

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

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

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Automobile Club Inter-Insurance Exchange as of December 31, 2019 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) 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 13th day of May, 2021.



A handwritten signature in blue ink that reads "Chlora Lindley-Myers". The signature is written in a cursive style and is positioned above a horizontal line.

Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

AUTOMOBILE CLUB INTER-INSURANCE EXCHANGE

AS OF
DECEMBER 31, 2019

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

JEFFERSON CITY, MISSOURI

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St. Louis, MO
March 17, 2021

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

Director Lindley-Myers:

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

Automobile Club Inter-Insurance Exchange (NAIC #15512)

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

SCOPE OF EXAMINATION

Period Covered

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

Procedures

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

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

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

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

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

SUMMARY OF SIGNIFICANT FINDINGS

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

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. In 1940, the Company changed its name to Inter-Insurance Exchange; to Automobile Club of Missouri; and then to Automobile Club Inter-Insurance Exchange.

Mergers, Acquisitions, and Major Corporate Events

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

Dividends and Capital Contributions

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

Surplus Notes

On June 30, 2006, the Company issued a subordinated surplus note to Interinsurance Exchange of the Automobile Club in return for \$50 million. The surplus note had a stated interest rate of prime plus one percent per annum, and a maturity date of June 26, 2026. After receiving regulatory approval, the Company repaid the surplus note in full on April 5, 2017.

MANAGEMENT AND CONTROL**Club Exchange Corporation Board of Directors**

Pursuant to the Subscriber's Agreement (Power of Attorney), the Company's attorney-in-fact, Club Exchange Corporation (CEC), manages the affairs of the Company. The sole shareholder, Automobile Club of Missouri, elects the CEC Board of Directors. The CEC Bylaws specify that there shall be nine members. The CEC Board of Directors elected and serving as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Robert Bouttier Los Angeles, CA	Chairman Auto Club of Southern California
John Boyle Coto de Caza, CA	President and CEO Automobile Club of Southern California
Anthony Buzzelli Somerset, VA	Retired Regional Managing Partner Deloitte and Touche LLP
Patrick Haden San Marino, CA	Director Automobile Club of Southern California
Kenneth Johnson Chesterfield, MO	Retired President and CEO Automobile Club of Missouri
Parker Kennedy Orange, CA	Chairman First American Financial Corporation
Thomas McKernan Arcadia, CA	Vice Chairman Automobile Club of Southern California
Ralph Struzziero Cape Elizabeth, ME	Retired Advisory Board Chairman AAA Northern New England
Raju Varma Yorba Linda, CA	Senior Vice President, CFO and Treasurer Automobile Club of Southern California

Advisory Board

The Advisory Board of the Company consists of nine members elected for one-year terms. The members elected and serving as of December 31, 2019, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Peter Barker Santa Barbara, CA	Retired Chairman of California JP Morgan Chase & Co.
Robert Bouttier Los Angeles, CA	Chairman Auto Club of Southern California
John Boyle Coto de Caza, CA	President and CEO Auto Club of Southern California
Anthony J. Buzzelli Somerset, VA	Retired Regional Managing Partner Deloitte and Touche LLP
Richard Hamilton Pittsburgh, PA	Chairman AAA East Central
Antonia Hernandez Pasadena, CA	President and CEO California Community Foundation
Lawrence Higby Newport Beach, CA	Retired CEO Apria Healthcare
Thomas McKernan Arcadia, CA	Vice Chairman Automobile Club of Southern California
Ralph Struzziero Cape Elizabeth, ME	Retired Advisory Board Chairman AAA Northern New England

Senior Officers

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

<u>Name</u>	<u>Office</u>
James McGrath	President
Raju Varma	Vice President, CFO and Treasurer
Gail Louis	Corporate Secretary
Carl Kraft	Assistant Secretary
Avery Brown	Vice President, General Counsel and Assistant Secretary
Steven Schone	Vice President
Terrance Ponchak, Jr.	Vice President

Principal Committees

The Advisory Board of the Company has an Audit Committee and an Investment Committee. Members serving on these committees as of December 31, 2019, were as follows:

Audit Committee

Anthony Buzzelli, Chair
Peter Barker
Lawrence Higby

Finance & Investment Committee

Peter Barker, Chair
Richard Hamilton
Thomas McKernan

Corporate Records

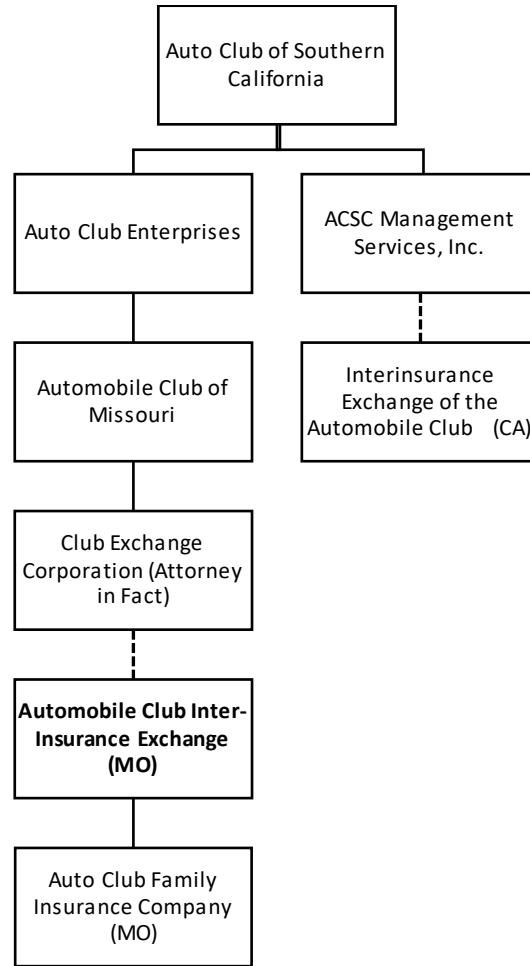
CEC's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the meetings of the CEC Board of Directors, the Company Advisory Board, and committees were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

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

Organizational Chart

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



Intercompany Transactions

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

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

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

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

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

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

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

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

TERRITORY AND PLAN OF OPERATION

The Company is licensed by the Missouri Department of Commerce and Insurance under Chapter 379 RSMo (Insurance other than life) to write property, liability, accident & health and miscellaneous insurance. The Company is also licensed in the states of Alabama, Arkansas, Illinois, Indiana, Kansas, Louisiana, Mississippi, Ohio, and is an accredited reinsurer in California. Approximately 56% of 2019 direct premiums were written in Missouri.

The Company markets standard private passenger automobile insurance and personal umbrella insurance policies through licensed captive agents who are employed by the ACMO branch and sales offices. The Company does not sell through any independent agents, and insurance is only sold to members of ACMO. During the examination period, the Company expanded its direct sales and online options for selling products. Agents also sell homeowners insurance and rental dwelling insurance for Family and memberships for ACMO. Some agents also sell life, health and other insurance policies for non-affiliated licensed insurance companies.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company’s premium writings and writing ratios for the period under examination. The Company experienced steady growth in premiums and surplus during the examination period. Capital and surplus decreased in 2017 due to an elimination of \$50 million in surplus notes, and decreased a small amount in 2018 due to net unrealized capital losses.

(\$000s omitted)

Year	Net Premiums Written	Change in Net Premiums	Benefit and Loss Payments	Capital and Surplus	Ratio of Net Premiums to Surplus
2016	\$ 137,326	\$ 10,296	\$ 86,491	\$ 226,280	60.7%
2017	152,550	15,224	91,608	198,278	76.9%
2018	172,646	20,096	97,279	197,576	87.4%
2019	181,863	9,217	103,349	246,350	73.8%

The table below summarizes the Company’s incurred losses and loss ratios for the period under examination. The Company reported a small net underwriting loss in 2016 and 2017. In 2018 and 2019, they reported a small net underwriting gain. 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 South.

(\$000s omitted)

Year	Net Premiums Earned	Net Losses and Loss Adjustment Expenses	Loss Ratio
2016	\$ 132,140	\$ 104,913	79.4%
2017	144,980	115,370	79.6%
2018	165,574	120,174	72.6%
2019	178,078	129,994	73.0%

REINSURANCE

General

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

(\$000s omitted)

Premium Type	2016	2017	2018	2019
Direct Premiums Written	\$ 248,860	\$ 266,791	\$ 293,319	\$ 298,103
Reinsurance Assumed:				
Affiliates	137,326	152,550	172,647	181,864
Non-Affiliates	0	0	0	0
Reinsurance Ceded:				
Affiliates	248,190	266,148	292,684	297,353
Non-Affiliates	669	644	635	750
Net Premiums Written	\$ 137,326	\$ 152,550	\$ 172,647	\$ 181,864

Assumed Reinsurance

The Company participates in a reinsurance pooling agreement with IEAC and Family. Under the agreement, the Company 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 Reinsurance

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

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

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

(A) All Other Markets

(B) California Market Only

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

ACCOUNTS AND RECORDS

Independent Auditor

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

Actuarial Opinion

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

Consulting Actuary

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

Information Systems

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

FINANCIAL STATEMENTS

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

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

ASSETS

As of December 31, 2019

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 166,645,392	\$	\$ 166,645,392
Stocks:			
Preferred Stocks	4		4
Common Stocks	220,019,512		220,019,512
Real Estate:			
Properties Occupied by the Company	2,738,434		2,738,434
Cash, Cash Equivalents, and Short- Term Investments	(2,033,674)		(2,033,674)
Receivables for Securities	19,291		19,291
Investment Income Due and Accrued Premiums and Considerations:	1,911,383		1,911,383
Uncollected Premiums and Agents' Balances in the Course of Collection	44,960,885	170,973	44,789,912
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	58,090,003		58,090,003
Reinsurance:			
Amounts Recoverable from Reinsurers	18,053,097		18,053,097
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	537,539		537,539
Guaranty Funds Receivable or on Deposit	7,103		7,103
Furniture and Equipment, Including Health Care Delivery Assets	205,869	205,869	0
Receivables from Parent, Subsidiaries, and Affiliates	2,840,356		2,840,356
Aggregate Write-Ins for Other-Than- Invested Assets	1,086,419	1,082,671	3,748
TOTAL ASSETS	\$ 515,081,613	1,459,513	\$ 513,622,100

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2019

Losses	\$ 60,989,962
Reinsurance Payable on Paid Losses and Loss Adjustment Expenses	12,527,152
Loss Adjustment Expenses	13,218,663
Other Expenses	251,576
Taxes, Licenses, and Fees	998,147
Net Deferred Tax Liability	11,222,147
Unearned Premiums	85,500,711
Advance Premiums	1,507,773
Dividends Declared and Unpaid:	
Policyholders	2,872,138
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	73,285,673
Amounts Withheld or Retained by Company for Account of Others	58,400
Remittances and Items Not Allocated	139,166
Payable to Parent, Subsidiaries, and Affiliates	3,663,950
Payable for Securities	3,311
Aggregate Write-Ins for Liabilities	1,033,248
TOTAL LIABILITIES	\$ 267,272,017
Unassigned Funds (Surplus)	246,350,083
TOTAL CAPITAL AND SURPLUS	\$ 246,350,083
TOTAL LIABILITIES AND SURPLUS	\$ 513,622,100

STATEMENT OF INCOME

For the Year Ended December 31, 2019

Premiums Earned	\$ 178,078,468
DEDUCTIONS:	
Losses Incurred	110,434,817
Loss Adjustment Expenses Incurred	19,560,452
Other Underwriting Expenses Incurred	40,898,167
Total Underwriting Deductions	<u>\$ 170,893,436</u>
Net Underwriting Gain (Loss)	\$ 7,185,032
Net Investment Income Earned	8,796,766
Net Realized Capital Gains	772,501
Net Investment Gain (Loss)	\$ 9,569,267
Net Gain (Loss) from Agents' or Premium Balances Charged Off	(595,948)
Finance and Service Charges Not Included in Premiums	4,726,305
Aggregate Write-Ins for Miscellaneous Income	225,001
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	21,109,657
Dividends to Policyholders	10,231,605
Federal and Foreign Income Taxes Incurred	<u>521,200</u>
NET INCOME (LOSS)	<u>\$ 10,356,852</u>

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2016 to December 31, 2019

(\$000s omitted)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Capital and Surplus, Beginning of Year	\$ 209,942	\$ 226,280	\$ 198,278	\$ 197,576
Net Income (Loss)	(2,148)	(803)	12,770	10,357
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	17,030	23,450	(10,729)	39,230
Change in Net Deferred Income Tax	1,754	(1,233)	(2,809)	(1,020)
Change in Nonadmitted Assets	(299)	584	66	207
Change in Surplus Notes	6	(50,000)	0	0
Aggregate Write-Ins for Gains and Losses in Surplus	(6)	0	0	0
Net Change in Capital and Surplus	16,338	(28,002)	(702)	48,774
Capital and Surplus, End of Year	<u>\$ 226,280</u>	<u>\$ 198,278</u>	<u>\$ 197,576</u>	<u>\$ 246,350</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

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

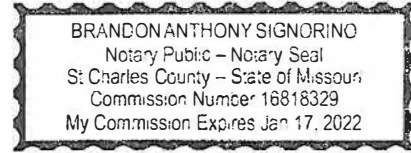
The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and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

ACKNOWLEDGMENT

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

VERIFICATION

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



I, Karen Milster, 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 Automobile Club Inter-Insurance Exchange, its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Karen Milster

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

Sworn to and subscribed before me this 16th day of April, 2021.

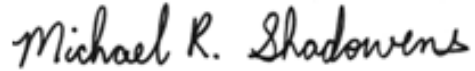
My commission expires: 01/17/2022

[Signature]

Notary Public

SUPERVISION

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



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