STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Automobile Club Inter-Insurance Exchange for the period ended December 31, 2012

ORDER

After full consideration and review of the report of the financial examination of Automobile Club Inter-Insurance Exchange for the period ended December 31, 2012 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, 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 Automobile Club Inter-Insurance Exchange as of December 31, 2012 be and is hereby ADOPTED as filed and for Automobile Club Inter-Insurance Exchange 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 16th day of May, 2014.

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

REPORT OF

FINANCIAL EXAMINATION

Automobile Club Inter-Insurance Exchange

As of:

DECEMBER 31, 2012

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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March 26, 2014
St. Louis, MO

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Huff:

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

Automobile Club Inter-Insurance Exchange

hereinafter referred to as "Exchange", 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 December 2, 2013, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of Automobile Club Inter-Insurance Exchange. The last examination was completed as of December 31, 2009. This examination covers the period of January 1, 2010, through December 31, 2012. This examination also included material transactions or events occurring subsequent to December 31, 2012.

Procedures

This 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 and to identify prospective risks of the Company. This process involves obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating the systems controls and procedures used by the Company to mitigate those risks. The examination also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The following key activities were identified: Affiliated Parties, Claims and

Reserving, Investments and Treasury, Premiums and Underwriting, and Reinsurance.

This examination was conducted in coordination with the examination by the California Department of Insurance (CDI) of the Interinsurance Exchange of the Automobile Club (IEAC), a California domiciled company with which the Company is affiliated. IEAC administers various activities for the Company, including three of the key activities identified above: Affiliated Companies, Investments and Treasury, and Reinsurance. California was the lead state for this coordinated examination and the examiners used information and workpapers provided by CDI for the examination of the Company's activities that are administered by IEAC.

The examiners also used information and workpapers provided by the Company's independent auditor, Ernst & Young LLP, of Los Angeles, California, for its 2012 audit. The external auditor workpapers included fraud risk analysis, process narratives, internal control testing and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

The Company and its subsidiary, Auto Club Family Insurance Company (Family), participate in a Reinsurance Pooling Agreement with IEAC. The Pooling Agreement stipulates that the participants pool all of their net underwriting business after cessions to non-affiliated reinsurers. IEAC as the pool leader retains 95% of the total pool and cedes the remaining 5%, 4% to the Company and 1% to Family.

SUBSEQUENT EVENTS

On December 13, 2013, DIFP approved the Company's request to pay surplus note interest in the amount of $21,839,726 to IEAC. This payment was equal to the accumulated accrued interest balance as of December 31, 2013.

COMPANY HISTORY

General

The Company commenced business on April 15, 1927 in St. Louis at the headquarters of Automobile Club of Missouri (ACMO), an affiliate of American Automobile Association (AAA). In 1940 the Company changed its name to Inter-Insurance Exchange to Automobile Club of Missouri and then to Automobile Club Inter-Insurance Exchange.

Capital Stock

The Company as a reciprocal inter-insurance exchange is not authorized to issue capital stock. The Subscriber's Agreement (Power of Attorney) provides that surplus funds of the Company upon liquidation will be distributed to the subscribers.

Dividends

The Company has never paid any dividends to subscribers.

Acquisitions, Mergers and Major Corporate Events

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

Surplus Debentures

Pursuant to an Affiliation Agreement with the Automobile Club of Southern California (ACSC), on June 30, 2006 the Company issued a subordinated surplus note to the IEAC in return for $50 million in cash. The surplus note has a stated interest rate of prime plus one percent per annum on the unpaid balance until the schedules maturity date on June 26, 2026. The $50,000,000 note principal plus accrued interest of $19,708,904 resulted in a total reported value of $69,708,904 as of December 31, 2012.

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws of the Company's attorney-in-fact, Club Exchange Corporation (CEC). Per the Articles, the number of directors is fixed in the manner provided by the Bylaws. The Bylaws were revised in 2012 to change the number of directors from 11 to 9.

The minutes of the meetings of the Advisory Board of Exchange, the board of directors of CEC and committee meetings were reviewed for the period under examination and provided sufficient documentation of major corporate transactions. The minutes reflect that both the Advisory Board and the board of Club Exchange Corporation reviewed and approved the prior examination report during the July 2011 meetings.

MANAGEMENT AND CONTROL

Advisory Board/CEC Board of Directors

The Advisory Board of the Company consists of nine members, elected for one year terms. The members elected and serving as of December 31, 2012 were as follows:

Name	Principal Occupation
David R. Carpenter Santa Barbara, California	Chairman and CEO Unihealth Foundation
Peter K. Barker Los Angeles, California	Retired Chairman of California J.P. Morgan Chase and Company
Richard S. Hamilton Pittsburgh, Pennsylvania	Chairman and Governing Director AAA East Central
Antonia Hernandez Pasadena, California	President and CEO California Community Foundation

Kenneth A. Johnson Chesterfield, Missouri	Retired President and CEO Automobile Club of Missouri
Thomas E. Larkin, Jr. Newport Beach, California	Vice Chairman and Director The TCW Group, Inc.
Thomas V. McKernan Arcadia, California	Chairman of the Board Automobile Club of Southern California
Frances M. Smith Birmingham, Alabama	Retired President, CEO and Chairman Alabama Motorists Association, Inc.
Eugene M. Toombs St. Louis, Missouri	Chairman and Director MiTek Industries, Inc.

Pursuant to the Subscriber's Agreement (Power of Attorney), the affairs of the Company are managed by its attorney-in-fact, Club Exchange Corporation. The CEC Board of Directors consisted of 9 members as of December 31, 2012 elected at the annual meeting of the single stockholder, ACMO. As authorized by CEC's Articles of Incorporation, each director is elected for a one-year term. The members elected and serving as of December 31, 2012 were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Thomas V. McKernan Arcadia, California	Chairman of the Board Automobile Club of Southern California
Robert T. Bouttier Los Angeles, California	President and CEO Automobile Club of Southern California
John F. Boyle Coto de Caza, California	Executive Vice President Automobile Club of Southern California
Anthony J. Buzzelli Somerset, Virginia	Retired Vice Chairman and Regional Managing Partner Deloitte and Touche LLP
Kenneth A. Johnson Chesterfield, Missouri	Retired President and CEO Automobile Club of Missouri
Thomas E. Larkin, Jr. Newport Beach, California	Vice Chairman and Director The TCW Group, Inc.
Frances M. Smith Birmingham, Alabama	Retired President, CEO and Chairman Alabama Motorists Association, Inc.
Ralph E. Struzziero Cape Elizabeth, Maine	Self-Employed Business Consultant

Eugene M. Toombs St. Louis, Missouri	Chairman and Director MiTek Industries, Inc.

Officers

Officers of the Advisory Board as of December 31, 2012 were as follows:

Name	Office
David R. Carpenter	Chairman
Peter K. Barker	Vice-Chairman
Gail C. Louis	Secretary
David M. Mattingly	Treasurer
Avery R. Brown	Assistant Secretary
Carl D. Kraft	Assistant Secretary

The CEC officers elected and serving as of December 31, 2012 were:

Name	Office
Arthur W. Johnson	President and CEO
David M. Mattingly	Vice President, CFO and Treasurer
Michael J. Right	Vice President
Robert J. Schreiber	Vice President
Gail C. Louis	Corporate Secretary
Avery R. Brown	Vice President, General Counsel and Assistant Secretary
Carl D. Kraft	Assistant Secretary

Committees

The Company has an Investment Policy Committee and an Audit Committee. Members serving on these committees as of December 31, 2012 were as follows:

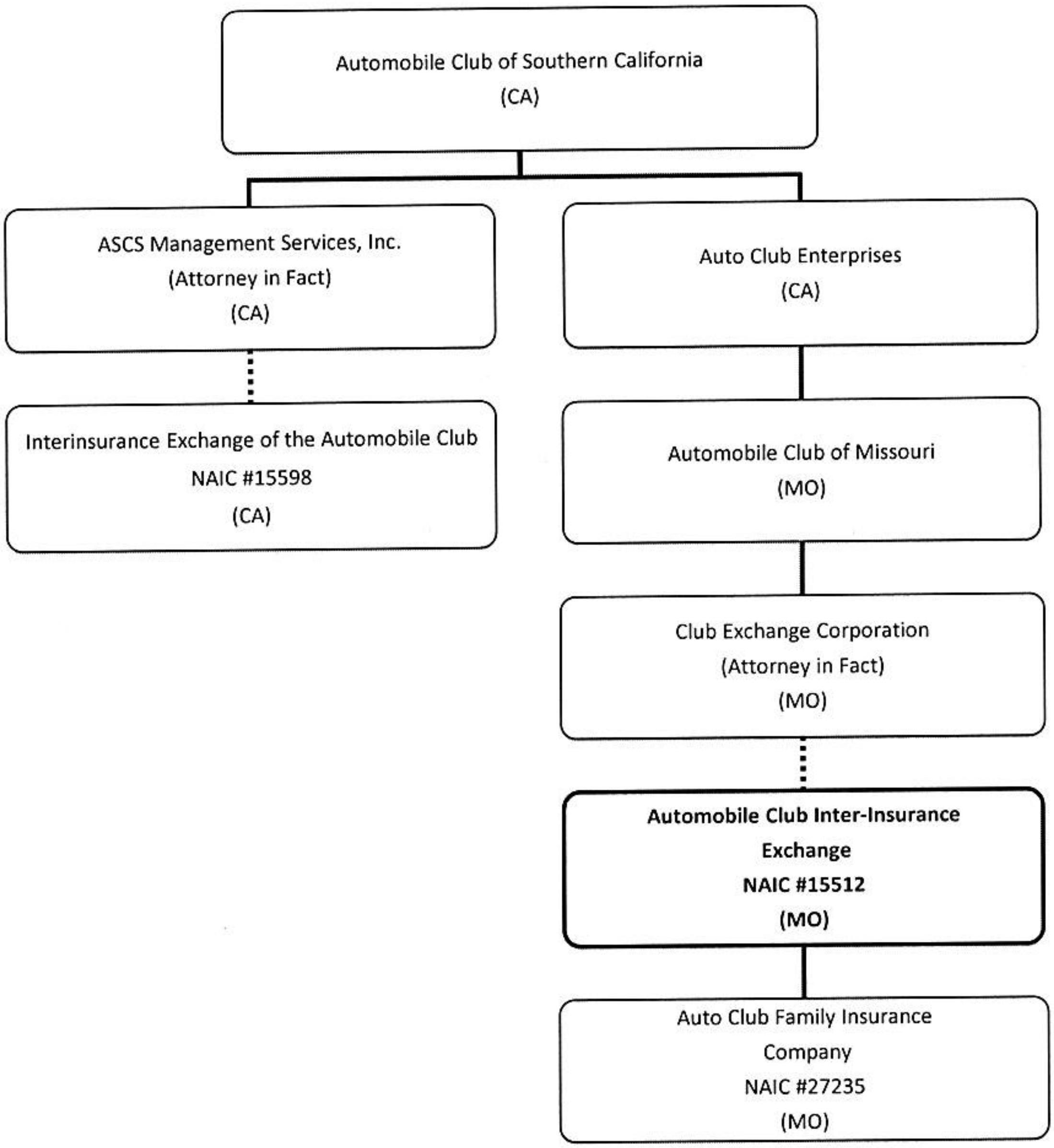
Investment Policy Committee	Audit Committee
Thomas E. Larkin, Jr., Chair	Peter K. Barker, Chair
Peter K. Barker	David R. Carpenter
David R. Carpenter	Eugene M. Toombs
Richard S. Hamilton	
Thomas V. McKernan	

Holding Company, Subsidiaries and Affiliates

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

Organization Chart

The following organization chart depicts the insurance holding company system as of December 31, 2012. 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

Affiliates: Exchange, Family, ACMO, CEC, IEAC, Automobile Club of Southern California, 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.
- The Company and Family commuted their existing 100% inter-company reinsurance pooling treaty. In turn, a new inter-company reinsurance pooling treaty between the Company, 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.
- The Company 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 the Company to ACMO.
- IEAC agreed to maintain the "surplus ratio" of the Company 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 the Company and Family to take full reserve credit for amounts ceded to IEAC under the new inter-company reinsurance pooling agreement between the parties.
- The Company and Family agreed to become accredited in the state of California in order for IEAC to take full reserve credit for amounts retroceded to the Company and Family under the new inter-company reinsurance pooling agreement.
- In order to effectuate the accreditation of Family as a reinsurer in California, the Company contributed $5 million dollars to the surplus of Family to place its surplus position above $20 million. The Company also provided a minimum surplus guarantee of $20 million dollars for Family.

Rate(s): The Company did not earn or incur any fees in 2012 under this agreement.

Reinsurance Pooling Agreement
Affiliates: Exchange, Family, 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): The Company did not earn or incur any fees in 2012 under this agreement.

Tax Allocation Agreement
Affiliates: Exchange and Family.

Effective: June 1, 1990. Amended June 22, 1998.

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

Rate(s): The Company did not earn or incur any fees in 2012 under this agreement.

Parental Guarantee Agreement
Affiliates: Exchange and Family.

Effective: August 29, 1991 (Guarantee to Kansas).
June 28, 2006 (Guarantee to California).

Terms: The Exchange has provided a guarantee to the Insurance Department of the State of Kansas 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 that State jurisdiction. It is not expected that this guarantee will ever require any action on the part of the Exchange, as the minimum surplus required of Family is $2.4 million under Missouri State Statutes, well above the Kansas requirement. Additionally, the 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 guarantee was to fulfill a requirement for the initial registration of Family as an accredited reinsurer in that state.

Rate(s): The Company did not earn or incur any fees in 2012 under this agreement.

Service Agreement
Affiliates: Exchange, Family, CEC and ACMO.

Effective: October 12, 2009. Amended January 1, 2011.

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. As compensation, the Company pays ACMO a management fee based on gross premiums written. In addition, the Company reimburses ACMO for the direct costs and overhead costs incurred by ACMO on behalf of the Company. 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.

Rate(s): The Company incurred $1,041,152 in management fees in 2012 per this agreement.

Multiple Cedent Allocation Agreement
Affiliates: Exchange, Family 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 SSAP 62R. 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.

Rate(s): The Company did not earn or incur any fees in 2012 under this agreement.

FIDELITY BOND AND OTHER INSURANCE

The Company is insured on a fiduciary policy purchased by the Automobile Club of Southern California that provides aggregate coverage of $10,000,000 with a $100,000 per loss deductible. 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 insurance, commercial excess umbrella and workers compensation.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company 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 above mentioned Service Agreement include, but are not limited to, paid holidays and leave, healthcare benefits, life insurance, disability, flexible spending accounts, 401(k) profit sharing plan and a defined benefit pension plan.

TERRITORY AND PLAN OF OPERATIONS

Territory and Plan of Operations

The Company 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 61% of the 2012 direct premiums were written in Missouri.

The Company markets standard private passenger automobile insurance and personal umbrella insurance policies through 241 licensed captive agents who are employed by the Auto Club of Missouri and located in 76 branch and sales offices, 29 direct sales agents, and through 189 independent agents, who accounted for 27.6% of direct premium in 2012. Beginning in November 2010, insurance is only sold to members of ACMO.

The employees of ACMO also sell homeowners insurance and rental dwelling insurance for the Company's subsidiary, Family. 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 illustrates Exchange's written premiums and capital and surplus for each year during the examination period.

	2010	2011	2012
Direct Premiums	203,570,365	224,672,499	243,656,370
Reinsurance Assumed	101,789,845	105,860,039	110,012,410
Reinsurance Ceded	203,570,365	224,672,499	243,656,365
Net Premiums	101,789,845	105,860,039	110,012,415
Capital & Surplus	171,225,897	175,409,352	188,029,852
Change in Net Premiums	3.23%	4.00%	3.92%
Net Premiums to Surplus	59%	60%	59%

The Company has grown moderately over the period, averaging an annual increase in net written premiums of approximately 3.7%. Direct premiums written by Exchange in 2012 represented approximately 9% of total premiums written by the pool. This percentage has gradually increased in recent years as the Company continues to gain market share and operating scale in the states in which it is licensed, which provides further geographical diversification to the pool outside of the state of California. The net premium leverage ratio has remained steady over the period, and generally indicates a level of surplus that could support a significant deterioration in underwriting results.

LOSS EXPERIENCE

The following exhibit illustrates Exchange's underwriting results for each year during the examination period.

	2010	2011	2012
Net Premiums Earned	99,927,115	104,236,916	108,203,709
Net Underwriting Gain (Loss)	8,663,623	1,991,453	3,572,412
Net Income	10,736,319	4,186,773	7,645,643
Net Loss Ratio	66.7%	73.7%	72.4%
Expense Ratio	24.1%	24.0%	23.9%
Policyholder Dividend Ratio	6.7%	4.8%	6.2%
Combined Ratio	97.6%	102.5%	102.5%

The Company produced a net underwriting gain and positive net income each year. The reinsurance pooling agreement dampened the effect of direct losses suffered as a result of tornados, severe storms and other weather-related events occurring in the Midwest and Southeast. The net loss ratio on a pooled-basis increased from 66.7% in 2010 to 73.7% in 2011, before moderating somewhat to 72.4% in 2012. The combined ratio also increased over the period, but was still at an acceptable level of 102.5% at year-end 2012.

REINSURANCE

General

Premiums written during the current examination period were as follows:

Premiums	2010	2011	2012
Direct Business	$ 203,570,365	$ 224,672,499	$243,656,370
Reinsurance Assumed	101,789,845	105,860,039	110,012,410
Reinsurance Ceded	203,570,365	224,672,499	243,656,365
Net Premiums	$ 101,789,845	$ 105,860,039	$110,012,415

Assumed

The Company participates in a reinsurance pooling agreement with IEAC and Family. 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

The Company participates in a reinsurance program with other members of the ACSC organization including IEAC, Family, AAA Texas 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 under the treaties (all numbers are in 000's):

Type of Contracts	Reinsurer(s) Name	Company's Retention	Reinsurer's Maximum Limits
2nd Layer (*)	Various/Authorized and Unauthorized	(A) $200,000 per Risk (B) $100,000 per Risk	$150,000 per Risk
3rd Layer (*)	Various/Authorized and Unauthorized	(A) $350,000 per Risk (B) $250,000 per Risk	$200,000 per Risk
4th Layer (*)	Various/Authorized and Unauthorized	(A) $550,000 per Risk (B) $450,000 per Risk	$350,000 per Risk
5th Layer	Various/Authorized and Unauthorized	(A) $900,000 per Risk (B) $800,000 per Risk	$50,000 per Risk
6th Layer	Various/Authorized and Unauthorized	(A) $950,000 per Risk (B) $850,000 per Risk	$25,000 per Risk

(*) The ACSC companies participate at a rate of 5% in the 2nd, 3rd and 4th layers.
(A) California Market
(B) All Other Markets
Note: The 1st layer was not renewed for the July 1, 2012 contract year. As a result, the Company's retention is now the $200,000 per occurrence retention ($100,000 for non-California markets) stipulated in the 2nd layer of the contracts.

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 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 Bond	$ 1,355,000	$ 1,663,474	$ 1,354,355
U.S. Treasury Note	200,000	207,141	205,305
Totals	$ 1,555,000	$ 1,870,615	$ 1,559,660

Deposits with Other States

The Company has funds on deposit with one other state in which it is licensed. The funds on deposit as of December 31, 2012, were as follows:

State	Type of Security	Par Value	Fair Value	Statement Value
Arkansas	U.S. Treasury Bond	$ 75,000	$ 95,314	$ 80,092

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2012, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements" section, which follow 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

Deferred premiums	15,314,346	-	15,314,346
Amounts recoverable from reinsurers	47,905,284	8,053	47,897,231
Furniture and equipment	72,903	72,903	-
Receivables from affiliates	9,510,710	-	9,510,710
Prepaid Expense	251,414	251,414	-
California Fair Plan	40,607	40,607	-
Prepaid Insurance	5,432	5,432	-
Miscellaneous	15,716	-	15,716
TOTAL ASSETS	**$ 415,010,121**	**$ 458,528**	**$ 414,551,593**

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	$ 31,255,248
Reinsurance payable on paid losses and LAE	20,200,487
Loss adjustment expenses	6,854,171
Other expenses	163,833
Taxes, licenses and fees	1,021,060
Current federal and foreign income taxes	605,508
Net deferred tax liability	3,389,929
Unearned premiums	52,741,167
Advance premium	1,023,093
Policyholder dividends declared and unpaid	1,780,000
Ceded reinsurance premiums payable	105,478,346
Amounts withheld or retained by company	53,432
Remittances and items not allocated	49,613
Payable to parent, subsidiaries and affiliates	828,260
Payable for securities	551,856
Miscellaneous liabilities	405,738
Litigation reserve	120,000
TOTAL LIABILITIES	**$ 226,521,741**
Surplus notes	69,708,904
Unassigned funds (surplus)	118,320,948
SURPLUS AS REGARDS POLICYHOLDERS	**$ 188,029,852**
TOTAL LIABILITIES AND SURPLUS	**$ 414,551,593**

STATEMENT OF INCOME

Underwriting Income:		
Premiums earned		$ 108,203,709
Deductions:		
Losses incurred	$ 67,489,164	
Loss expenses incurred	10,888,891	
Other underwriting expenses incurred	26,253,242	
Total underwriting deductions		104,631,297
Net Underwriting Gain (Loss)		**$ 3,572,412**
Investment Income:		
Net investment income earned	$ 7,083,082	
Net realized capital gains	2,756,772	
Net Investment Gain (Loss)		**$ 9,839,854**
Other Income:		
Net loss from agents or premium balances charged off	$ (219,055)	
Finance and service charges	2,286,168	
Miscellaneous Income	6,700	
Total Other Income		**$ 2,073,813**
Net income before dividends and FIT		**$ 15,486,079**
Dividends to policyholders		6,760,678
Federal income taxes incurred		1,079,758
Net income		**$ 7,645,643**

RECONCILIATION OF SURPLUS

Changes from December 31, 2009 to December 31, 2012

	2010	2011	2012
Surplus as regards policyholders; December 31 prior year	$154,313,508	$171,225,897	$175,409,352
Net income	10,736,319	4,186,773	7,645,643
Net unrealized capital gains or (losses)	7,657,846	(61,667)	5,593,834
Change in net deferred income tax	(1,474,178)	493,818	(691,838)
Change in nonadmitted assets	(7,598)	(434,869)	72,261
Change in provision for reinsurance	-	(600)	600
Change in surplus notes	2,125,000	2,125,000	2,125,000
Aggregate write-ins for gains and losses in surplus	(2,125,000)	(2,125,000)	(2,125,000)
Change in surplus as regards policyholders for the year	16,912,389	4,183,455	12,620,500
Surplus as regards policyholders; December 31 current year	$ 171,225,897.00	$ 175,409,352.00	$ 188,029,852.00

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the Company's financial statements.

GENERAL COMMENTS OR RECOMMENDATIONS

There are no general comments or recommendations.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of Automobile Club Inter-Insurance Exchange during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andrew Coppedge, CFE; Mike Behrens AFE; Amy Snyder, CFE, CPA, MA; and Andy Balas, AES, CFE, CPA; 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.

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

Sworn to and subscribed before me this 7th day of April, 2014
My commission expires:
1-10-2018

Sandra K. Nichols
Notary Public

SANDRA K. NICHOLS
Notary Public - Notary Seal
STATE OF MISSOURI
Lincoln County
My Commission Expires: Jan. 10, 2018
#13399171

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 Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration