authorized and Unauthorized	(A) \$1,175,000 per Occurrence (B) \$1,275,000 per Occurrence	\$ 200,000 per Occurrence

(\*) IEAC participates at a rate of 6.983% in the 1st Layer, 11.182% in the 6th Layer, and 5% in the 7th Layer.

(A) All Other Markets

(B) California Market Only

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance contract.

## **ACCOUNTS AND RECORDS**

### **Independent Auditor**

The certified public accounting (CPA) firm, Ernst & Young LLP, in San Francisco, CA, performed a combined statutory audit of IEAC and subsidiaries, including the Company, for the years under examination. Reliance was placed upon the CPA workpapers as deemed appropriate.

### **Actuarial Opinion**

The Company's actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Christopher Walker, FCAS, MAAA, for all years in the examination period. Mr. Walker is employed by PricewaterhouseCoopers LLP in Chicago, IL.

### **Consulting Actuary**

Giovanni Muzzarelli, FCAS, CERA, MAAA, a Casualty Actuary for the California Department of Insurance performed a review to determine the adequacy of loss reserves and LAE reserves. Mr. Muzzarelli determined that the Company made a reasonable provision for the loss and LAE reserves that were reported in the statutory financial statements, as of December 31, 2019.

### **Information Systems**

Pursuant to a contract with the California Department of Insurance, Stephen Skenyon, CPA, CISA, with Risk & Regulatory Consulting, LLC, conducted a review of the Group's information systems. Andrew Balas, CPA, CFE, AES, Information Systems Financial Examiner with the Department, participated in the review.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Auto Club Family Insurance Company for the period ending December 31, 2019. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

**ASSETS**

As of December 31, 2019

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 48,775,357	\$	\$ 48,775,357
Stocks:			
Common Stocks	47,033,910		47,033,910
Cash, Cash Equivalents, and Short-Term Investments	2,695,872		2,695,872
Receivables for Securities	6,018		6,018
Investment Income Due and Accrued	578,018		578,018
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in the Course of Collection	9,480,132	66,583	9,413,549
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	14,920,205		14,920,205
Reinsurance:			
Amounts Recoverable from Reinsurers	4,780,896		4,780,896
Guaranty Funds Receivable or on Deposit	1,776		1,776
Receivables from Parent, Subsidiaries, and Affiliates	3,620,355		3,620,355
Aggregate Write-Ins for Other-Than-Invested Assets	271,605	270,667	938
<b>TOTAL ASSETS</b>	<b>\$ 132,164,144</b>	<b>\$ 337,250</b>	<b>\$ 131,826,894</b>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

As of December 31, 2019

Losses	\$ 15,247,490
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	3,131,788
Loss Adjustment Expenses	3,304,666
Other Expenses	71,578
Taxes, Licenses, and Fees	248,256
Net Deferred Tax Liability	3,433,627
Unearned Premiums	21,375,178
Advance Premiums	376,943
Dividends Declared and Unpaid:	
Policyholders	718,035
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	16,702,984
Amounts Withheld or Retained by Company for Account of Others	11,650
Remittances and Items Not Allocated	34,791
Payable to Parent, Subsidiaries, and Affiliates	6,092,040
Payable for Securities	1,157
Aggregate Write-Ins for Liabilities	301,479
<b>TOTAL LIABILITIES</b>	<b>\$ 71,051,663</b>
Common Capital Stock	1,200,000
Gross Paid In and Contributed Surplus	13,339,352
Unassigned Funds (Surplus)	46,235,879
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$ 60,775,231</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 131,826,894</b>

**STATEMENT OF INCOME**  
For the Year Ended December 31, 2019

Premiums Earned	\$ 44,519,617
DEDUCTIONS:	
Losses Incurred	27,608,705
Loss Adjustment Expenses Incurred	4,890,113
Other Underwriting Expenses Incurred	10,224,542
Total Underwriting Deductions	<u>\$ 42,723,360</u>
<b>Net Underwriting Gain (Loss)</b>	<b>\$ 1,796,257</b>
Net Investment Income Earned	2,096,701
Net Realized Capital Gains	195,765
<b>Net Investment Gain (Loss)</b>	<b>\$ 2,292,466</b>
Net Gain (Loss) from Agents' or Premium Balances Charged Off	(148,987)
Finance and Service Charges Not Included in Premiums	1,181,576
Aggregate Write-Ins for Miscellaneous Income	56,250
<b>Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes</b>	<b>\$ 5,177,562</b>
Dividends to Policyholders	2,557,901
Federal and Foreign Income Taxes Incurred	<u>271,530</u>
<b>NET INCOME (LOSS)</b>	<b><u>\$ 2,348,131</u></b>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
Changes from January 1, 2016 to December 31, 2019

(\$000s omitted)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Capital and Surplus, Beginning of Year	\$ 42,946	\$ 45,018	\$ 49,785	\$ 49,774
Net Income (Loss)	(295)	(117)	2,903	2,348
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	1,855	4,979	(2,665)	8,230
Change in Net Deferred Income Tax	409	(250)	(410)	(32)
Change in Nonadmitted Assets	103	155	161	455
Net Change in Capital and Surplus	2,072	4,767	(11)	11,001
<b>Capital and Surplus, End of Year</b>	<b><u>\$ 45,018</u></b>	<b><u>\$ 49,785</u></b>	<b><u>\$ 49,774</u></b>	<b><u>\$ 60,775</u></b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators, with the assistance of the NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position.

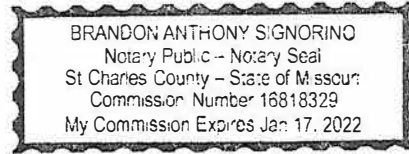


**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Auto Club Family Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Douglas Daniels, CPA, CFE; Scott Reeves, CPA, CFE, CAMS, MBA; Michael Behrens, CFE; and Conner Nilges examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

**VERIFICATION**

State of Missouri )  
 )  
 ) SS  
County of St. Charles )



I, Karen Milster, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Auto Club Family Insurance Company, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

*Karen Milster*  
\_\_\_\_\_  
Karen Milster, CPA, CFE  
Examiner-In-Charge  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 16<sup>th</sup> day of April, 2021.

My commission expires: 01/17/2022  
*[Signature]*  
\_\_\_\_\_  
Notary Public

**SUPERVISION**

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.

*Michael R. Shadowens*

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Michael R. Shadowens, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance