STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, 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; fidelity bond and other insurance; pensions, stock ownership and insurance plans; territory and plan of operations; growth of company; loss experience; reinsurance; accounts and records; statutory deposits; financial statements; analysis of examination changes; comments on financial statements; 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, 2015 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 26th day of April, 2017.

Chlora Lindley-Myers

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions and Professional Registration

REPORT OF

FINANCIAL EXAMINATION

Auto Club Family Insurance Company

As of:

DECEMBER 31, 2015

FILED
MAY 9 2017
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

March 13, 2017
St. Louis, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Acting Director Lindley-Myers:

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

Auto Club Family Insurance Company

hereinafter referred to as "Family" or the "Company." The Company's home office is located at 12901 North Forty Drive, St. Louis, Missouri 63141; telephone number (314) 523-7350. Examination fieldwork began on November 14, 2016, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of Auto Club Family Insurance Company. The last examination was completed as of December 31, 2012. This examination covers the period from January 1, 2013, through December 31, 2015. This examination also included material transactions or events occurring subsequent to December 31, 2015.

Procedures

This full-scope examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the NAIC, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department or DIFP) 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 identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes assessing significant estimates made by management and evaluating 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 is documented separately following the Company's financial statements.

This examination was conducted as part of a coordinated examination of the Automobile Club Enterprises Group, for which California is the lead state. The workpapers and reports of the lead state were used in the course of this examination as deemed appropriate.

This examination report includes significant findings of fact 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 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 balance sheet or income statement identified during the examination.

SUBSEQUENT EVENTS

There were no material subsequent events.

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. The Company was purchased by Automobile Club Inter-Insurance Exchange (Exchange) on January 1, 1990, and the current name was adopted on January 11, 1990.

On March 1, 2006, the Company entered into an affiliation agreement with the Automobile Club of Southern California. This agreement is described in detail in the Affiliated Transactions section of this report.

Capital Stock

The Company is authorized to issue 12,000 shares of common stock with a par value of $100 per share. As of December 31, 2015, 12,000 shares were issued and outstanding to the sole shareholder, Automobile Club Inter-Insurance Exchange, resulting in capital stock of $1,200,000.

When the Company was acquired by Exchange, gross paid-in and contributed surplus was $1,136,694. Additional contributions to surplus were made in 1991, 1995, 1996 and 2006 for $450,000, $2,500,000, $4,252,657 and $5,000,000 respectively, to bring total gross paid-in and contributed surplus to $13,339,352 at December 31, 2015.

Dividends

The Company has not paid any dividends since its acquisition by Automobile Club Inter-Insurance Exchange.

Acquisitions, Mergers and Major Corporate Events

No acquisitions, mergers or major corporate events occurred during the examination period.

Surplus Debentures

The Company did not have any surplus debentures issued or outstanding during the examination period.

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws of the Company. No amendments were made to the Articles of Incorporation or Bylaws during the examination period.

The minutes of the meetings of the shareholder and Board of Directors were reviewed for the period under examination and provided sufficient documentation of major corporate transactions. Meetings are generally held by written consent as allowed under the Company's Bylaws.

MANAGEMENT AND CONTROL

Board of Directors

The Board of Directors of the Company consists of nine members duly elected at the annual meeting of the sole shareholder, as authorized by the Articles of Incorporation. The members elected and serving as of December 31, 2015, were as follows:

Name	Principal Occupation
Christina M. Kelly St. Louis, Missouri	Director of Financial Compliance Automobile Club of Missouri
Carl D. Kraft St. Louis, Missouri	Director, Legal Services and Assistant Secretary Automobile Club of Missouri
James J. McGrath St. Louis, Missouri	President Automobile Club of Missouri
Christopher R. Miller St. Louis, Missouri	Director, Underwriting Automobile Club of Missouri
Anwar M. Othman St. Louis, Missouri	Vice President, Sales Automobile Club of Missouri

Michael J. Right St. Louis, Missouri	Vice President, Public Affairs Automobile Club of Missouri
Steven R. Schone Chesterfield, Missouri	Vice President, Insurance Automobile Club of Missouri
James R. Strike St. Louis, Missouri	Director, Claims Automobile Club of Missouri
Raju T. Varma Costa Mesa, California	Senior Vice President, CFO and Treasurer Automobile Club of Southern California

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

Officers

The officers of the Company elected and serving as of December 31, 2015, were as follows:

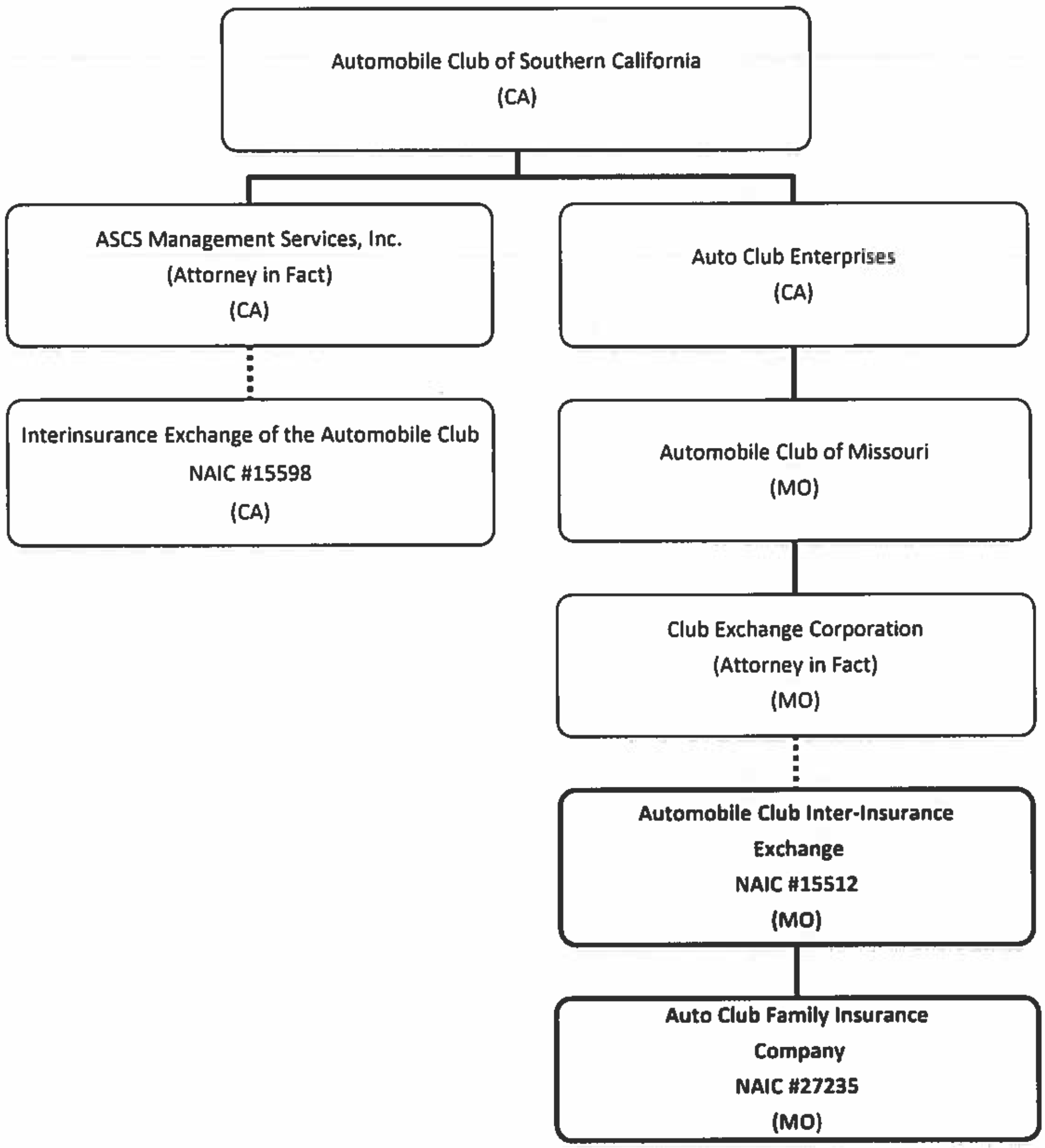
Name	Office
James J. McGrath	President
Raju T. Varma	Vice President, CFO and Treasurer
Michael J. Right	Vice President
Steven R. Schone	Vice President
Gail C. Louis	Secretary
Carl D. Kraft	Assistant Secretary

Holding Company, Subsidiaries and Affiliates

The Company is part 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, 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. Club Exchange Corporation is wholly owned by Automobile Club of Missouri (ACMO), an affiliate of American Automobile Association (AAA). Automobile Club of Southern California (ACSC) is the ultimate controlling entity.

Organization Chart

The following organizational chart depicts the insurance holding company system as of December 31, 2015. All subsidiaries are wholly owned unless otherwise noted. Dotted lines represent affiliation through a Subscriber Agreement whereby affairs are managed by an Attorney-In-Fact.



Affiliated Transactions

The Company has entered into various agreements with affiliates. These agreements are discussed below.

Affiliation Agreement

Parties: Family, Exchange, ACMO, CEC, Inter-Insurance Exchange of the Automobile Club (IEAC), ACSC, ACSC Management Services, Inc. and Auto Club Enterprises (ACE).

Effective: March 1, 2006.

Terms: The Affiliation Agreement sets forth the provisions for control among the companies. Specifically, the parties agreed to take the following actions pursuant to this agreement:

- The Board of Directors and other internal governing bodies were consolidated to accommodate representation of all companies.
- Exchange and Family commuted their existing 100% inter-company reinsurance pooling treaty. In turn, a new inter-company reinsurance pooling treaty between Exchange, Family and IEAC was executed.
- ACE and ACMO entered into a service agreement whereby the parties provide certain services to each other following the closing.
- Exchange issued a surplus note in the principal amount of $50 million to IEAC. $22 million of the proceeds of the new surplus note was used to retire the $20 million surplus note that was previously issued by Exchange to ACMO.
- IEAC agreed to maintain the "surplus ratio" of Exchange at no less than 60% (in effect, a 167% or lower net premiums to surplus ratio) after giving effect to the new inter-company pooling agreement between the parties.
- IEAC agreed to become licensed, accredited or qualified in the State of Missouri in order for Exchange and Family to take full reserve credit for amounts ceded to IEAC under the new inter-company reinsurance pooling agreement between the parties.
- Exchange and Family agreed to become accredited in the state of California in order for IEAC to take full reserve credit for amounts retroceded to Exchange and Family under the new inter-company reinsurance pooling agreement.
- In order to effectuate the accreditation of Family as a reinsurer in California, Exchange contributed $5 million dollars to the surplus of Family to place its surplus position above $20 million. Exchange also provided a minimum surplus guaranty of $20 million dollars for Family.

Rate(s): No rates are involved in this agreement.

Reinsurance Pooling Agreement

Parties: Family, Exchange and IEAC.

Effective: June 30, 2006. Amendment December 31, 2010.

Terms: Exchange and Family cede 100% of their premiums net of unaffiliated reinsurance to IEAC. In turn, IEAC retrocedes 4% and 1% of the pooled premiums to Exchange and Family respectively, and retains 95% of the premiums for itself. All losses, loss adjustment and other expenses related to this pooled business are allocated to each company on the same basis as the original retrocession percentages. The First Amendment contains revisions to termination provisions and allocation of shares upon termination.

Rate(s): No rates are involved in this agreement.

Tax Allocation Agreement

Parties: Family and Exchange.

Effective: June 1, 1990. Amended June 22, 2008.

Terms: This agreement provides that the parties will file a consolidated federal income tax return.

Rate(s): The consolidated income tax liability is allocated to each of the parties on the basis of its contribution to the consolidated taxable income. Tax benefits from net operating losses and tax credits are allocated to the party generating the operating loss or tax credit.

Parental Guarantee Agreements

Parties: Family and Exchange.

Effective: June 28, 2006.

Terms: Exchange has provided a guarantee to the Kansas Insurance Department that the surplus of Family will not fall below $1.25 million at any point in time. Said guarantee was requested by Kansas as a contingency for approval of Family to write homeowners business in Kansas. It is not expected that this guarantee will ever require any action on the part of Exchange, as the minimum surplus required of Family is $2.4 million under Missouri State Statutes, well above the Kansas requirement. Additionally, Exchange has provided to the State of California a guarantee that the surplus of Family will not fall below $20 million at any time. This guaranty was to fulfill a requirement for the initial registration of Family as an accredited reinsurer in that state.

Rate(s): No rates are involved in the guarantees.

Service Agreement

Parties: Family, Exchange, CEC and ACMO.

Effective: October 12, 2009. Amended January 1, 2011 and July 1, 2015.

Terms: ACMO provides general and administrative services to the parties, including public relations, investment of surplus and reserves, claims and claims adjustment, underwriting, actuarial, data processing, maintenance, general office, as well as legal, accounting and auditing services.

Rate(s): As compensation, Exchange and Family pay ACMO a management fee based on earned premiums. In addition, ACMO is reimbursed for the direct costs and overhead costs incurred by ACMO on behalf of the other companies. Direct costs include those departments (such as underwriting and claims) which provide services only to the two insurance companies (Exchange and Family). Overhead costs consist of other departments and functions which provide services to the insurance companies and other affiliates. Appendix A of the agreement is amended periodically and represents the procedure used by management to allocate expenses to Exchange and Family.

Multiple Cedent Allocation Agreement

Parties: Family, Exchange and IEAC.

Effective: January 1, 2008.

Terms: The purpose of this agreement is to properly 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.

Rate(s): Premiums are allocated in accordance with schedules contained in the agreement. The schedules are developed using the required premium deposit amounts for each reinsurance contract at the beginning of a treaty year.

FIDELITY BOND AND OTHER INSURANCE

ACSC and its subsidiaries (including Family) are insured under a fidelity bond policy with a limit of liability of $10,000,000 and a deductible of $100,000 per loss. This coverage complies with the suggested minimum amount of coverage according to NAIC guidelines.

The Company also benefits from other insurance coverage held by ACSC, which includes but is not limited to directors and officers liability, general liability, commercial automobile liability, property, commercial excess umbrella coverage and workers' compensation insurance.
The Company's insurance coverage appears adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

Family does not have any direct employees. Services are provided by employees of the Automobile Club of Missouri pursuant to the Service Agreement. The benefits received by the personnel covered in the Service Agreement include, but are not limited to, paid holidays and leave, healthcare benefits, dental and vision coverage, life insurance, disability insurance, flexible spending accounts, 401(k) profit sharing and a defined benefits pension plan.

TERRITORY AND PLAN OF OPERATIONS

Family is licensed by the Missouri Department of Insurance, Financial Institutions and Professional Registration 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 and Ohio. Approximately 66% of the 2015 direct premiums were written in Missouri.

The Company markets homeowners insurance and rental dwelling insurance through a combination of licensed captive agents and direct sales agents who are employed by the Auto Club of Missouri and located in branch and sales offices. Beginning in 2015, the Company stopped using independent agents to sell its policies. Insurance is only sold to members of the Auto Club of Missouri.

The employees of ACMO also sell standard private passenger automobile insurance and personal umbrella insurance for the Company's parent, Exchange. In addition, the employees sell memberships for ACMO, life and annuity products for AAA Life Insurance Company (an affiliate), as well as life, health and other insurance products for non-affiliated licensed insurance companies.

GROWTH OF COMPANY

The table below shows various indicators of the Company's growth over the past four years.

	2012	2013	2014	2015
Direct Written Premiums	$ 110,382,405	$ 127,007,997	$ 129,091,122	$ 122,988,766
Net Written Premiums	27,503,103	28,968,965	30,153,198	31,757,647
Admitted Assets	109,150,140	95,350,278	97,625,438	100,915,712
Capital and Surplus	35,439,125	40,486,854	42,237,763	42,945,646

Due to the reinsurance pooling agreement in place, the Company experienced steady growth in premiums and surplus during the examination period. While direct written premiums fluctuated during the past 4 years, net written premiums (which reflect the pooled results) increased by approximately 5% on average. Likewise, capital and surplus increased moderately throughout the examination period.

LOSS EXPERIENCE

The following exhibit illustrates the Company's underwriting results for each of the last four years.

	2012	2013	2014	2015
Net Premiums Earned	$ 27,050,926	$ 28,450,173	$ 29,524,562	$ 30,844,858
Net Underwriting Gain	893,102	1,336,561	1,268,155	1,127,706
Net Investment Gain	2,321,176	2,793,964	2,049,525	1,989,350
Net Income	1,802,279	2,583,466	1,718,226	1,765,451
RBC Ratio	1955.2%	1825.0%	1770.4%	1730.1%

The Company reported a net underwriting gain, net investment gain and positive net income in each of the past 4 years. Over the past decade, the reinsurance pooling agreement has resulted in consistent positive operating results and has dampened the effects of severe weather events in the midwest and the south. The Company's RBC ratio also remained very high throughout the examination period due to its strong surplus position and favorable operating results.

REINSURANCE

General

Premiums written by the Company during the examination period were as follows:

	2012	2013	2014	2015
Direct Written	$ 110,382,405	$ 127,007,997	$ 129,091,122	$ 122,988,766
Assumed from Affiliates	27,503,103	28,968,965	30,153,198	31,757,647
Assumed from Non-Affil.	-	-	-	-
Ceded to Affiliates	100,107,643	117,131,437	119,773,338	114,460,448
Ceded to Non-Affiliates	10,274,762	9,876,560	9,317,784	8,528,318
Net Written Premiums	$ 27,503,103	$ 28,968,965	$ 30,153,198	$ 31,757,647

Assumed

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

Ceded

Family participates in a reinsurance program with other members of the ACSC organization including IEAC, Exchange, 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 affected under a series of five excess-of-loss reinsurance contracts. The organization uses two reinsurance intermediaries, Guy Carpenter and BMS, to manage the program. Below is a summary of the limits of liabilities as of December 31, 2015, under the treaties (all numbers are in 000's):

Type of Contracts	Reinsurer(s) Name	Company's Retention	Reinsurer's Maximum Limits
1st Layer (*)	Various/Authorized and Unauthorized	(A) $100,000 per Risk (B) $200,000 per Risk	$150,000 per Risk
2nd Layer (*)	Various/Authorized and Unauthorized	(A) $250,000 per Risk (B) $350,000 per Risk	$200,000 per Risk (#)

Type of Contracts	Reinsurer(s) Name	Company's Retention	Reinsurer's Maximum Limits
3rd Layer (*)	Various/Authorized and Unauthorized	(A) $450,000 per Risk (B) $550,000 per Risk	$350,000 per Risk (#)
4th Layer	Various/Authorized and Unauthorized	(A) $800,000 per Risk (B) $900,000 per Risk	$50,000 per Risk
5th Layer	Various/Authorized and Unauthorized	(A) $850,000 per Risk (B) $950,000 per Risk	$25,000 per Risk

(*) The ACSC companies participate at a rate of 5% in the 1st, 2nd and 3rd layers.
(#) The reinsurers assume 66.66% of the maximum limits for the 2nd and 3rd layers.
(A) All Other Markets
(B) California Market

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

ACCOUNTS AND RECORDS

General

Accounting functions are performed using Oracle eBS and Hyperion. The Princeton Accounting Management (PAM) system is used to track investment activity. Policy administration is supported with the PolicyStar system. The Claims Workstation System (CWS) is used for claims administration. Various other software programs, which were produced in-house or secured through a third-party, are used to perform other operating functions.

Independent Auditor

The Company's financial statements are audited annually by the accounting firm of Ernst & Young LLP. The workpapers and reports of the most recent independent audit were reviewed for this examination. These workpapers and reports were used in the course of this examination as deemed appropriate.

Actuarial Opinion

Reserves and related actuarial accounts reported in the financial statements were reviewed and certified by Christopher P. Walker, FCAS, MAAA of PricewaterhouseCoopers LLP on behalf of the Company.

Information Systems

In conjunction with this examination, Andrew Balas, AES, Information Systems Financial

Examiner with the DIFP, conducted a review of the Company's information systems. His evaluation did not identify any significant weaknesses.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2015, as reflected below, were sufficient to meet the capital deposit requirements of the State of Missouri in accordance with RSMo Section 379.098 (Securities to be deposited by all companies, kind and amount). These deposits are held for the benefit of all policyholders and creditors of the Company.

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Notes	$ 1,550,000	$ 1,587,541	$ 1,589,636

Deposits with Other States

The Company also has funds on deposit with the State of Arkansas to satisfy its statutory requirements. The funds on deposit as of December 31, 2015, were as follows:

Type of Security	Par Value	Fair Value	Statement Value
U.S. Treasury Notes	$ 365,000	$ 517,201	$ 419,489

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company and present the financial condition of the Company for the period ending December 31, 2015. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

There may have been additional differences found in the course of this examination that are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$ 43,110,145	$ -	$ 43,110,145
Common stocks	25,324,236	-	25,324,236
Cash and short-term investments	3,137,863	-	3,137,863
Receivables for securities	9,239	-	9,239
Investment income due and accrued	557,634	-	557,634
Uncollected premiums	14,715,420	169,401	14,546,019
Deferred premiums	4,624,687	-	4,624,687
Amounts recoverable from reinsurers	4,385,973	-	4,385,973
Receivables from affiliates	5,208,575	-	5,208,575
Miscellaneous receivables	1,053,723	1,042,382	11,341
TOTAL ASSETS	**$ 102,127,495**	**$ 1,211,783**	**$ 100,915,712**

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	$	8,988,075
Reinsurance payable on paid losses and LAE		2,178,411
Loss adjustment expenses		1,948,319
Other expenses		48,274
Taxes, licenses and fees		277,448
Net deferred tax liability		1,082,012
Unearned premiums		15,239,376
Advance premium		328,856
Dividends declared and unpaid: Policyholders		490,000
Ceded reinsurance premiums payable		16,507,563
Amounts withheld for account of others		8,059
Remittances and items not allocated		16,279
Payable to affiliates		10,668,437
Miscellaneous liabilities		188,956
TOTAL LIABILITIES	**$**	**57,970,066**
Common capital stock	$	1,200,000
Gross paid in and contributed surplus		13,339,352
Unassigned funds (surplus)		28,406,294
SURPLUS AS REGARDS POLICYHOLDERS	**$**	**42,945,646**
TOTAL LIABILITIES AND SURPLUS	**$**	**100,915,712**

STATEMENT OF INCOME

Underwriting Income:			
Premiums earned		$	30,844,858
Deductions:			
Losses incurred	$ 19,065,501		
Loss adjustment expenses incurred	3,116,653		
Other underwriting expenses incurred	7,534,998		
Total underwriting deductions			29,717,152
Net Underwriting Gain (Loss)		**$**	**1,127,706**
Investment Income:			
Net investment income earned	$ 1,722,950		
Net realized capital gains	266,400		
Net Investment Gain (Loss)		**$**	**1,989,350**
Other Income:			
Net loss from agents or premium balances charged off	$ (52,777)		
Finance and service charges	661,287		
Total Other Income		**$**	**608,510**
Net income before dividends and FIT		**$**	**3,725,566**
Dividends to policyholders			1,817,781
Federal income taxes incurred			142,335
Net income		**$**	**1,765,450**

RECONCILIATION OF SURPLUS

Changes from December 31, 2012 to December 31, 2015

	2013	2014	2015
Capital and surplus, prior year	$ 35,439,125	$ 40,486,854	$ 42,237,763
Net income	2,583,466	1,718,226	1,765,451
Change in net U/R capital gains	2,827,336	276,651	(382,494)
Change in net deferred income tax	(358,249)	(23,620)	139,491
Change in nonadmitted assets	(4,824)	(220,348)	(814,565)
Change in capital and surplus	5,047,729	1,750,909	707,883
Capital and surplus, current year	**$ 40,486,854**	**$ 42,237,763**	**$ 42,945,646**

ANALYSIS OF EXAMINATION CHANGES

No adjustments or reclassifications were made as a result of the examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the financial statements.

SUMMARY OF RECOMMENDATIONS

There are no recommendations.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of Auto Club Family Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, AES, CFE, CPA, Doug Daniels, CFE, CPA, and Rick Stamper, CFE; examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

I, John Boczkiewicz, 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 the 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.

J M. Bo

John M. Boczkiewicz, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 21 day of February, 2017
My commission expires:
1/31/21

Elizabeth L. Umbach
Notary Public

ELIZABETH L. UMBACH
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Charles County
My Commission Expires: January 31, 2021
Commission Number 13486984

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.

Michael K. Shadowens

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Insurance, Financial Institutions and Professional Registration