



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

RE: Examination Report of American Automobile Insurance Company for the period ended
December 31, 2013

ORDER

After full consideration and review of the report of the financial examination of American Automobile Insurance Company for the period ended December 31, 2013, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration 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 findings, subsequent events, company history, corporate records, management and control, affiliated companies, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of American Automobile Insurance Company as of December 31, 2013 be and is hereby ADOPTED as filed and for American Automobile 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) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) 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 19th day of June, 2015.




John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

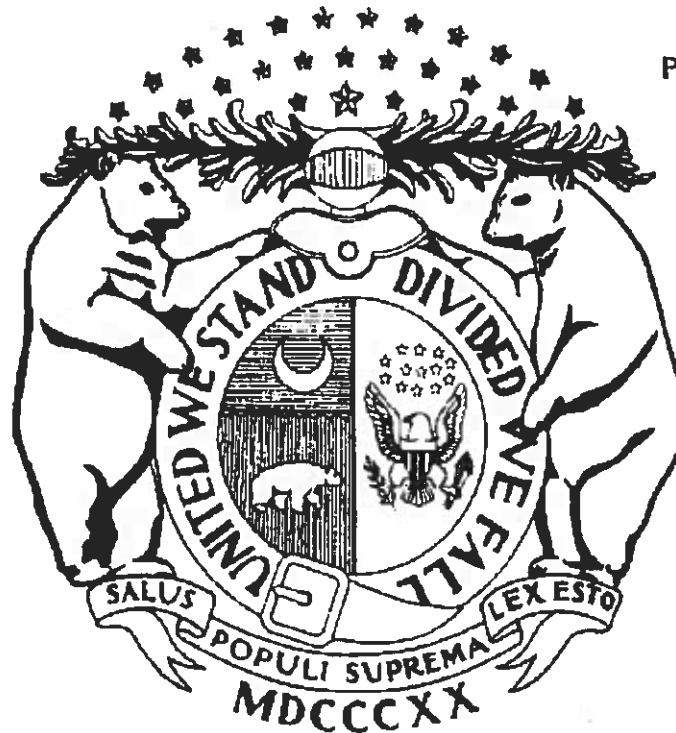
**REPORT OF THE
FINANCIAL EXAMINATION OF
American Automobile Insurance Company**

**AS OF
DECEMBER 31, 2013**

FILED

JUN 29 2015

**DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION**



STATE OF MISSOURI

**DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION**

JEFFERSON CITY, MISSOURI

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Novato, CA
March 30, 2015

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Director Huff:

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

American Automobile Insurance Company

hereinafter referred to as American Auto, or as the Company. Its administrative office is located at 777 San Marin Drive, Novato, California 94998. The examination began on May 14, 2014 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The previous examination of the Company was made as of December 31, 2010. This examination covers the period from January 1, 2011 through December 31, 2013. This examination also includes the material transactions or events occurring subsequent to December 31, 2013.

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 Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and the statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about corporate governance, identifying and assessing inherent risks, and evaluating the Company's controls and procedures used to mitigate those risks. An examination also

includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This was a coordinated examination and was conducted concurrently with the examinations of the Company's direct parent, Fireman's Fund Insurance Company (Fireman's Fund) and other affiliated insurance entities in the holding company group (Fireman's Fund Group). California was the lead state on the coordinated examination with participation from the following states: Missouri, Illinois, New Jersey, Ohio, and Texas.

Reliance Upon Others

Although each of the affiliated companies within the holding company group write in a specific jurisdiction, the affiliated companies share the same operating systems, employees and management. Various workpapers, documents, and other information provided by the coordinating states' departments of insurance were relied upon during our examination of American Auto. This information included, but was not limited to, actuarial review, IT review, and control and substantive testing for key activities.

SUMMARY OF SIGNIFICANT FINDINGS

During the course of the coordinated examination, a review was conducted of general controls over information systems. As a result of this review, several findings were noted in controls over logical security.

SUBSEQUENT EVENTS

On September 17, 2014, Allianz SE (AZSE), the Company's ultimate controlling entity, announced plans to reconfigure the Fireman's Fund Group. Fireman's Fund's commercial property and casualty business will be integrated with Allianz Global Risks US Insurance Company d/b/a Allianz Global Corporate & Specialty North America (AGCS). The legal ownership of American Auto will be re-aligned under AGCS. Fireman's Fund's legacy asbestos and environmental, legacy worker's compensation and legacy construction defect liabilities will be transferred to San Francisco Reinsurance Company (SFRe) and ownership of SFRe will be re-aligned under Allianz of America, Inc. (AZOA). Effective January 1, 2015, AZOA contributed all of the outstanding shares of the stock of Fireman's Fund to AGCS, and Fireman's Fund became a wholly owned subsidiary of AGCS.

On March 18, 2015, the California Insurance Commissioner provided consent to a Master Transaction Agreement (MTA) executed December 18, 2014 between Fireman's Fund and ACE American Insurance Company (ACE) and the form of the quota share reinsurance and service

agreements contained therein. The agreements provided the framework for the sale of Fireman's Fund's personal lines business to ACE, a Pennsylvania domiciled property and casualty insurer. The business to be transferred to ACE consists of private passenger auto, liability, homeowners, and personal inland marine policies. The transaction is expected to close in the second quarter of 2015.

Effective March 17, 2015, AZSE terminated the Keep Well Commitment pursuant to which AZSE committed to make certain capital contributions to Fireman's Fund in the event of adverse development of prior years' reserves for accident years 2003 and prior. On March 20, 2015, AZSE paid \$488,234,943 to Fireman's Fund in satisfaction of AZSE's outstanding obligation under the terminated Keep Well Commitment.

COMPANY HISTORY

General

American Auto was incorporated on December 14, 1911 under the laws of Missouri and was issued a certificate of authority on January 1, 1912. The Company operates under provisions of Chapter 379 (Insurance Other Than Life).

In 1956, American Auto was acquired by The American Insurance Company of Omaha, Nebraska. On December 31, 1963, The American Insurance Company was acquired by Fireman's Fund, which was ultimately owned by The Fund American Companies, Inc. of Greenwich, Connecticut. On January 2, 1991, Fireman's Fund and its subsidiaries were sold to Allianz of America, Inc.

Capital Contributions

No capital contributions were received during the current examination period.

Dividends

No dividends were paid during the examination period.

Mergers and Acquisitions

No mergers or acquisitions occurred during the examination period.

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The Company appears to be in compliance with the provisions of its Articles of Incorporation and Bylaws.

The minutes of the Board of Directors' meetings, committee meetings, and policyholder meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors which is appointed by the shareholder. The Company's Articles of Incorporation specify that the Board of Directors shall consist of nine members. The Board of Directors appointed and serving as of December 31, 2013 were as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
Juliene J. Conway ¹	San Rafael, CA	Senior Vice President Fireman's Fund
Antonio Derossi	Novato, CA	Senior Vice President & Chief Operations Officer Fireman's Fund
Douglas E. Franklin	Novato, CA	Chief Risk Officer Fireman's Fund
Jeffrey F. Johnson	San Rafael, CA	Vice President & Controller Fireman's Fund
Sally B. Narey ²	Larkspur, CA	Senior Vice President, General Counsel & Secretary Fireman's Fund
Bruce D. Petersen	Novato, CA	Senior Vice President Fireman's Fund
David A. Torrance ³	Sausalito, CA	President, Chief Executive Officer Fireman's Fund
Kevin E. Walker	Novato, CA	Senior VP, Chief Financial Officer & Treasurer Fireman's Fund
David M. Zona	Novato, CA	Senior Vice President, Product Management Fireman's Fund

Principal Committees

The Articles of Incorporation and Bylaws do not require any committees but the Bylaws do allow for committees to be appointed by the Board of Directors. An Executive Committee was active during the examination period. The primary purpose of the committee is to exercise certain authorities of the Board of Directors in managing the affairs of the Company. The

¹ Juliene J. Conway was replaced by Eric Brandt as director effective February 10, 2014. Eric Brandt was replaced by Frank A. Sapio effective September 30, 2014.

² Sally B. Narey was replaced by Julie A. Garrison as director effective January 12, 2015.

³ David A. Torrance was replaced by Arthur E. Moosmann, Jr. as director effective January 12, 2015.

members of the Executive Committee appointed and serving as of December 31, 2013 were: David A. Torrance⁴, Sally B. Narey⁵, and Kevin E. Walker.

American Auto also utilizes and relies upon several key committees of Fireman’s Fund, which regularly review and approve actions or transactions that may directly or indirectly affect the operations of American Auto. These committees include the Audit Committee, the Ethics Committee, the Finance Committee, the Reinsurance Committee, the Reserve Committee, and the Risk Committee.

Senior Officers

The officers elected by the Board of Directors and serving as of December 31, 2013 were as follows:

<u>Officer</u>	<u>Position</u>
David A. Torrance ⁶	Chairman of the Board, President and Chief Executive Officer
Kevin E. Walker	Senior Vice President, Chief Financial Officer and Treasurer
Sally B. Narey ⁷	Senior Vice President, General Counsel and Secretary
Jeffrey F. Johnson	Vice President and Controller

AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). Allianz SE is the ultimate controlling entity. Allianz SE, formerly Allianz Aktiengesellschaft, is a European Company incorporated in the Federal Republic of Germany and the European Union. An Insurance Holding Company System Registration Statement was filed by Allianz SE for each year of the examination period.

⁴ David A. Torrance was replaced by Arthur E. Moosmann, Jr. as a member of the Executive Committee effective January 12, 2015.

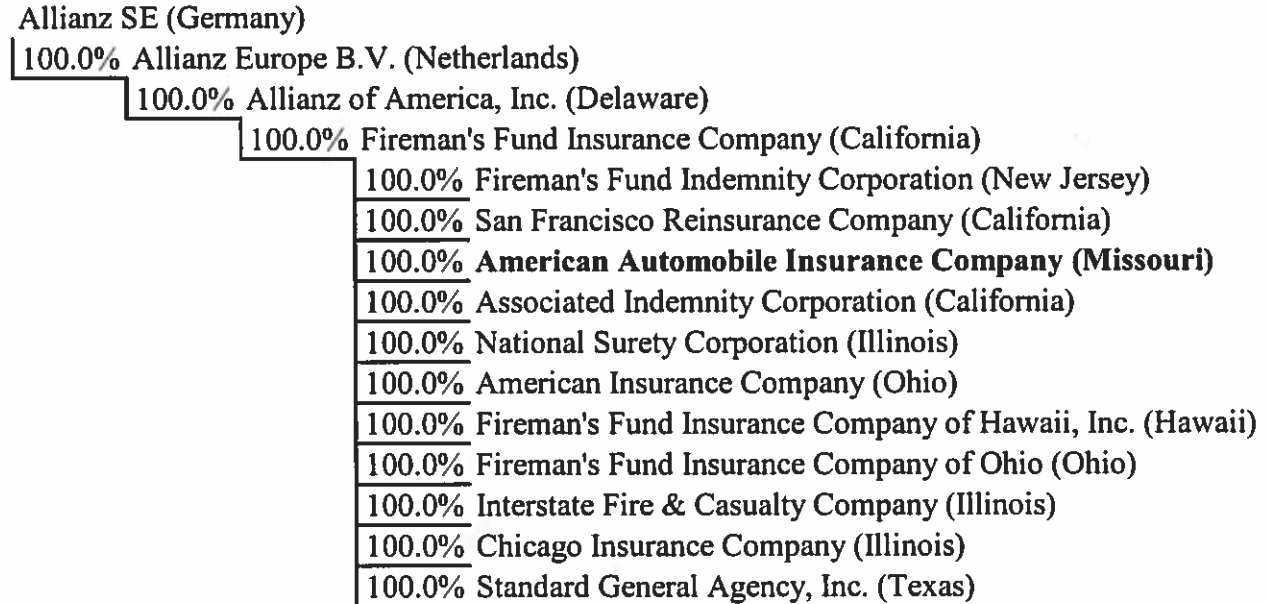
⁵ Sally B. Narey was replaced by Julie A. Garrison as a member of the Executive Committee effective January 12, 2015.

⁶ David A. Torrance was replaced by Arthur E. Moosmann, Jr. as Chairman of the Board, President and Chief Executive Officer effective January 30, 2015.

⁷ Sally B. Narey was replaced by Julie A. Garrison as Senior Vice President, General Counsel and Secretary effective June 30, 2015.

Organizational Chart

The following abbreviated organizational chart depicts the ownership of the Company as of December 31, 2013.



Intercompany Transactions

Intercompany agreements that were in effect as of December 31, 2013 are outlined below.

- 1. Type:** Investment Management Agreement
- Parties:** American Auto, Fireman’s Fund, The American Insurance Company, National Surety Corporation, and Fireman’s Fund Insurance Company of Ohio
- Effective:** January 1, 1981
- Terms:** Fireman’s Fund agrees to perform administrative, accounting, clerical, statistical, and corporate services that are required in connection with the administration of the investment affairs of all parties to the agreement. Costs are distributed on the basis of percentage of assets invested to total investments under management.

Effective February 1, 2011, the Company consented to the delegation of investment management services by Fireman’s Fund to an affiliate, Pacific Investment Management Company, LLC (PIMCO). PIMCO will perform investment management services for the fixed income securities portfolio of American Auto.

- 2. Type:** Intercompany Service Agreement
- Parties:** Fireman’s Fund (Service Provider), and seven of its insurance subsidiaries, including American Auto (Recipients)
- Effective:** January 1, 2012
- Terms:** This agreement replaces the servicing provisions in the parties’ intercompany pooling agreement, which was amended and restated and replaced with a Second Amended and Restated Intercompany Reinsurance Agreement effective as of the same date. Fireman’s Fund agrees to provide the Recipients such services determined to be reasonably necessary in the conduct of its operations and the administration of reinsured liabilities under the Amended Pooling Agreement (see the Reinsurance section of this report). Each of the Recipients agrees to reimburse the Service Provider for the actual cost of the services provided pursuant to this agreement. Charges for such services shall include all direct and directly allocable expenses plus a reasonable charge for overhead. The compensation for providing the services shall be based on actual cost without a profit factor being built into the cost.
- 3. Type:** Tax Reimbursement Agreement
- Parties:** Allianz of America, Inc., Fireman’s Fund, and its insurance subsidiaries, including American Auto
- Effective:** December 17, 1999
- Terms:** The Company entered into this Tax Reimbursement Agreement for the purpose of clarifying an agreement that was in effect since 1991. The parties to the Agreement agree to annually file a consolidated federal income tax return for each taxable year. The tax liability or refund due from or to each party will be computed as if each member had filed a separate stand-alone federal return. Payments shall be made at the time and in the amounts as if each member had filed a separate stand-alone return. Final settlement shall be made within 90 days after the filing of the consolidated returns with the IRS.

In addition to the above listed agreements, American Auto is a party to the Intercompany Reinsurance Agreement with Fireman’s Fund and its subsidiaries as described in the Reinsurance section of this report.

FIDELITY BOND AND OTHER INSURANCE

The indirect parent company, Allianz of America, Inc., has a fidelity bond that provides coverage for all of its subsidiaries, including American Auto. The fidelity bond covers losses resulting from dishonest or fraudulent acts of employees. The bond has a liability limit of \$19 million with a \$1 million deductible, which meets the minimum coverage recommended by the NAIC. Allianz of America, Inc. also has several insurance policies that provide coverage for its subsidiary companies. The risks insured by these additional policies are as follows: commercial

property, commercial general liability, business auto, electronic and computer crime, workers' compensation and employers' liability, directors' and officers' liability, and umbrella liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

American Auto does not have any direct employees and thus, does not directly incur or accrue any expenses for employee benefits. Most of the Company's daily business operations are conducted by employees of the parent company, Fireman's Fund. An allocated portion of the payroll and benefit costs of Fireman's Fund employees is paid by American Auto pursuant to an Intercompany Service Agreement, which is described in the Intercompany Transactions section of this report.

TERRITORY AND PLAN OF OPERATIONS

American Auto is licensed and writes business in all 50 states and the District of Columbia. The Company is licensed as a property and casualty insurer by the DIFP under Chapter 379 RSMo. In 2013, direct written premium in three states exceeded 10% of the total: Florida (15.9%), California (13.6%), and New York (13.5%).

American Auto's major lines of business, based upon direct written premiums, are listed in the table below:

<u>Line of Business</u>	<u>As a Percent of Direct Written Premiums</u>
Other liability - occurrence	25.3%
Homeowners multiple peril	24.3%
Commercial multiple peril	19.2%
Workers' compensation	6.4%
Private passenger auto liability	5.6%
All other lines	19.1%
Total	100.0%

The parent, Fireman's Fund, and its insurance subsidiaries, including American Auto, are marketed on a group basis through insurance brokers and independent agents. As of December 31, 2013, the main business segments of the Fireman's Fund Group of companies were Commercial, Personal, and Crop.

GROWTH OF THE COMPANY AND LOSS EXPERIENCE

Direct written premiums have decreased steadily for the years under examination, reflecting decreases in commercial and personal business generated by the Fireman's Fund Group. As described in the Reinsurance section of this report, American Auto is party to an intercompany reinsurance pooling agreement, under which its cedes 100% of direct and assumed business to Fireman's Fund. Prior to January 1, 2012, Fireman's Fund retroceded 2.5% of the net retained business of the pool back to American Auto. Effective January 1, 2012, the agreement was amended, reducing the retrocession to 0%. For this reason, net premiums written, net underwriting income, LAE reserves, and related ratios decreased to zero during the examination period.

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Gross Premiums Written	\$418,377,442	\$298,231,361	\$324,576,170
Net Premiums Written	88,572,256	(31,470,954)	-
Net Underwriting Gain (Loss)	(15,305,797)	-	147,511
Net Investment Gain (Loss)	22,649,647	6,580,914	2,971,659
Net Income (Loss)	5,843,826	6,580,928	1,992,960
Net Loss and LAE Reserves	160,869,901	-	-
Total Capital and Surplus	158,629,522	160,512,402	157,008,925
Total Admitted Assets	390,131,221	188,047,076	184,023,856
Gross Premiums Written to Surplus	263.7%	185.8%	206.7%
Net Premiums Written to Surplus	55.8%	(19.6%)	0%

REINSURANCE

General

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Direct Business	\$ 329,805,186	\$329,702,315	\$324,576,170
Reinsurance Assumed from Affiliates	88,572,256	(31,470,954)	-
Reinsurance Ceded to Affiliates	329,805,186	329,702,315	324,576,170
Net Premiums Written	<u>\$ 88,572,256</u>	<u>\$ (31,470,954)</u>	<u>\$ -</u>

Pooling

American Auto, along with Fireman's Fund and six other insurance subsidiaries of Fireman's Fund, is a party to an Intercompany Reinsurance Agreement effective January 1, 1999. Under the terms of the intercompany reinsurance agreement, pool members are required to cede 100% of their direct and assumed business to Fireman's Fund. Prior to January 1, 2012, Fireman's Fund secured external reinsurance on behalf of the pooled business and then retroceded back to each member their respective percentage of the net retained pooled business.

Effective January 1, 2012, the reinsurance pooling agreement was amended to reduce the percentage participations noted above to 0% and to increase the participation of Fireman's Fund to 100%.

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 agreement.

ACCOUNTS AND RECORDS

Independent Auditor

The CPA firm, KPMG, LLP (KPMG), issued audited consolidated financial statements on a statutory basis for Fireman's Fund and its subsidiaries, including American Auto, for all years under examination.

Appointed Actuary

The actuarial opinion regarding American Auto's reserves for loss and loss adjustment expenses for the year ending December 31, 2011 was issued by David R. Heyman, FCAS, MAAA, Vice President and Actuary of American Auto. For each of the years ending December 31, 2012 and 2013, Christian Kortebein, MAAA, FIA, Senior Vice President and Chief Actuary of Fireman's Fund issued "pooled" actuarial opinions for the reserves on behalf of Fireman's Fund and all participants of the intercompany pooling agreements, including American Auto.

Information Systems

The Company uses a mix of internally developed applications and purchased (and customized) applications for its key business processes. The majority of the applications and associated databases are hosted on IBM mainframe servers located at the IBM datacenter in Boulder, Colorado. A smaller number of applications are hosted on the AIX (Advanced Interactive eXecutive) operating system based servers (AIX is an IBM propriety UNIX based operating system). The Company is heavily dependent on application maintenance support from IBM Corporation. This support is primarily from IBM support teams located offshore. Policy application administration is provided by the in-house staff and IBM. Seven Microsoft Windows

server based applications, Automated Policy System and Princeton Financial System, are also in use.

During the course of the coordinated examination, a review was conducted of general controls over information systems. As a result of this review, several findings were noted in controls over logical security. These findings were presented to the Company, along with recommendations to strengthen controls

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2013, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with RSMo Section 379.098 (Securities to be Deposited).

<u>Type of Security</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Statement Value</u>
U.S. Treasury Notes	\$ 2,508,000	\$ 2,439,817	\$ 2,741,917

Deposits with Other States

The Company has the following deposits with other states:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Arizona	U.S. State Bonds	\$ 120,000	\$ 122,923	\$ 121,087
California	U.S. Special Revenue Bonds	120,000	136,393	136,117
Delaware	U.S. Special Revenue Bonds	110,000	125,027	124,774
Georgia	U.S. State Bonds	205,000	236,160	231,257
Idaho	U.S. Treasury Note or Bond	83,000	114,897	100,343
Massachusetts	Political Subdivision Bonds	150,000	170,730	164,664
Montana	U.S. Treasury Note or Bond	25,000	34,608	30,224
Nevada	Political Subdivision Bonds	300,000	340,869	330,827
New Mexico	Political Subdivision Bonds	350,000	383,726	361,777
North Carolina	Political Subdivision Bonds	302,000	418,059	365,102
Ohio	U.S. State Bonds	100,000	115,200	112,808
Oregon	Political Subdivision Bonds	400,000	436,112	446,207
Tennessee	U.S. Special Revenue Bonds	750,000	852,458	850,730
Virginia	U.S. State Bonds	520,000	599,097	628,320
Totals		<u>\$3,535,000</u>	<u>\$4,086,259</u>	<u>\$4,004,237</u>

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of American Automobile Insurance Company for the period ending December 31, 2013. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the “Comments on Financial Statement Items”. 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 activity.

Assets

	<u>Assets</u>	<u>Non Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 143,941,780	\$ -	\$ 143,941,780
Cash and Short-term Investments	3,164,968	-	3,164,968
Other Invested Assets	355,232	-	355,232
Receivables for Securities	43,749	-	43,749
Investment Income Due and Accrued	1,183,973	-	1,183,973
Amounts Recoverable from Reinsurers	21,240,573	-	21,240,573
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	2,573,550	-	2,573,550
Net Deferred Tax Asset	9,042,495	4,532,450	4,510,045
Receivable from Parent, Subsidiaries and Affiliates	6,773,296	-	6,773,296
Aggregate Write-Ins for Other Than Invested Assets: State Tax Recoverable	236,689	-	236,689
TOTAL ASSETS	\$ 188,556,306	\$ 4,532,450	\$ 184,023,856

Liabilities, Surplus and Other Funds

Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	\$ 26,626,172
Payable for Securities	388,759
TOTAL LIABILITIES	\$ 27,014,931
Common Capital Stock	3,500,000
Gross Paid in and Contributed Surplus	89,524,996
Unassigned Funds (Surplus)	63,983,930
Surplus as Regards Policyholders	\$ 157,008,925
TOTAL LIABILITIES AND SURPLUS	\$ 184,023,856

Statement of Income

Underwriting Income:	
Premiums Earned	\$ -
Deductions:	
Other Underwriting Expenses Incurred	(147,511)
Net Underwriting Gain or (Loss)	\$ 147,511
Investment Income:	
Net Investment Income Earned	\$ 3,400,403
Net Realized Capital Gains or (Losses)	(428,744)
Net Investment Gain or (Loss)	\$ 2,971,659
Other Income:	
Aggregate Write-ins for Miscellaneous Income	\$ (798,276)
Net Income Before Federal and Foreign Income Taxes	\$ 2,320,894
Federal and Foreign Income Taxes Incurred	(327,934)
NET INCOME	\$ 1,992,960

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2012	\$ 160,512,402
Net Income	1,992,960
Change in Net Unrealized Capital Gains or (Losses)	228,078
Change in Net Deferred Income Tax	(5,049,316)
Change in Nonadmitted Assets	(675,199)
Net Change in Surplus as Regards Policyholders for 2013	\$ (3,503,477)
Surplus as Regards Policyholders, December 31, 2013	\$ 157,008,925

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUMMARY OF RECOMMENDATIONS

The Company should evaluate the recommendations made as a result of the coordinated examination and strengthen the controls surrounding the logical security of its information systems.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of American Automobile Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
County of)

I, Jennifer R. Danz, 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 American Automobile 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.

Jennifer R. Danz

Jennifer R. Danz, CPA, CFE

Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 14th day of April, 2015.

My commission expires: 01/07/2018

Tammy Morales

Notary Public



TAMMY MORALES
My Commission Expires
January 7, 2018
Clay County
Commission #14451086

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 MO DIFP and statutes of the State of Missouri prevailed.

Mark A. Nance

Mark A. Nance, CFE, CPA

Audit Manager
Missouri Department of Insurance, Financial
Institutions and Professional Registration