

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

IN THE MATTER OF:)
)
CSAA General Insurance Company)
3055 Oak Road)
Walnut Creek, CA 94597)

Examination of: **CSAA General Insurance Company**

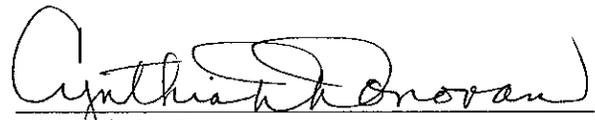
NOTICE OF ENTRY OF ORDER

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 General Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 30, 2016, 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 General 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.

7/29/2016
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0062 0795

STATE OF INDIANA) BEFORE THE INDIANA
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FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the CSAA General Insurance Company (hereinafter "Company") for the time period January 1, 2010 through December 31, 2014.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on April 29, 2016.

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 June 30, 2016 and was received by the Company on July 5, 2016.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the CSAA General Insurance Company as of December 31, 2014.
2. That the Examiner's Recommendations are reasonable and necessary in order for the CSAA General Insurance Company to comply with the 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, 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. 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 and Sealed this 29 day of
July, 2016.


Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

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.

A handwritten signature in black ink, appearing to read "Michael J. ...". The signature is written in a cursive style and is positioned in the lower-left quadrant of the page.

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

CSAA GENERAL INSURANCE COMPANY

NAIC COMPANY CODE 37770

As of

December 31, 2014

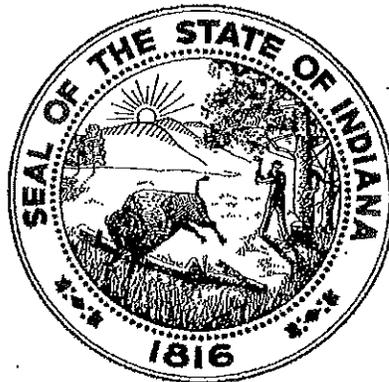


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance

311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

April 29, 2016

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 3860, an examination has been made of the affairs and financial condition of:

CSAA General Insurance Company
Two Meridian Plaza, 10401 N. Meridian St. Suite 300
Indianapolis, Indiana 40290

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

The Report of Examination, showing the status of the Company as of December 31, 2014, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES (317) 232-2413	COMPANY COMPLIANCE (317) 233-0697	CONSUMER SERVICES (317) 232-2395 1-800-622-4461	EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390	MEDICAL MALPRACTICE (317) 232-2402	COMPANY RECORDS (317) 232-5692	STATE HEALTH INSURANCE PROGRAM 1-800-332-4674
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2009. This risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2010 through December 31, 2014, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In conducting this 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 statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

The actuarial firm of Merlinos & Associates, Inc. was appointed by the INDOI to conduct a review of the Company's Loss Reserves and Loss Adjustment Expenses as of December 31, 2014.

In accordance with the 2014 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, the Examiners 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. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

On June 23, 1987, the Company was incorporated under the laws of California and commenced business in January 1990. In June 1999, the Company was acquired by a wholly-owned subsidiary of the CSAA Insurance Exchange (CSAA-IE), a California domiciled reciprocal insurer of auto, homeowner, and umbrella coverage. The Company re-domiciled to Indiana from California effective December 31, 2008. Effective January 8, 2014, the name of the company was changed from Western United Insurance Company to CSAA General Insurance Company.

CAPITAL AND SURPLUS

As of December 31, 2014, the Company had 500,000 shares of \$50 par value common stock authorized and 84,000 shares issued and outstanding. The Company has no preferred stock authorized, issued, or outstanding. No dividends have been paid or declared by the Board of Directors during the period under examination.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2014, the Company was licensed in the following 25 states and the District of Columbia:

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

The Company writes 56% of its business in four (4) states; Nevada (19%), Oklahoma (15%), Arizona (15%), and California (7%). The Company primarily provides private passenger automobile insurance (70%) and homeowners' multiple peril (24%) distributed through independent agencies, CSAA-IE network of employee exclusive agents, direct sales unit, and other American Automobile Association (AAA) club employee exclusive agents.

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>
2014	\$445,824,179	\$303,618,243	\$142,205,936	\$92,442,270	\$6,492,258
2013	384,179,784	244,847,503	139,332,281	86,553,716	5,719,541
2012	360,295,923	233,287,390	127,008,533	84,087,355	8,256,359
2011	364,555,585	256,549,513	108,006,072	82,340,750	8,073,524
2010	156,412,544	53,467,200	102,945,344	27,507,067	8,921,671

In 2011, the Company entered into an intercompany pooling arrangement which resulted in a significant increase in admitted assets, liabilities, and net-written premiums. However, contrary to the provisions of SSAP No. 63, the Company reported its pooled ceded premium payable liability as an offset to its uncollected premium asset. As a result, an examination reclassification was made from uncollected premiums to ceded premium payable for the years 2011 to 2014. This examination reclassification resulted in a material change to the Company's reported assets and liabilities however; there was no effect on surplus. (Please see the "Comments On The Financial Statements" section of this report regarding this reclassification.)

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 reclassifications:

<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>
2014	\$89,024,025	\$65,346,622	\$28,464,760	73.40%	105.38%
2013	85,931,643	63,627,882	28,137,225	74.04%	106.79%
2012	82,870,434	57,570,812	27,572,778	69.47%	102.74%
2011	81,337,732	57,534,929	25,053,986	70.74%	101.54%
2010	27,214,687	18,241,650	8,530,326	67.03%	98.39%

Beginning in 2011 the Company has seen a significant increase in premium earned and losses and LAE incurred and other underwriting expenses incurred as a result of the intercompany pooling arrangement. A deterioration in the Combined Ratio has been attributable to greater costs related to geographic expansion, technology initiatives and restructuring costs.

MANAGEMENT AND CONTROL

Directors

The Bylaws provided 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, subject to any requirements or limitations of the Indiana Insurance Code. 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 listing of persons serving as directors as of December 31, 2014:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michael S. Day Walnut Creek, CA	Treasurer and Chief Financial Officer CSAA Insurance Exchange
Paula F. Downey San Rafael, CA	President and Chief Executive Officer CSAA Insurance Exchange
John P. Fierst Carmel, IN	State Executive CSAA Insurance Exchange
Gregory A. Meyer Glen Ellyn, IL	Chief Operating Officer CSAA Insurance Exchange
Michael J. Zukerman Piedmont, CA	Secretary and Chief Legal Officer CSAA Insurance Exchange

Officers

The Company's Bylaws state that the officers of the Company shall be a President, a Secretary, and a Treasurer. The Company may also have, at the discretion of the board, a Chair of the Board, one (1) or more Vice-Presidents, one (1) or more Assistant Secretaries, one (1) or more Assistant Treasurers, and such other officers as may be elected or appointed. The board may elect such other officers as the business of the Company may require, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the Chief Executive Officer may from time to time determine. The following is a list of key officers and their respective titles as of December 31, 2014:

<u>Name</u>	<u>Position</u>
Paula F. Downey	President and Chief Executive Officer
Michael S. Day	Treasurer and Chief Financial Officer
Michael J Zukerman	Secretary and Chief Legal Officer
Mark C. Simmonds	Assistant Vice President
Brian T. Suzuki	Assistant Vice President
John J. Richmond	Assistant Secretary
Phyllis T. Solomon	Assistant Secretary

Corporate Governance

CSAA Fire & Casualty Insurance Company and the Company do not have any board committees. CSAA-IE, the parent company for both companies, has designated the Audit Committee of the CSAA-IE Board of Directors to serve as the Audit Committee for both companies. A request was made of the INDOI to allow this designation. This request was received and approved in January 2011 and continues in-force.

The committees and the member directors that were elected to serve as of December 31, 2014, were as follows:

Audit Committee:

Ralph S. ("Mike") Michael	Chair
David C. Carney	
Paula R. Collins	

Finance and Investment Committee:

Robert N. Barone	Chair
Gilbert W. ("Wally") Chester	
Allen J. DeWalle	
Mary R. Hennessy	

Nominating, Compensation and Governance Committee:

Mary B. Cranston
Jack E. Brown
Kenneth L. Coleman

Chair

CONFLICT OF INTEREST

The Company has established a conflict of interest policy through its Code of Ethics and Business Conduct 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 documents for each of the Board of Directors and the Executive Officers.

OATH OF OFFICE

Indiana Code 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 was unable to provide evidence that the Oath of Office statements were signed by each member of the Board of Directors. (Please see the “Other Significant Findings” section of this report regarding this issue.)

CORPORATE RECORDS

Articles of Incorporation and Bylaws

The Company amended its Articles of Incorporation and Bylaws effective January 3, 2014, to reflect the Company’s name change from Western United Insurance Company to CSSA General Insurance Company.

Minutes

The Board of Directors meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. The board minutes provided quality information on the functions and discussions within the Board of Directors meetings and the manner in which the board manages the organization. The board minutes also provided evidence that the preceding meetings and action taken during those meetings were read and approved during the period under examination.

AFFILIATED COMPANIES

Organizational Structure

The Company is a wholly-owned subsidiary of CSAA-IE, a California reciprocal insurer. The following organizational chart depicts the Company's relationship with the holding company system. Each company is 100% owned, except where otherwise indicated.

	NAIC CO. <u>Code</u>	Domiciliary <u>State/County</u>
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	PA
CSAA Mid-Atlantic Insurance Company	10675	PA
CSAA Mid-Atlantic Insurance Company of New Jersey	42960	NJ
CSAA Insurance Services Company, LLC		CA
CSAA Life and Financial Services, Inc.		CA
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
Pacific Beacon Life Reassurance, Inc.	84162	HI
Club Marketing Services, LLC		CA
AAA Member Services Company, LLC		CA
AAA Members Insurance Agency of Western and Central New York, Inc. (50%)		NY
2011 Equity Investment Fund, LLC		DE
Club Insurance Services, Inc.		CA
CSAA Investment Fund, LLC		CA
Pathway Private Equity/CSAA Venture Capital Fund, LLC		DE
Ceres Reinsurance, Inc.		VT
Pathway Private Equity Fund/CSAA Special Equity Fund, LLC		DE
Ceres Re Protected Cell No.1 (Western & Central), LLC (60%)		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 approved by the INDOI, in accordance with IC 27-1-23-4(b)(4).

Intercompany Services Agreement

CSAA-IE maintains an Intercompany Services Agreement with its affiliates and certain related parties. The agreement stipulates that CSAA-IE provide various operating and administrative services and that CSAA-IE will be reimbursed for costs incurred. Services include, but are not limited to, underwriting, claims, investment services, financial services, and administrative services. The service fees paid under the terms of this agreement totaled \$53,215,376 in 2014.

Intercompany Tax Allocation Agreement

The Company is also a party to an Intercompany Tax Allocation Agreement with CSAA-IE. The method of distribution between the companies in the group is subject to written consent approved by the Board of Directors. Allocation is based on separate return calculations with current credit for net losses and/or credits where the losses and/or credits result in an actual reduction in the tax liability of the consolidated group. The amount incurred under the terms of this agreement totaled \$1,791,008 in 2014.

Intercompany Chargeback Agreement

Effective January 1, 2012, an Intercompany Chargeback Agreement was entered into between CSAA-IE and its affiliates. Under the terms of the agreement, CSAA-IE provides certain policy administration services and claims administration services for policies issued by the subsidiaries. CSAA-IE will be reimbursed at cost for such services to its subsidiaries. The amount incurred under the terms of this agreement totaled \$51,887,345 in 2014.

Intercompany AAA Member Services Company Agreement

Effective December 1, 2009, The Company and CSAA Fire & Casualty Insurance Company (FCIC) entered into a service agreement with AAA Member Services Company, LLC (AMSC) whereby AMSC operates a call center on behalf of these insurance companies. AMSC does not have employees and costs incurred to operate the call center are allocated from the CSAA-IE, the Company and FCIC to AMSC based on call volume. Under the terms of the service agreement, the Company received \$2,282,565 from AMSC in 2014.

2445 St. Rose Parkway LLC Operating Agreement

Effective December 4, 2012, CSAA Fire & Casualty Insurance Company and the Company entered into an Operating Agreement, whereby each company acquired 50% ownership, as members, of 2445 St. Rose Parkway LLC. On December 31, 2012, the companies jointly acquired 2445 St. Rose Parkway LLC in Henderson, Nevada, for a total cost of \$14,700,000, split equally between the companies. 2445 St. Rose Parkway LLC holds title to the property housing all Las Vegas claims and underwriting staff for CSAA IE's Regional Claims Center in Las Vegas, NV. During 2013 and 2014, additional investments totaling \$5,445,000 and \$352,000, respectively, were made by CSAA General Insurance Company.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by a fidelity bond issued by St. Paul Fire and Marine Insurance Company. The bond has aggregate coverage of \$30,000,000, a single loss limit of liability of \$15,000,000, and a single loss deductible of \$500,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of insurance coverage in-force as of December 31, 2014, including but not limited to directors and officers liability, and workers compensation coverage.

STATUTORY AND SPECIAL DEPOSITS

The Company reported the following statutory and special deposits as of December 31, 2014:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
Deposits for the Benefit of All Policyholders:		
Indiana	\$ 2,699,983	\$ 2,707,500
Nevada	213,539	227,338
Oklahoma	300,000	300,000
Virginia	210,813	266,282
All Other Special Deposits:		
California	<u>127,387</u>	<u>137,333</u>
Total Statutory and Special Deposits	<u>\$ 3,551,722</u>	<u>\$ 3,638,453</u>

REINSURANCE

Reinsurance Pooling Agreement

Effective January 1, 2011, the Company and CSAA-IE entered into an Intercompany Reinsurance Pooling Agreement. Under the terms of this agreement, the Company cedes 100% of its net premiums earned, net losses, net loss adjustment expenses incurred and other net underwriting expenses to CSAA-IE (Lead Insurer), after the effect of balances ceded to others, and assumes 3% of the total pool of CSAA-IE's net premiums earned, net losses, net loss adjustment expenses and underwriting expenses, which include expenses incurred associated with the Company's Policy and Claims Administration Services Agreement. During 2014, the Company ceded \$533,187,000 of its premiums to CSAA-IE and assumed \$92,442,271 of its premiums from CSAA-IE. The Company

had net reinsurance recoverable on all items from CSAA-IE on December 31, 2014, totaling \$536,036,000.

The pooling participation is as follows:

CSAA-IE	94.1%
CSAA General Insurance Company	3.0%
CSAA Affinity Insurance Company	1.5%
CSAA Mid-Atlantic Insurance Company of New Jersey	0.6%
CSAA Fire & Casualty Insurance Company	0.5%
CSAA Mid-Atlantic Insurance Company	<u>0.3%</u>
Total	<u>100.0%</u>

Reinsurance Assumed

The Company participates in state market pools, as mandated. In addition, the Company participates in a Reinsurance Pooling Agreement with CSAA-IE. Other than the aforementioned items, the Company does not assume any reinsurance.

Reinsurance Ceded

The Company participates in an Intercompany Reinsurance Pooling Agreement with the six (6) companies that comprise the CSAA Insurance Group. CSAA-IE is the lead insurer of that pool. 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.

The Company is covered by an Excess of Loss Catastrophe Reinsurance Agreement that covers CSAA-IE and its subsidiaries. All costs of the Excess of Loss Catastrophe Reinsurance Agreements are paid by CSAA-IE, but the Company participates through the pooling agreement.

RESERVES

Jianlu Xu, FCAS, MAAA, an actuary with CSAA Insurance Services LLC, was appointed by the Board of Directors of the Company on September 15, 2010 to render an opinion on the reserves of the Company.

The scope of the opinion stated by the Actuary examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company, as prepared for filing with state regulatory officials as of December 31, 2014. 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, 2014.

The 2014 opinion states the reserve balances; 1) meet the requirements of the insurance laws of the State of Indiana, 2) are consistent with reserves computed in accordance with accepted loss reserving 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 Admitted Assets, Liabilities, Surplus, Premiums Written and Net Income for the years ended December 31, 2010 through December 31, 2014, 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 GENERAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2014

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Bonds	\$ 217,789,934	\$ -	\$ 217,789,934	\$ 199,434,973
Common Stocks	314,400	-	314,400	326,500
Cash, cash equivalents and short-term investments	(9,332,542)	-	(9,332,542)	(11,099,024)
Other invested assets	8,761,793	-	8,761,793	12,379,343
Receivable for securities	2,446	-	2,446	302,469
Subtotals, cash and invested assets	<u>\$ 217,536,032</u>	<u>\$ -</u>	<u>\$ 217,536,032</u>	<u>\$ 201,344,261</u>
Investment income due and accrued	\$ 2,311,076	\$ -	\$ 2,311,076	\$ 2,054,172
Uncollected premiums and agents' balances in the course of collection	1,753,537	134,461,862	136,215,399	11,792,277
Deferred premiums, agents' balances and installments booked but deferred and not yet due	650,636	47,401,292	48,051,928	135,598,143
Reinsurance amounts recoverable from reinsurers	37,095,583	-	37,095,583	28,832,904
Current federal and foreign income tax recoverable and interest thereon	706,410	-	706,410	706,410
Net deferred tax asset	3,180,886	-	3,180,886	3,171,262
Guaranty funds receivable or on deposit	292,443	-	292,443	292,443
Receivables from parent, subsidiaries and affiliates	190,779	-	190,779	149,120
Aggregate write-ins for other than invested assets	243,641	-	243,641	238,791
Total	<u>\$ 263,961,023</u>	<u>\$ 181,863,155</u>	<u>\$ 445,824,179</u>	<u>\$ 384,179,784</u>

CSAA GENERAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2014

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Losses	\$ 33,051,056	\$ -	\$ 33,051,056	\$ 30,268,886
Reinsurance payable on paid losses and loss adjustment expenses	5,443,201	-	5,443,201	4,920,387
Loss adjustment expenses	6,413,747	-	6,413,747	6,022,582
Commissions payable, contingent commissions and other similar charges	7,632,943	-	7,632,943	5,365,026
Other expenses	975,545	-	975,545	587,717
Taxes, licenses and fees (excluding federal and foreign income taxes)	657,144	-	657,144	1,026,324
Current federal and foreign income taxes	2,497,418	-	2,497,418	971,578
Unearned premiums	44,744,376	-	44,744,376	41,326,130
Advance premium	4,393,928	-	4,393,928	3,723,866
Ceded reinsurance premiums payable (net of ceding commissions)	397,388	181,863,155	182,260,543	145,673,741
Amounts withheld or retained by company for account of Others	1,500	-	1,500	4,797
Remittances and items not allocated	10,731	-	10,731	42,473
Payable to parent, subsidiaries and affiliates	13,011,995	-	13,011,995	2,009,659
Payable for securities	863,587	-	863,587	300,000
Aggregate write-ins for liabilities	1,660,528	-	1,660,528	2,604,335
Total Liabilities	\$ 121,755,088	\$ 181,863,155	\$ 303,618,243	\$ 244,847,503
Aggregate write-ins for special surplus funds	\$ (2,758,179)	\$ -	\$ (2,758,179)	\$ (448,378)
Common capital stock	4,200,000	-	4,200,000	4,200,000
Gross paid in and contributed surplus	39,325,693	-	39,325,693	38,973,693
Unassigned funds (surplus)	101,438,422	-	101,438,422	96,606,966
Surplus as regards policyholders	\$ 142,205,936	\$ -	\$ 142,205,936	\$ 139,332,281
Total Liabilities, Surplus and Other Funds	\$ 263,961,023	\$ 181,863,155	\$ 445,824,179	\$ 384,179,784

CSAA GENERAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

For the year ended December 31, 2014

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Premiums earned	\$ 89,024,025	\$ -	\$ 89,024,025	\$ 85,931,643
Losses incurred	\$ 55,501,755	\$ -	\$ 55,501,755	\$ 53,605,998
Loss adjustment expenses incurred	9,844,867	-	9,844,867	10,021,884
Other underwriting expenses incurred	28,464,760	-	28,464,760	28,137,225
Total underwriting deductions	\$ 93,811,383	\$ -	\$ 93,811,383	\$ 91,765,107
Net underwriting gain or (loss)	\$ (4,787,358)	\$ -	\$ (4,787,358)	\$ (5,833,464)
Investment Income				
Net investment income earned	\$ 6,083,822	\$ -	\$ 6,083,822	\$ 5,715,904
Net realized capital gains or (losses) less capital gains tax	540,775	-	540,775	(118,232)
Net investment gain (loss)	\$ 6,624,597	\$ -	\$ 6,624,597	\$ 5,597,672
Other Income				
Net gain (loss) from agents' or premium balances charged off	\$ (2,489,170)	\$ -	\$ (2,489,170)	\$ (1,938,747)
Finance and service charges not included in premiums	9,418,290	-	9,418,290	8,854,427
Aggregate write-ins for miscellaneous income	(12,776)	-	(12,776)	73,769
Total Other Income	\$ 6,916,344	\$ -	\$ 6,916,344	\$ 6,989,449
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 8,753,582	\$ -	\$ 8,753,582	\$ 6,753,656
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income tax	\$ 8,753,582	\$ -	\$ 8,753,582	\$ 6,753,656
Federal and foreign income taxes incurred	2,261,324	-	2,261,324	1,034,115
Net Income	\$ 6,492,258	\$ -	\$ 6,492,258	\$ 5,719,541

CSAA GENERAL INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Surplus as regards policyholders, December 31 prior year	\$ 139,332,281	\$ 127,008,534	\$ 108,006,073	\$ 102,945,344	\$ 90,980,919
Net income	\$ 6,492,258	\$ 5,719,541	\$ 8,256,359	\$ 8,073,524	\$ 8,921,671
Change in net unrealized capital gains or (losses) less capital gains tax	(2,623,666)	(460,012)	11,634	-	-
Change in net deferred income tax	334,766	(211,533)	(333,282)	(759,662)	1,086,345
Change in no admitted assets	(2,197,977)	(90,629)	3,045,246	(2,352,609)	1,921,177
Change in provision for reinsurance	-	14,972	22,503	99,476	29,117
Capital changes: Paid in	-	1,200,000	-	-	-
Surplus adjustments: Paid in	352,000	5,445,000	8,000,000	-	-
Aggregate write-ins for gains and losses in surplus	516,275	706,410	-	-	6,115
Change in surplus as regards policyholders for the year	\$ 2,873,656	\$ 12,323,749	\$ 19,002,460	\$ 5,060,729	\$ 11,964,425
Surplus as regards policyholders, December 31 current year	\$ 142,205,936	\$ 139,332,281	\$ 127,008,534	\$ 108,006,073	\$ 102,945,344

COMMENTS ON THE FINANCIAL STATEMENTS

There was one recommended reclassification as of December 31, 2014, based on the results of this examination.

On December 31, 2014, the Company reported ceded premium payable in the amount of \$181,863,155 as uncollected premium and deferred premium on page 2, line 15.1 and 15.2 of the Annual Statement. In accordance with SSAP 63 Paragraph 9, intercompany pooling transactions shall be reported on a gross basis in the appropriate reinsurance accounts consistent with other direct, assumed and ceded business. Furthermore, the NAIC Annual Statement Instructions require ceded premium payable be reported as a liability on page 3, line 12.

In Accordance with SSAP 63, Paragraph 9, and IC 27-1-3-13(a) which states:

“Each company authorized to conduct business in Indiana and required to file an annual statement with the department under IC 27-1-20-21 shall submit the company's statement on the National Association of Insurance Commissioners (NAIC) Annual Statement Blank prepared in accordance with NAIC Annual Statement Instructions, and following practices and procedures prescribed by the most recent NAIC Accounting Practices and Procedures Manual.”

Therefore, it is recommended the Company report its ceded premium payable on page 3, line 12 of the annual statement.

OTHER SIGNIFICANT FINDINGS

Oath of Office

The Company was unable to provide the Oath of Office statements for three (3) members of its Board of Directors.

In accordance with Indiana Code 27-1-7-10 (I), it is recommended the Company ensure that each member of the Board of Directors subscribes to an Oath of Office when elected, and the Oath of Office statement should be properly maintained and stored. Subsequent to the period under examination and prior to completion of fieldwork, every director signed an Oath of Office statement on December 18, 2015.

SUBSEQUENT EVENTS

There were two (2) events subsequent to the examination date and prior to the completion of fieldwork that was considered a material event requiring disclosure in this report.

Employment of New CFO

In 2015, the Company employed J. Paul McCaffrey, Jr. as the CFO of the CSAA Insurance Group. Mr. McCaffrey has 25 years of professional experience in finance and accounting in several industries. He recently served as Executive Vice President, CFO, and Treasurer of Grange Insurance in Columbus, Ohio.

Intercompany Services Agreement

Effective January 1, 2015, subsequent to the examination, the Company and its affiliates entered into an Intercompany Services Agreement by and between CSAA Insurance Services LLC. This agreement replaced the Third Amended Restated Intercompany Services Agreement dated January 1, 2011 by and between CSAA-IE and its affiliates. In accordance with the agreement, CSAA Insurance Services LLC will provide the accounting, tax, auditing, information technology, advertising and marketing, insurance production and servicing, policy administration, claims administration, investments, and functional support services. The Company entered into the agreement with CSAA Insurance Services LLC to better manage operating expenses and to provide services for large-scale transformational projects.

MANAGEMENT REPRESENTATION

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

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 General Insurance Company** as of **December 31, 2014**.

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 2014 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 condition of the **CSAA General Insurance Company** as of **December 31, 2014**, as determined by the undersigned.

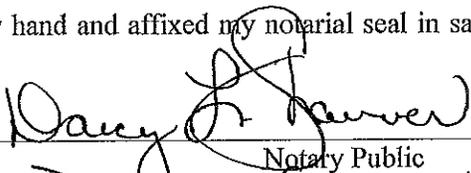


David Daulton, CFE
The Thomas Consulting Group, Inc.

State of: Indiana
County of: Marion

On this 29th day of June, 2016, before me personally appeared, David Daulton, 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 9/8/2017 
Notary Public
Darcy H. Shawver

