

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
CSAA Fire & Casualty Insurance Company)
450 East 96th Street, Suite 500)
Indianapolis, Indiana 46204)

Examination of: **CSAA Fire & Casualty Insurance Company**

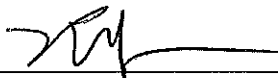
NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of CSAA Fire & Casualty Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of CSAA Fire & Casualty Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

May 6, 2021
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9919

STATE OF INDIANA) BEFORE THE INDIANA
) SS:
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
CSAA Fire & Casualty Insurance Company)
450 East 96th Street, Suite 500)
Indianapolis, Indiana 46204)

Examination of: **CSAA Fire & Casualty Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the CSAA Fire & Casualty Insurance Company (hereinafter “Company”) for the time period January 1, 2015 through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on January 15, 2021.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on March 26, 2021 and was received by the Company on April 5, 2021.

On March 15, 2021, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2019.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 6 day of May, 2021.

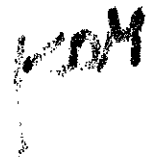

Stephen W. Robertson
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.



STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

CSAA FIRE & CASUALTY INSURANCE COMPANY
NAIC COMPANY CODE 10921

As of

December 31, 2019

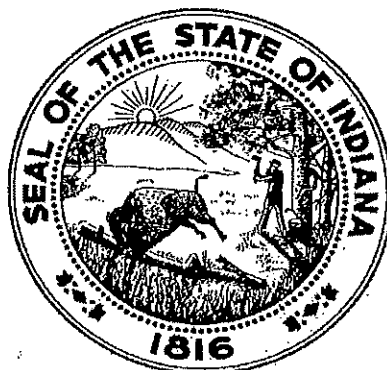


TABLE OF CONTENTS

SALUTATION	1
SCOPE OF EXAMINATION.....	2
HISTORY	2
CAPITAL AND SURPLUS	3
TERRITORY AND PLAN OF OPERATION	3
GROWTH OF THE COMPANY	3
LOSS EXPERIENCE	4
MANAGEMENT AND CONTROL	4
Directors.....	4
Officers	5
Corporate Governance	5
CONFLICT OF INTEREST	6
OATH OF OFFICE.....	6
CORPORATE RECORDS	6
Articles of Incorporation.....	6
Bylaws.....	6
Minutes	6
AFFILIATED COMPANIES	7
Organizational Structure	7
Affiliated Agreements.....	7
FIDELITY BOND AND OTHER INSURANCE	8
STATUTORY AND SPECIAL DEPOSITS	8
REINSURANCE.....	9
Reinsurance Pooling Agreement.....	9
Reinsurance Assumed.....	9
Reinsurance Ceded.....	9
RESERVES.....	9
ACCOUNTS AND RECORDS.....	10
FINANCIAL EXHIBITS	11
FINANCIAL STATEMENTS	12
Assets	12
Liabilities, Surplus and Other Funds	13
Statement of Income	14
Capital and Surplus Account	15
COMMENTS ON THE FINANCIAL STATEMENTS.....	16
OTHER SIGNIFICANT FINDINGS	16
SUBSEQUENT EVENTS	16
Pandemic Risk	16
MANAGEMENT REPRESENTATION.....	16
AFFIDAVIT	17

January 15, 2021

Honorable Stephen W. Robertson
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4048, an examination has been made of the affairs and financial condition of:

CSAA Fire & Casualty Insurance Company
450 E. 96th Street, Suite 500
Indianapolis, Indiana 46240

an Indiana domestic property and casualty insurer hereinafter referred to as the "Company." The examination was conducted at the administrative offices of the Company located at 3055 Oak Road, Walnut Creek, California 94597.

The Report of Examination, showing the status of the Company as of December 31, 2019, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2014. This risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2015, through December 31, 2019, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was performed on a coordinated basis with the California Department of Insurance (CDI), the Arizona Department of Insurance and Financial Institutions, and the New Jersey Department of Banking and Insurance. The CDI served as the lead state for the coordinated examination. The INDOI relied upon a portion of the coordinated examination work performed by the CDI in its examination of the Company's parent, CSAA Insurance Exchange (CSAA-IE), and the Company's U.S. domiciled affiliated property and casualty insurers.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by PricewaterhouseCoopers, LLP for each year of the examination period. Such reports were prepared on a combined statutory basis and reconciled to the financial statements contained in the Annual Statements.

Giovanni Muzzarelli, the Senior Casualty Actuary from the CDI, performed the review of the Company's loss reserves and loss-adjustment expenses as of December 31, 2019.

In accordance with the 2019 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, Thomas Consulting performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company, formerly AAA Mountain West Insurance Company, was incorporated under the laws of the State of Alaska on October 10, 1997, and received a Certificate of Authority effective April 3, 1998. The Certificate of Authority authorized the Company to transact the following lines of insurance: health, disability, property, casualty, surety, marine, and wet marine and transportation. On December 1, 2003, the Board of Directors (Board) amended the Articles of Incorporation, changing the Company's name to ACA Insurance Company. The Company is a member of a holding company group and is owned by CSAA-IE, a California reciprocal insurer, as the sole shareholder. The Company re-domesticated to Indiana from Alaska effective December 31, 2008. The company's name changed from ACA Insurance Company to CSAA Fire & Casualty Insurance Company effective January 8, 2014. Effective January 1, 2019 CSAA-IE terminated its former pooling agreement with its subsidiaries, including the Company, and entered into a new pooling agreement whereby the pool members would cede 100% of all premiums collected to CSAA-IE, and there would be no retrocession to any of the insurers participating in the pool.

CAPITAL AND SURPLUS

As of December 31, 2019, the Company had 10,000,000 shares of \$1 par value common stock authorized and 3,415,965 shares issued and outstanding. The Company has 10,000,000 shares of preferred stock authorized at \$1 par value, none of which are issued and outstanding. No dividends have been paid or declared by the Board during the period under examination.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Company was a qualified reinsurer in the State of New Jersey and licensed in the following 23 states:

Alaska	Kentucky	South Dakota
Arizona	Maryland	Utah
California	Montana	Washington
Colorado	Nevada	West Virginia
Connecticut	New York	Wyoming
Delaware	Ohio	
Idaho	Oklahoma	
Indiana	Oregon	
Kansas	Pennsylvania	

The Company writes 65% of its business in five (5) states; California (26%), Oklahoma (13%), Utah (13%), Oregon (7%), and Nevada (6%). The Company primarily provides homeowners' multiple peril (38%), private passenger automobile insurance (31%), and fire (23%) distributed through various channels. These channels include AAA club agents, independent agents, and direct sales units.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company for the period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Net Premiums Written</u>	<u>Net Income (Loss)</u>
2019	\$100,308,370	\$49,283,593	\$51,024,777	\$(9,890,442)	\$2,274,427
2018	114,750,751	67,216,956	47,533,795	19,849,988	906,508
2017	116,566,846	70,418,185	46,148,661	18,817,802	(930,053)
2016	115,976,708	68,344,813	47,631,894	17,484,262	1,971,278
2015	98,239,727	53,004,144	45,235,581	16,561,166	760,767

Note: Amounts are shown in whole dollars, and rows may not total due to rounding.

The Company's admitted assets increased until 2017 but then decreased in 2018 and 2019. The net increase was approximately 2% in admitted assets for the five (5) year period. Total liabilities followed a similar trend over this time frame but decreased by 7%, with the liabilities declining by 30% between 2017 to 2019.

Capital and surplus increased by almost 13 % between 2015 and 2019; there was a 3% decline for 2017 with the largest increase of 7% in 2019. The 2019 capital and surplus rise was reflected by net income trends, which rose 199% with an increase of \$1,367,919, or 151%, between 2018 and 2019. Net premiums rose steadily and modestly for the years 2015 through 2018. For 2019, net premiums written were negative nearly \$10,000,000, entirely attributable to the 100% premium cession to their parent, CSAA-IE, effective January 1, 2019.

LOSS EXPERIENCE

The following exhibit shows the underwriting results of the Company for the period under examination. The amounts were compiled from the Company's filed Annual Statements and from examination results:

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses and LAE Incurred</u>	<u>Other Underwriting Expenses Incurred</u>	<u>Losses and LAE Ratio</u>	<u>Combined Ratio</u>
2019	\$0	\$0	\$0	0.00%	0.00%
2018	19,240,147	15,167,114	5,384,988	78.83%	106.82%
2017	18,090,883	15,477,383	5,313,770	85.55%	114.93%
2016	16,949,097	12,716,737	5,657,633	75.03%	108.41%
2015	16,004,454	13,050,883	4,672,992	81.55%	110.74%

Note: Amounts are shown in whole dollars, and rows may not total due to rounding.

As a result of the new pooling agreement with CSAA-IE effective January 1, 2019, the Company no longer records premiums earned, losses, loss-adjustment expenses, and other expenses incurred in its financial statements.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws specify that the number of directors shall be fixed at five (5). The number of directors may be fixed or changed from time to time by approval of the Board or the Shareholders. At least one (1) director must be a resident of the State of Indiana. The directors shall be elected at each Annual Meeting of Shareholders. The following is a list of persons serving as directors as of December 31, 2019:

Name and Residence

Principal Business Affiliation

Brian James Gust
Pendleton, IN

Senior Field Product Consultant
CSAA Insurance Exchange

Andrea Kay Hecht
Clayton, CA

EVP CFO/Treasurer
CSAA Insurance Exchange

Linsay Danice Hohmann
Brentwood, CA

SVP Policyholder Services & Support,
Operations
CSAA Insurance Exchange

Thomas Michael Troy
Lafayette, CA

President and Chief Executive Officer
CSAA Insurance Exchange

Robert Edward Valliere
Clayton, CA

EVP Insurance Operations
CSAA Insurance Exchange

Michael Jay Zukerman
Oakland, CA

Secretary
CSAA Insurance Exchange

Officers

The Company's Bylaws state that the officers of the Company shall be a President, a Secretary, a Treasurer, and other officers with titles and duties as deemed necessary by the Board. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary. The following is a list of key officers and their respective titles as of December 31, 2019:

<u>Name</u>	<u>Position</u>
Thomas Michael Troy	President and Chief Executive Officer
Michael Jay Zukerman	Secretary and Chief Legal Officer
Andrea Kay Hecht	Treasurer and Chief Financial Officer
Ryan Daniel Vigus	Assistant Vice President
Jianlu Xu	Assistant Vice President
Carrie Christine Collins	Assistant Secretary
Katherine Jean Evans	Assistant Secretary

Corporate Governance

CSAA General Insurance Company (CGIC) and the Company do not have any Board committees. CSAA-IE, the parent company for both companies, has designated their Audit Committee to serve as the Audit Committee for both companies. The INDOI received and approved this designation in January 2011, and it continues to be in-force.

The committees and the member directors that were elected to serve as of December 31, 2019, are as follows:

Audit Committee:

Ralph S. Michael	Chair
Robert N. Barone	
Gerald W. Petitt	

Finance and Investment Committee:

Robert N. Barone	Chair
Spencer S. Angerbauer	
Allen J. DeWalle	
Robert A. Elliott	
Mary R. Hennessy	
Ralph S. Michael	
Jame L. Pease, III	

Nominating, Compensation, and Governance Committee:

Mary B. Cranston	Chair
Paula R Collins	
Donald A. Smith, Jr.	

CONFLICT OF INTEREST

The Company has established a conflict of interest policy through its Code of Conduct (for employees) and Policy on Ethical Behavior and Code of Conduct for Directors (for Board Members) for the disclosure of any material interest or affiliation by any one (1) director or officer, which is likely to conflict with their official duties. The Company provided the conflict of interest disclosures for each of the directors and the officers, and there were no material conflicts of interest noted for the period under examination.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. The Company provided evidence that the oath of office statements were signed by each of the directors for the period under examination.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Company's Articles of Incorporation during the period under examination.

Bylaws

There were no amendments made to the Company's Bylaws during the period under examination.

Minutes

The Board Meeting minutes were reviewed for the period under examination through the fieldwork completion date, and significant actions taken during each meeting were noted. The Annual Board Meetings were held in accordance with IC-27-1-7-7(b) and the Company's Bylaws for the period under examination.

AFFILIATED COMPANIES

Organizational Structure

The Company is a wholly-owned subsidiary of CSAA-IE. The holding company consists of twelve (12) insurers and twelve (12) non-insurance subsidiaries that primarily provide services to the Company, and one (1) holding company. Each company is 100% owned, except where otherwise indicated. The following organizational chart depicts the Company's relationship with the holding company system:

	NAIC CO. Code	Domiciliary State/County
CSAA Insurance Exchange	15539	CA
CSAA General Insurance Company	37770	IN
2445 St. Rose Parkway, LLC (50%)		DE
CSAA Fire & Casualty Insurance Company	10921	IN
2445 St. Rose Parkway, LLC (50%)		DE
CSAA Affinity Insurance Company	11681	AZ
Mobilitas General Insurance Company	10675	AZ
CSAA Mid-Atlantic Insurance Company of New Jersey	42960	NJ
Mobilitas Insurance Company of Arizona	16599	AZ
Mobilitas Insurance Company	16392	AZ
CSAA Insurance Services, Inc.		CA
CSAA Life and Financial Services, Inc.		CA
Pacific Beacon Life Reassurance, Inc.	84162	HI
ACLI Acquisition Company (26.305%)		DE
AAA Life Insurance Company	71854	MI
AAA Life Insurance Company of New York	15282	NY
Life Alliance Reassurance Corporation	13738	HI
AAA Life Agency, LLC		MI
Club Marketing Services, LLC		CA
Avanta Ventures, LLC		CA
Avanta Studios, LLC		CA
2011 Equity Investment Fund, LLC		DE
CSAA Investment Fund, LLC		CA
Pathway Private Equity Fund/CSAA Venture Capital Fund, LLC		DE
Pathway Private Equity Fund/CSAA Special Equity Fund, LLC		DE

Affiliated Agreements

The following Affiliated Agreements and transactions were disclosed as part of the Form B Holding Company Registration Statement, and were filed with and not disapproved by the INDOI, in accordance with IC 27-1-23-4(b)(4).

Consolidated Intercompany Services Agreement

Effective October 1, 2017, CSAA Insurance Services, Inc. (CIS) entered into a Consolidated Intercompany Services Agreement with its affiliates and certain related parties, including the Company and CGIC. Pursuant to the agreement, CIS may provide its affiliates the following services: accounting, information

technology, advertising and marketing, insurance production and servicing, policy administration, claims administration, investments, functional support services, an attorney-in-fact, and facilities such as furniture, fixtures, and equipment. The service fees paid under the terms of this agreement or similar terminated agreements totaled \$67,204,065 in 2019.

Second Amended Restated Intercompany Tax Allocation Agreement

Effective January 1, 2011, CSAA-IE entered into a Second Amended Restated Intercompany Tax Allocation Agreement with certain subsidiaries and affiliates, including the Company and CGIC. The purpose of this agreement was to add Mobilias General Insurance Company, f/k/a CSAA Mid-Atlantic Insurance Company, CSAA Affinity Insurance Company (CAIC), and CSAA Mid-Atlantic Insurance Company of New Jersey (CMAIC NJ) as participants to the agreement. The agreement allocates federal income taxes among the companies on an individual company basis. Under the terms of this agreement, the Company paid CSAA-IE \$276,301 in 2019.

FIDELITY BOND AND OTHER INSURANCE

The Company, along with its parent and affiliates, are named insured's on a Financial Institution Bond underwritten by Traveler's Insurance Company. The bond provides the Company with a single loss limit of \$15,000,000 with a single loss deductible of \$250,000 for various risks covered under the policy. Coverage's under the policy include dishonesty of employees, on premiums and in transit; forgery or alteration; securities; counterfeit money and money orders; claim expense; and computer systems. The aggregate limit of insurance is \$30,000,000. The amount of fidelity coverage carried on this policy meets the suggested minimum amount of fidelity coverage as measured on a group basis using the NAIC's formula and exposure index.

In addition to the Fidelity Bond Coverage, the principal insurance coverages in which the Company is a named insured as of December 31, 2019, include the following: business automobile, commercial general liability, pollution legal liability, commercial property, directors and officers securities liability, fiduciary, professional liability, employee practices liability, workers' compensation, cyber liability, foreign liability, and umbrella/excess.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory and special deposits as of December 31, 2019:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For all Policyholders:		
Indiana	\$ 3,200,000	\$ 3,200,000
Nevada	309,477	373,392
Total Statutory Deposits	<u>\$ 3,509,477</u>	<u>\$ 3,573,392</u>

Note: Amounts are shown in whole dollars, and columns may not total due to rounding.

REINSURANCE

Reinsurance Pooling Agreement

Effective January 1, 2019, CSAA-IE and the following participating insurers entered into a Restated Reinsurance Pooling Agreement: FCIC; CGIC; CSAA Affinity Insurance Company; CSAA Mid-Atlantic Insurance Company of New Jersey; MGIC, and Mobilias Insurance Company. This Agreement replaced the Reinsurance Pooling Agreement that was in effect since January 1, 2011. Effective September 1, 2019, Mobilias Insurance Company of Arizona (f/k/a Mobilias Insurance Company of America) became a participating insurer to the agreement. Pursuant to the agreement, the participating insurers will cede 100% of all premiums collected to CSAA-IE. Premiums include fees or charges related to issuance or cancellation of a policy, along with charges imposed on premiums not paid at policy inception, including installment fees and finance charges. There will be no retrocession from CSAA-IE to any of the participating insurers.

Reinsurance Assumed

The Company participates in state market pools, as mandated. Otherwise, the Company does not assume any reinsurance.

Reinsurance Ceded

The Company participates in the Restated Intercompany Reinsurance Pooling Agreement with the eight (8) companies that comprise the CSAA Insurance Group. The Company participates by ceding 100% of its net premiums earned, net losses, net loss adjustment expenses incurred, and other net underwriting expenses to CSAA-IE. For 2019, the Company had \$282,895,575 due from CSAA-IE based on its participation in the agreement.

RESERVES

Jianlu Xu, FCAS, MAAA, Actuarial Executive with CIS, was appointed by the Board of the Company on September 15, 2010, to render an opinion on the reserves of the Company.

The scope of the opinion stated the Actuary examined the reserves, as shown in the Annual Statement of the Company, as prepared for filing with state regulatory officials as of December 31, 2019. In forming the opinion, information prepared by the Company was relied upon. The provided data was evaluated for reasonableness and consistency. The data was reconciled to Schedule P - Part 1 of the Company's current Annual Statement as of December 31, 2019.

The 2019 opinion stated that the reserve balances: 1) meet the requirements of the insurance laws of the State of Indiana, 2) are computed in accordance with generally accepted actuarial standards and principles, and 3) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting information were reviewed and tested to the extent deemed necessary. The Annual Statement totals for the years ending December 31, 2015, through December 31, 2019, were agreed to each year's trial balance with no exceptions noted.

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus, and Other Funds
Comparative Exhibit - Statutory Statement of Income
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars, and columns may not total due to rounding.

CSAA FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2019

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Assets:				
Bonds	\$ 71,736,270	\$ -	\$ 71,736,270	\$ 86,756,250
Common Stocks	159,100	-	159,100	105,500
Cash, cash equivalents and short-term investments	(9,124,213)	-	(9,124,213)	(22,134,572)
Other invested assets	11,824,741	-	11,824,741	11,037,055
Receivable for securities	-	-	-	-
Subtotals, cash and invested assets	<u>\$ 74,595,898</u>	<u>\$ -</u>	<u>\$ 74,595,898</u>	<u>75,764,233</u>
Investment income due and accrued	\$ 667,633	\$ -	\$ 667,633	\$ 816,306
Uncollected premiums and agents' balances in the course of collection	97,908	-	97,908	5,173,483
Deferred premiums, agents' balances and installments booked but deferred and not yet due	-	-	-	10,633,323
Reinsurance amounts recoverable from reinsurers	21,642,712	-	21,642,712	21,269,864
Current federal and foreign income tax recoverable and interest thereon	601,654	-	601,654	-
Net deferred tax asset	84,770	-	84,770	-
Guaranty funds receivable or on deposit	78,695	-	78,695	64,352
Receivables from parent, subsidiaries and affiliates	1,921,249	-	1,921,249	371,803
Aggregate write-ins for other than invested assets	617,852	-	617,852	657,388
Total Admitted Assets	<u><u>\$ 100,308,370</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,308,370</u></u>	<u><u>\$ 114,750,751</u></u>

CSAA FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2019

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Losses	\$ -	\$ -	\$ -	\$ 10,290,155
Reinsurance payable on paid losses and loss adjustment expenses	-	-	-	(553,628)
Loss adjustment expenses	-	-	-	1,130,296
Commissions payable, contingent commissions and other similar charges	3,626,070	-	3,626,070	6,364,324
Other expenses	455,255	-	455,255	371,497
Taxes, licenses and fees (excluding taxes, licenses and fees)	(1,447,390)	-	(1,447,390)	174,774
Current federal and foreign income taxes	-	-	-	274,926
Unearned premiums	-	-	-	9,890,442
Advance premium	2,764,104	-	2,764,104	6,219,388
Ceded reinsurance premiums payable (net of ceding commissions)	(997,439)	-	(997,439)	20,817,746
Amounts withheld or retained by company for account of others	191,823	-	191,823	155,960
Remittances and items not allocated	39,233	-	39,233	-
Provision for reinsurance	-	-	-	179
Payable to parent, subsidiaries and affiliates	42,531,838	-	42,531,838	10,317,033
Aggregate write-ins for liabilities	2,120,098	-	2,120,098	1,763,863
Total liabilities excluding protected cell liabilities	\$ 49,283,593	\$ -	\$ 49,283,593	\$ 67,216,956
Total Liabilities	\$ 49,283,593	\$ -	\$ 49,283,593	\$ 67,216,956
Aggregate write-ins for special surplus funds	\$ -	\$ -	\$ -	\$ 2,233,196
Common capital stock	3,415,965	-	3,415,965	3,415,965
Gross paid in and contributed surplus	31,926,623	-	31,926,623	31,926,623
Unassigned funds (surplus)	15,682,189	-	15,682,189	9,958,011
Surplus as regards policyholders	\$ 51,024,777	\$ -	\$ 51,024,777	\$ 47,533,795
Total Liabilities, Surplus and Other Funds	\$ 100,308,370	\$ -	\$ 100,308,370	\$ 114,750,751

CSAA FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2019

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Premiums earned	\$ -	\$ -	\$ -	\$ 19,240,147
Losses incurred	\$ -	\$ -	\$ -	\$ 13,310,910
Loss adjustment expenses incurred	-	-	-	1,856,204
Other underwriting expenses incurred	-	-	-	5,384,988
Aggregate write-ins for underwriting deductions	-	-	-	-
Total underwriting deductions	\$ -	\$ -	\$ -	\$ 20,552,101
Net underwriting gain or (loss)	\$ -	\$ -	\$ -	\$ (1,311,954)
Investment Income				
Net investment income earned	\$ 1,598,562	\$ -	\$ 1,598,562	\$ 1,438,824
Net realized capital gains or (losses) less capital gains tax	7,771	-	7,771	(282,759)
Net investment gain (loss)	\$ 1,606,333	\$ -	\$ 1,606,333	\$ 1,156,065
Other Income				
Net gain	\$ -	\$ -	\$ -	\$ (836,432)
Finance and service charges not included in premiums	-	-	-	2,502,475
Aggregate write-ins for miscellaneous income	14,258	-	14,258	(483,503)
Total Other Income	\$ 14,258	\$ -	\$ 14,258	\$ 1,182,540
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 1,620,590	\$ -	\$ 1,620,590	\$ 1,026,651
Net income after dividends, capital gains tax and before all other federal and foreign income tax	\$ 1,620,590	\$ -	\$ 1,620,590	\$ 1,026,650
Federal and foreign income taxes incurred	\$ (653,836)	\$ -	\$ (653,836)	\$ 120,143
Net Income	\$ 2,274,427	\$ -	\$ 2,274,427	\$ 906,508

CSAA FIRE & CASUALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital and Surplus Account:					
Surplus as regards policyholders, December 31 prior year	\$ 47,533,795	\$ 46,148,661	\$ 47,631,894	\$ 45,235,581	\$ 39,595,583
Net income	\$ 2,274,427	\$ 906,508	\$ (930,053)	\$ 1,971,278	\$ 760,767
Change in net unrealized capital gains or (losses) less capital gains tax	622,272	642,889	766,927	619,189	3,102,927
Change in net deferred income tax	250,184	170,850	(1,276,434)	147,173	329,029
Change in nonadmitted assets	345,425	(335,472)	(43,225)	265,967	1,451,448
Change in provision for reinsurance	179	(179)	-	-	-
Surplus adjustments: Paid in	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	(1,505)	538	(448)	(607,294)	(4,174)
Change in surplus as regards policyholders for the year	\$ 3,490,982	\$ 1,385,134	\$ (1,483,234)	\$ 2,396,314	\$ 5,639,997
Surplus as regards policyholders, December 31 current year	\$ 51,024,777	\$ 47,533,795	\$ 46,148,661	\$ 47,631,894	\$ 45,235,581

COMMENTS ON THE FINANCIAL STATEMENTS

Based on the results of this examination, there were no recommended changes to the Company's financial statements as of December 31, 2019.

OTHER SIGNIFICANT FINDINGS

There were no significant findings noted as a result of this examination.

SUBSEQUENT EVENTS

Pandemic Risk

On March 11, 2020, the World Health Organization declared an outbreak of the coronavirus (COVID-19). The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and fieldwork, the effects of COVID-19 on this entity are not fully addressed within this examination report.

MANAGEMENT REPRESENTATION

In support of contingencies and accuracy of information provided during the course of the examination, Thomas Consulting obtained a management representation letter in the standard NAIC format. This letter was executed by key financial personnel of the Company and provided to Thomas Consulting.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **CSAA Fire & Casualty Insurance Company** as of **December 31, 2019**.

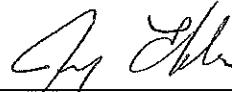
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2019 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard, and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of the condition of the **CSAA Fire & Casualty Insurance Company** as of **December 31, 2019**, as determined by the undersigned.



David L. Daulton, CFE
The Thomas Consulting Group, Inc.



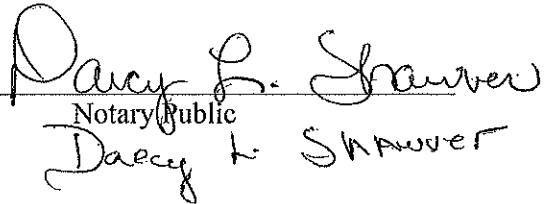
Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

State of:
County of:

On this 30th day of April, 2021, before me personally appeared, David L. Daulton and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025



Notary Public
Darcy L. SHAWVER

DARCY L. SHAWVER
NOTARY PUBLIC
SEAL
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 708053

