



I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused the Report on Examination of The Members Insurance Company Group as of December 31, 2022 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 11th day of June, 2024.



Mike Causey  
Commissioner of Insurance

Monique D. Smith, CPA, CFE, CIA  
Deputy Commissioner  
Financial Examination Division

**The Members Insurance Company Group**

Charlotte, North Carolina

**Multi-Entity Report on Examination**

As of December 31, 2022

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May 28, 2024

Honorable Mike Causey  
Commissioner of Insurance  
State of North Carolina  
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

**The Members Insurance Company (“TMIC”)  
Universal Insurance Company (“UIC”)**

(hereinafter referred to as “The Members Insurance Company Group” or “TMIC Group”), acknowledging that its main administrative and statutory home office is located at 3426 Toringdon Way, Suite 300, Charlotte, North Carolina.

## SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of each company within the TMIC Group. This examination covers the period from January 1, 2020, to December 31, 2022, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of the TMIC Group was as of December 31, 2019.

The purpose of this examination is to review and evaluate the TMIC Group’s business processes and controls to assist in assessing and monitoring its current financial condition and prospective solvency. Pursuant to GS §58-2-132, this Report on Examination comprises only facts appearing in the books, records, or other documents of the TMIC Group (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

This was a multi-state coordinated financial examination of ten (10) insurance subsidiaries of The Auto Club Group (“ACG”), (collectively known as “The ACG Insurance Group”). Michigan served as the Lead and Facilitating State, and Participating States included Florida and North Carolina.

We conducted our examination in accordance with standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). 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 TMIC Group, and evaluate system controls and procedures used to mitigate those risks. An examination also includes

identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the TMIC Group were considered in accordance with the Handbook risk-focused surveillance process and the following key functional activities were identified:

Cash  
Capital & Surplus  
Investments  
Premiums & Underwriting  
Reinsurance  
Related Parties  
Reserves, Claims, and Actuarial  
Taxes and Expenses

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact and general information about the TMIC Group 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 the TMIC Group.

The TMIC Group's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the TMIC Group's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the TMIC Group's management.

The books and records of each company within the TMIC Group are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Ernst & Young LLP of Detroit, Michigan, the designated independent public accountant of the TMIC Group, issued an unmodified opinion for each year subsequent to the Department's prior examination through, and including, the year ended December 31, 2022, for the companies within the TMIC Group.

## REPORT ABBREVIATIONS

Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
National Association of Insurance Commissioners	“NAIC”
North Carolina Department of Insurance	“Department”
North Carolina Reinsurance Facility	“NCRF”
Auto Club Services, Inc.	“ACS”
Auto Club Insurance Holdings, LLC	“ACIH”
American Auto Club Insurance Agency	“AACIA”
Carolina Motor Club, Inc.	“CMC”
TMIC Holdings, LLC	“TMIC Holdings”
The Auto Club Group	“ACG”
The Seibels Bruce Group, Inc.	“Seibels”
The ACG Insurance Group includes:	
Auto Club Insurance Association	“ACIA”
Auto Club Group Insurance Company	“ACGIC”
Auto Club Property-Casualty Insurance Company	“ACPCIC”
Fremont Insurance Company	“FIC”
Membersselect Insurance Company	“MIC”
Meemic Insurance Company	“MEEMIC”
The Members Insurance Company	“TMIC”
Universal Insurance Company	“UIC”
Auto Club Insurance Company of Florida	“ACICF”
Auto Club South Insurance Company	“ACSIC”
The Members Insurance Company Group includes:	
The Members Insurance Company	“TMIC Group”
Universal Insurance Company	“TMIC”
	“UIC”

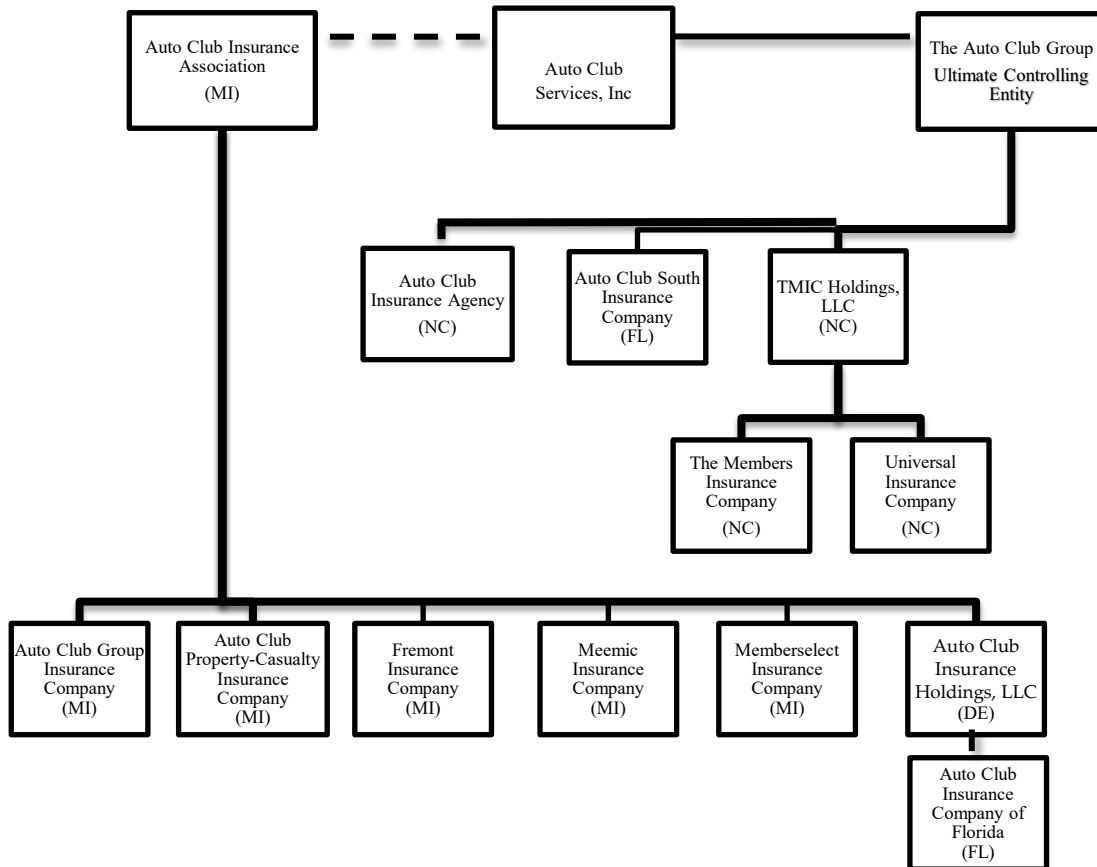
## ORGANIZATIONAL STRUCTURE

The companies within the TMIC Group are part of an insurance holding company system as defined in GS § 58-19 and are wholly-owned subsidiaries of TMIC Holdings, LLC (“TMIC Holdings”), a North Carolina limited liability company. TMIC Holdings is wholly-owned by ACG, a Michigan non-profit corporation, which is the ultimate controlling entity. ACG also wholly owns Auto Club South Insurance Company (“ACSIC”), a Florida corporation; American Auto Club Insurance Agency (“AACIA”), a North Carolina limited liability company; and Auto Club Services, Inc. (“ACS”), a Michigan corporation.

ACS is in a contractual relationship with Auto Club Insurance Association (“ACIA”), a Michigan reciprocal interinsurance exchange, which wholly owns the following property and casualty insurance companies: Auto Club Group Insurance Company (“ACGIC”), Auto Club Property-Casualty Insurance Company (“ACPCIC”), Fremont Insurance Company (“FIC”), Meemic Insurance Company (“MEEMIC”) and MemberSelect Insurance Company (“MIC”). ACGIC, ACPCIC, FIC, Meemic, and MIC are all domiciled in the state of Michigan. ACIA also owns 90% of Auto Club Insurance Holdings, LLC (“ACIH”), the parent company of Auto Club Insurance Company of Florida (“ACICF”), which is domiciled in the state of Florida. ACG owns the remaining 10% of ACIH.

### ORGANIZATIONAL CHART

The 2022 Annual Statement Schedule Y for the companies within the TMIC Group contains a complete organizational chart. The following is a summarized organizational chart of the TMIC Group within the holding company system as of December 31, 2022:



# Individual Company History

## TMIC

TMIC was incorporated and commenced business on July 15, 2006, and is domiciled in the state of North Carolina.

Effective January 1, 2020, ACG became TMIC's ultimate parent as a result of the acquisition of TMIC's former ultimate parent, Carolina Motor Club, Inc. ("CMC"). CMC remained in the holding company structure, and TMIC Holdings remained the direct parent under the ultimate authority of ACG.

Effective December 31, 2022, CMC merged with ACG. As a result, TMIC Holdings became wholly owned by ACG.

## UIC

UIC was incorporated on June 15, 1976, under the laws of North Carolina, and commenced business on July 1, 1976. UIC commenced business on July 1, 1976, with 500,000 shares of \$1 par value capital common stock authorized. UIC issued 400,000 shares of its common stock to Bruce MacFaden Enterprises, Inc. at \$2.00 per share on December 31, 1977. On December 8, 1980, UIC amended its charter to increase the number of authorized shares of \$1 par value capital common stock to 1.0 million shares and issued a stock dividend of 100,000 shares on December 17, 1980. UIC issued another stock dividend of 300,000 shares on December 15, 1982, and became a stock property and casualty insurance company on October 13, 1983, with 800,000 shares of capital common stock issued and outstanding. On December 11, 1986, UIC issued a stock dividend for the remaining 200,000 shares of authorized common stock, and on December 23, 1986, all of UIC's outstanding capital stock was acquired by The Innovative Company.

On December 28, 1990, UIC issued a \$1,000,000 certificate of contribution bearing interest at the rate of 10% to The Innovative Company, its sole shareholder, who subsequently forgave the debt in 1994. On March 23, 1992, UIC amended its charter to increase the number of authorized shares of \$1 par value common stock to 1.8 million shares and issued a stock dividend of 800,000 shares on March 31, 1992. UIC received additional surplus contributions from The Innovative Company in 1993, 1994 and 1996, which increased UIC's gross paid-in and contributed surplus to \$4,500,000 as of December 31, 1996.

On December 1, 1997, The Seibels Bruce Group, Inc. ("Seibels"), a publicly traded holding company incorporated in the state of South Carolina, purchased all outstanding capital stock of UIC and contributed an additional \$1,550,000 to paid-in surplus. Seibels, which is controlled by a majority shareholder, directly or indirectly owns all of the stock of Catawba Insurance Company, Seibels Bruce & Company and Insurance Network Services, Inc.

Effective February 27, 2004, Seibels became a privately held company. In 2009 and 2011, Seibels contributed paid-in surplus in the amount of \$1,350,000 and \$751,500, respectively, in order to strengthen UIC's surplus position.

On January 31, 2012, Seibels sold UIC to TMIC Holdings. Effective January 1, 2012, UIC became a subsidiary of CMC in an all-cash transaction, and CMC contributed an additional \$3,000,000 to UIC's paid-in surplus.

Effective January 1, 2020, ACG became the UIC's ultimate parent as a result of the acquisition of UIC's former ultimate parent, CMC. CMC remained in the holding company structure, and TMIC Holdings remained the direct parent under the ultimate authority of ACG.



Effective December 31, 2022, CMC merged with ACG. As a result, TMIC Holdings became wholly owned by ACG.

## CAPITAL STOCK

As of December 31, 2022, capitalization of the individual companies consisted of the following:

<b>TMIC</b>	<b>Value</b>
Number of authorized common capital shares	1,800,000
Number of shares issued and outstanding	1,800,000
Total common capital stock	\$1,800,000
Par value per share	\$1.00

As of December 31, 2022, all issued and outstanding shares of TMIC were owned by TMIC Holdings.

At December 31, 2022, TMIC reported \$15,030,000 in gross paid-in and contributed surplus and unassigned funds totaling \$8,239,040.

<b>UIC</b>	<b>Value</b>
Number of authorized common capital shares	1,800,000
Number of shares issued and outstanding	1,800,000
Total common capital stock	\$1,800,000
Par value per share	\$1.00

As of December 31, 2022, all issued and outstanding shares of UIC were owned by TMIC Holdings.

At December 31, 2022, UIC reported \$23,151,500 in gross paid-in and contributed surplus and unassigned surplus totaling \$6,828,099.

## DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the Board of Directors (“Board”) of the TMIC Group. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the TMIC Group may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts in excess of this are considered extraordinary. No dividends were paid by TMIC in 2020 or 2021. In 2022, TMIC paid dividends totaling \$2,688,268. UIC paid no dividends during the examination period from January 1, 2020, to December 31, 2022.

# MANAGEMENT AND CONTROL

## CORPORATE GOVERNANCE

The companies within the TMIC Group have the same directors and principal officers. The companies occupy the same home office space and share accounting systems and personnel. All personnel are employees of ACS.

### Shareholders

The bylaws for TMIC and UIC provide that an annual meeting of the shareholders be held at such time and place as the Board may appoint. Special meetings of the shareholders may be called at any time by the Board or the president.

### Board of Directors

The business of TMIC and UIC is conducted by its management team and is subject to review by the Board. The bylaws for TMIC and UIC specify that the number of directors shall not be less than three or more than twelve. Directors are elected at the annual meeting of shareholders or by the written consent of the shareholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2022:

Name	Location	Principal Occupation
John Bruno	Dearborn, MI	Executive Vice President, General Counsel, Corporate Secretary, & Chief Human Resources Officer, The Auto Club Group
Gene J. Boehm	Dearborn, MI	Senior Vice President, Office of Sustainability, Strategy, and Direct Call Centers, Auto Club Services, Inc.
Jamie B. Boutlier	Charlotte, NC	Vice President, Product-Southeast/FL, Auto Club Services, Inc., President TMIC & UIC
Sean H. Maloney	Dearborn, MI	Chair, Executive Vice President, Chief Financial Officer & Treasurer, The Auto Club Group
Henry J. McCafferty	Charlotte, NC	Vice-Chair, Vice President, Head of Meemic & Fremont, Independent Agent Strategy, and Automotive Retail, Auto Club Services, Inc.
Roger D. Odle II	Dearborn, MI	Executive Vice President, Head of Insurance and Distribution, Auto Club Services, Inc.
Jennifer L. Pintacuda	Tampa, FL	Vice President, Brokered Business, The Auto Club Group, President, Auto Club Insurance Company of Florida & Auto Club South Insurance Company
Margaret A. Scheske	Dearborn, MI	Vice President, Financial Planning and Analysis & Assistant Treasurer, The Auto Club Group

The Board has the authority to establish committees including, but not limited to, an audit committee. The TMIC Group has established an Audit Committee and operates in joint session.

The following individuals served on the Audit Committee at December 31, 2022:

Margaret A. Scheske, Chair  
Gene J. Boehm  
John Bruno

### **Officers**

The bylaws provide that the Board will elect the officers, which shall consist of a president, secretary, treasurer, and any other officers deemed necessary. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified. Any two offices may be held by the same person, but no officer may act in more than one capacity where action of two or more officers is required.

The following individuals served as officers as of December 31, 2022:

<b>Name</b>	<b>Title</b>
Jamie B. Boutilier	President
Sean H. Maloney	Executive Vice President, Chief Financial Officer, and Treasurer
John Bruno	Executive Vice President, General Counsel, Corporate Secretary, and Chief Human Resources Officer

### **CODE OF CONDUCT AND CONFLICT OF INTEREST**

The TMIC Group has established policies and procedures to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the TMIC Group requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the TMIC Group acted in accordance with its policy and procedures for disclosure of conflicts of interest.

### **CORPORATE RECORDS**

We reviewed the minutes of the meetings of the Board and its Audit Committee for the period under examination. Based on our review, it appears that the minutes documented the TMIC Group's significant transactions and events and that the directors approved these transactions and events.

The articles of incorporation and bylaws were reviewed for any changes during the period under examination. Based on the review, it appears that there have been no changes to any of the articles of incorporation or bylaws for the companies in the TMIC Group during the period under examination.

### **STATUTORY DEPOSITS**

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The 2022 Annual Statement Schedule E, Part 3 contains a complete description and listing of the statutory deposits by state. At December 31, 2022, TMIC maintains a statutory deposit in North Carolina totaling \$2,083,505, and UIC maintains statutory deposits in North Carolina and South Carolina totaling \$2,083,505 and \$125,016, respectively.

## **ACCOUNTS AND RECORDS**

The TMIC Group's books and records are maintained at its main administrative office located at 3426 Toringdon Way, Suite 300, Charlotte, North Carolina.

The TMIC Group utilizes information systems to sell products to customers, to establish service and maintain customer policies, as well as to gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. Significant applications are hosted on multiple servers at the data center located in Charlotte, North Carolina. The majority of the TMIC Group's financially significant applications were developed internally by its information technology staff.

## **INFORMATION TECHNOLOGY CONTROLS**

A risk-based assessment and review was performed of the ACG Insurance Group's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the ACG Insurance Group ITGCs were derived from Exhibit C Part 1 – Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 – Information Technology Work Program (collectively, "Exhibit C").

The ACG Insurance Group's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and were functioning properly.

The IT review's objectives were to obtain reasonable assurance about whether:

1. The ACG Insurance Group had a process in place to effectively identify, mitigate and manage its IT risks;
2. The ACG Insurance Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. The ACG Insurance Group complied with those policies and procedures.

The objectives above were achieved through a combination of reviewing the ACG Insurance Group's policies and procedures, testing in key areas related to Exhibit C, interviewing the ACG Insurance Group's IT management, reviewing IT risk assessment processes, and leveraging relevant risk assessment procedures performed by Ernst & Young LLP.

Based upon the risk-based assessment and review, the ACG Insurance Group's ITGCs were determined to be effective.

## **FIDELITY BONDS AND OTHER INSURANCE**

The companies within the TMIC Group are named insureds under a fidelity bond, which provides ACG and its affiliates with coverage totaling \$5,000,000 in aggregate. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the Handbook for the TMIC Group on a consolidated basis.

## **EMPLOYEE BENEFITS AND PENSION PLANS**

The insurance companies in the TMIC Group have no direct employees, and operations are conducted by ACS pursuant to a related party administrative services agreement. Employee benefit plans are administered through ACS, and UIC and TMIC have no legal obligation for employee benefits. UIC and TMIC are allocated a share of the expenses pursuant to the administrative services agreements.

## **RELATED PARTY AGREEMENTS**

Pursuant to various agreements, services such as financial management, operational management, accounting, payroll, internal audit, human resources management, tax, legal, investment advisory, and data processing are provided for or by TMIC Group as follows:

- a. Effective January 1, 2022, TMIC and UIC terminated the intercompany administrative agreement with CMC. TMIC and UIC incurred expenses totaling \$11,977,272 in 2021.
- b. Effective January 1, 2022, TMIC and UIC entered into an intercompany management services agreement with ACS that provides management services. ACS manages and conducts the companies' property and casualty business, affairs and properties in accordance with the written agreements. TMIC and UIC are allocated an amount equal to the costs incurred for various services provided under the service agreement. Under this agreement, TMIC and UIC incurred \$15,103,782 and \$15,341,433, respectively, in 2022.
- c. TMIC and UIC paid commission expenses to its insurance agency affiliate, AACIA, appointed to solicit and submit applications of business for authorized transactions. TMIC and UIC paid commission expenses to AACIA totaling \$6,739,452 and \$4,061,966, respectively, in 2022 and \$5,741,654 and \$3,469,216, respectively, in 2021.
- d. Effective January 1, 2022, TMIC and UIC entered into a tax allocation agreement with ACG and its affiliates, whereby each company party to the tax allocation agreement calculates its annual federal tax position on a separate return basis and the resulting amounts are settled annually.
- e. Effective December 31, 2022, due to the merger of CMC with ACG, a Capital Maintenance Management Agreement was amended to transfer the related rights, liabilities, and obligations of CMC to ACG for TMIC and UIC. Under this agreement, ACG guarantees the capital obligations of TMIC and UIC to provide protection against insolvency as required under GS § 58-7-75 and to ensure the companies maintain a satisfactory risk-based capital level of 300%. In the event that the companies' obligations are not met, ACG shall pay to TMIC and UIC amounts sufficient for the companies to meet such obligations. This agreement is a continuing capital maintenance obligation of performance and payment and not for collection.

## TERRITORY AND PLAN OF OPERATION

### TMIC

TMIC is a single-state property and casualty insurer that primarily writes personal lines standard and non-standard private-passenger auto physical damage, auto liability, and homeowners' coverage. TMIC operates through the affiliated agency, AACIA, and independent agents for the distribution of its products and solicitation of business. At December 31, 2022, TMIC was licensed in the state of North Carolina.

### UIC

UIC is a multi-state property and casualty insurer that primarily writes personal lines standard and non-standard private-passenger auto physical damage, auto liability, and homeowners' coverage. UIC operates through the affiliated agency, AACIA, and independent agents for the distribution of its products and solicitation of business. At December 31, 2022, UIC was licensed in the states of North Carolina and South Carolina.

### GROWTH OF THE COMPANIES

The following data, obtained from annual statements filed with the Department, illustrates the growth of the companies within the TMIC Group for the three-year period ended December 31, 2022:

#### TMIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$38,849,462	\$25,069,040	\$54,467,193	\$-	\$2,779,568
2021	\$40,301,798	\$26,882,681	\$46,240,985	\$-	\$10,317,432
2020	\$45,193,941	\$18,094,177	\$39,861,458	\$22,592,069	(\$535,464)

#### UIC

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income (Loss)
2022	\$28,970,455	\$18,123,401	\$45,597,906	\$-	\$842,578
2021	\$34,390,146	\$18,338,465	\$42,501,366	\$-	\$6,152,835
2020	\$42,501,084	\$13,265,585	\$39,913,349	\$21,541,706	(\$1,136,415)

### ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2022 were reviewed and certified by the TMIC Group's Appointed Actuary, Anthony E. Ptasznik, FCAS, MAAA and Vice-President/Chief Actuarial Officer of ACS. Actuarial opinions regarding the reserves for loss and loss adjustment expenses were issued by an

appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the TMIC Group for reasonableness and consistency of the loss and loss adjustment expense reserves. According to the actuarial opinions, the reserves on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid loss and loss expense obligations of the TMIC Group.

## **REINSURANCE PROGRAM OVERVIEW**

### **REINSURANCE CEDED**

#### **100% Quota Share**

TMIC and UIC have a quota share contract with ACPCIC, effective January 1, 2021, whereby the companies cede 100% of gross premiums and losses after applying reinsurance. ACPCIC pays its quota share of losses under the policies, extra contractual obligations, and loss in excess of policy limits. Under this contract, TMIC and UIC's liability may accrue as a result of any loss or losses for all lines coverage on policies in force at the inception of this contract. Effective April 1, 2022, the contract was amended to change the ceding commission not to exceed 30% and 31.5% of net ceded premiums for TMIC and UIC, respectively, and to change the loss expense allowance not to exceed 8.5% and 9.5% of gross net earned premiums for TMIC and UIC, respectively.

TMIC ceded premiums totaling approximately \$43,233,000 and \$48,568,000 to ACPCIC in 2022 and 2021 respectively. UIC ceded premiums totaling approximately \$35,176,000 and \$41,259,000 to ACPCIC in 2022 and 2021, respectively.

#### **North Carolina Reinsurance Facility ("NCRF")**

As writers of motor vehicle liability insurance in North Carolina, both TMIC and UIC are required by law to share equitably in the results of the motor vehicle liability insurance ceded to NCRF. NCRF was created by the North Carolina General Assembly in 1973 and is a nonprofit, unincorporated legal entity comprising all licensed insurers writing motor vehicle liability in North Carolina.

TMIC ceded premiums totaling approximately \$11,025,000 and \$10,939,000 to the NCRF in 2022 and 2021, respectively. UIC ceded premiums totaling approximately \$10,362,000 and \$12,649,000 to the NCRF in 2022 and 2021, respectively.

#### **Excess of Loss**

TMIC and UIC ceded premiums to various reinsurers under various reinsurance contracts covering inland flood, home systems protection/service line coverage and homeowners. TMIC ceded premiums under these contracts totaling approximately \$210,000 and \$974 in 2022 and 2021, respectively. UIC ceded premiums under these contracts totaling approximately \$60,000 and \$632 in 2022 and 2021, respectively.

## **FINANCIAL STATEMENTS**

The financial statements are based on the statutory financial statements filed with the Department and present the financial condition of each company in the TMIC Group for the period ending December 31, 2022. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statement information related to the prior year is unexamined and is presented for comparative purposes only.

**The Members Insurance Company Group**  
**Statutory Statement of Admitted Assets**  
**December 31, 2022**

	TMIC	UIC
Bonds	\$16,580,657	\$11,670,154
Cash and short-term investments	1,560,932	1,023,299
<b>Total cash and invested assets</b>	<b>18,141,589</b>	<b>12,693,453</b>
Investment income due and accrued	41,462	44,513
Premiums and agents' balances in course of collection	1,606,877	1,173,007
Premiums and agents' balances booked but not yet due	14,742,600	10,553,942
Reinsurance recoverable	3,956,452	3,728,790
Federal income tax recoverable	-	86,942
Net deferred tax asset	318,664	224,830
Guaranty funds receivable or on deposit	28,970	-
Electronic data processing equipment	12,208	120,673
Receivable from parent, subsidiaries, and affiliates	641	344,304
<b>Total admitted assets</b>	<b>\$38,849,462</b>	<b>\$28,970,455</b>



**The Members Insurance Company Group**  
**Statement of Liabilities, Surplus, and Other Funds**  
**December 31, 2022**

	<b>TMIC</b>	<b>UIC</b>
Losses	\$867,139	\$1,202,833
Loss adjustment expenses	1,731,454	2,763,436
Commissions payable, contingent commissions and other similar charges	602,922	463,066
Other expenses	338,299	748,913
Taxes, licenses, and fees	194,253	134,920
Current federal and foreign income taxes	61,140	-
Advance premium	174,114	192,486
Ceded reinsurance premiums payable	3,848,633	2,815,186
Amounts withheld or retained by company for account of others	328,547	150,263
Payable to parent, subsidiaries, and affiliates	3,774,678	762,578
Unearned policy fees	355,835	103,740
Accounts payable escheats	881,568	1,007,035
Deferred claims expense allowance	621,842	502,597
<b>Total liabilities</b>	<b>13,780,422</b>	<b>10,847,053</b>
Common capital stock	1,800,000	1,800,000
Gross paid in and contributed surplus	15,030,000	23,151,500
Unassigned funds	8,239,040	(6,828,099)
Total capital and surplus or surplus as regards policyholders	<b>25,069,040</b>	<b>18,123,401</b>
<b>Total liabilities, capital and surplus</b>	<b>\$38,849,462</b>	<b>\$28,970,455</b>

**The Members Insurance Company Group**  
**Statutory Statement of Income**  
**December 31, 2022**

	TMIC	UIC
<b>Underwriting income (loss)</b>		
Premiums earned	\$-	\$-
<b>Deductions</b>		
Losses incurred	\$356,322	323,323
Loss adjustment expenses incurred	(1,010,022)	(979,374)
Other underwriting expenses incurred	(868,259)	695,268
<b>Total underwriting deductions</b>	<b>(1,521,959)</b>	<b>39,217</b>
<b>Net underwriting gain (loss)</b>	<b>1,521,959</b>	<b>(39,217)</b>
<b>Investment Income</b>		
Net investment income earned	378,236	296,038
Net realized capital gains (losses)	(45,785)	(283,128)
<b>Net investment gain</b>	<b>332,451</b>	<b>12,910</b>
<b>Other income</b>		
Net gain (loss) from agents or premium balances charged off	(497,893)	(388,621)
Finance and service charges not included in premiums	1,302,105	863,305
Aggregate write-ins for miscellaneous income (loss)	10,013	(156)
<b>Total other income</b>	<b>814,225</b>	<b>474,529</b>
<b>Net income before dividends to policyholders</b>	<b>2,668,632</b>	<b>448,221</b>
Federal income taxes incurred	(110,933)	(394,356)
<b>Net income</b>	<b>\$2,779,568</b>	<b>\$842,578</b>

**The Members Insurance Company Group**  
**Statutory Statement of Capital and Surplus**  
**December 31, 2022**

	<b>TMIC</b>	<b>UIC</b>
<b>Capital and surplus, beginning of year</b>	\$26,882,681	\$18,338,466
Capital and surplus increases (decreases):		
Net income	2,779,568	842,578
Change in net unrealized capital gains (losses)	(1,562,426)	(1,015,208)
Change in net deferred income tax	(804,146)	(713,629)
Change in non-admitted assets	461,632	671,196
Dividends to stockholders	(2,688,268)	-
Change in capital and surplus as regards policyholders for the year	(1,813,641)	(215,066)
<b>Capital and surplus, end of year</b>	<b>\$25,069,040</b>	<b>\$18,123,401</b>

**The Members Insurance Company Group**  
**Statutory Statement of Cash Flow**  
**December 31, 2022**

	TMIC	UIC
<b>Cash from operations</b>		
Premiums collected net of reinsurance	(\$1,946,316)	(\$240,540)
Net investment income	466,749	385,459
Miscellaneous income	814,225	474,529
<b>Total</b>	<b>(665,342)</b>	<b>619,448</b>
Benefit and loss related payments	1,961,734	2,199,529
Commissions, expenses paid and aggregate write-ins	(1,850,025)	229,257
Federal income taxes paid	2,882,703	1,290,387
<b>Total</b>	<b>2,994,412</b>	<b>3,719,172</b>
<b>Net cash from operations</b>	<b>(3,659,754)</b>	<b>(3,099,724)</b>
<b>Cash (used by) from investments</b>		
Proceeds from investments sold, matured, or repaid	424,735	3,171,295
Cost of investments acquired	2,889,399	245,829
<b>Net cash (used by) from investments</b>	<b>(2,464,663)</b>	<b>2,925,466</b>
<b>Cash (used by) from financing and miscellaneous sources</b>		
Dividends to stockholders	2,688,268	-
Other cash (applied) provided	4,331,521	(333,915)
<b>Net cash (used by) from financing and miscellaneous sources</b>	<b>1,643,253</b>	<b>(333,915)</b>
<b>Reconciliation of cash and short-term investments</b>		
Net change in cash and short-term investments	(4,481,164)	(508,172)
Cash and short-term investments, beginning of year	6,042,096	1,531,471
Cash and short-term investments, end of year	<b>\$1,560,932</b>	<b>\$1,023,299</b>

## COMMENTS ON FINANCIAL STATEMENTS

There were no proposed adjustments to the TMIC Group's financial statements filed with the Department as a result of this examination.

### **Basis of Presentation and Summary of Significant Accounting Policies:**

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

**Bonds:** Bonds with higher credit ratings are carried at amortized cost. Bonds with lower credit ratings are carried at the lower of amortized cost or market value. Bonds not backed by other loans are stated at amortized cost using the constant effective yield method. The retrospective adjustment method is used to value all loan-backed securities.

**Cash and short-term investments:** Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

**Common stocks:** Carried at fair value.

**Preferred stocks:** Perpetual preferred stocks are stated at fair value. Investment grade redeemable preferred stocks are stated at amortized cost. Redeemable preferred stocks at non-investment grade are stated at the lower of amortized cost or fair value.

**Premiums:** Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a daily pro-rata basis.

**Reinsurance:** Premiums, losses and loss adjustment expenses are accounted for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported net of balances ceded to reinsurers. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

**Non-admitted assets:** Certain assets, such as premiums over 90 days past due, prepaid expenses, furniture, equipment, electronic data processing equipment and software, and deferred tax assets, are "non-admitted" and are charged against surplus.

**Unpaid loss & loss adjustment expense:** Liabilities for losses and loss adjustment expenses represent the estimated net cost of all reported and unreported unpaid losses incurred through the balance sheet date. The reserves for unpaid loss adjustment expenses are estimated using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

**Analysis of Assets:**

The following represents an analysis of the net admitted assets at December 31, 2022:

<b>TMIC</b>	<b>Assets</b>	<b>Assets not Admitted</b>	<b>Net Admitted Assets</b>
Bonds	\$16,580,657	\$-	\$16,580,567
Cash and short-term investments	1,560,932	-	1,560,932
<b>Total cash and invested assets</b>	<b>18,141,589</b>	<b>-</b>	<b>18,141,589</b>
Investment income due and accrued	41,462	-	41,462
Premiums and agents' balances in course of collection	1,606,877	-	1,606,877
Premiums and agents' balances booked but not yet due	14,742,600	-	14,742,600
Reinsurance recoverable	3,956,452	-	3,956,452
Net deferred tax assets	504,462	185,798	318,664
Guaranty funds receivable or on deposit	28,970	-	28,970
Electronic data processing equipment and software	132,713	120,505	12,208
Receivable from parent, subsidiaries, and affiliates	641	-	641
<b>Total admitted assets</b>	<b>\$39,155,765</b>	<b>\$306,303</b>	<b>\$38,849,462</b>

<b>UIC</b>	<b>Assets</b>	<b>Assets not Admitted</b>	<b>Net Admitted Assets</b>
Bonds	\$11,670,154	\$-	\$11,670,154
Cash and short-term investments	1,023,299	-	1,023,299
<b>Total cash and invested assets</b>	<b>12,693,453</b>	<b>-</b>	<b>12,693,453</b>
Investment income due and accrued	44,513	-	44,513
Premiums and agents' balances in course of collection	1,173,007	-	1,173,007
Premiums and agents' balances booked but not yet due	10,553,942	-	10,553,942
Reinsurance recoverable	3,728,790	-	3,728,790
Current federal and foreign income tax recoverable	86,942	-	86,942
Net deferred tax assets	372,045	147,215	224,830
Electronic data processing equipment and software	120,673	-	120,673
Furniture and equipment, including health care delivery assets	497	497	-
Receivable from parent, subsidiaries, and affiliates	344,304	-	344,304
<b>Total admitted assets</b>	<b>\$29,118,167</b>	<b>\$147,712</b>	<b>\$28,970,455</b>

### Reinsurance Activity:

The companies in the TMIC Group have property and casualty excess of loss and quota share contracts to minimize their exposure to losses. Reinsurance contracts do not relieve the companies of their primary obligation to policyholders, and failure of the reinsurers to discharge their obligations could result in losses to the companies. The companies utilize Guy Carpenter as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct and ceded premiums written and earned were as follows:

<b>TMIC</b>	<b>2022</b>	<b>2021</b>
Direct written	\$54,467,193	\$46,240,985
Ceded written	54,467,193	60,481,468
<b>Net written</b>	<b>\$-</b>	<b>(\$14,240,483)</b>
<b>Net earned</b>	<b>\$-</b>	<b>\$-</b>

<b>UIC</b>	<b>2022</b>	<b>2021</b>
Direct written	\$45,597,906	\$42,501,366
Ceded written	45,597,906	54,540,364
<b>Net written</b>	<b>\$-</b>	<b>(\$12,038,998)</b>
<b>Net earned</b>	<b>\$-</b>	<b>\$-</b>

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described in the Reinsurance Program Overview.

### Summary of Reserves:

The following provides a reconciliation of the reserves for losses and loss adjustment expenses:

<b>TMIC</b>	<b>2022</b>	<b>2021</b>
<b>Reserves for losses and loss adjustment expenses, beginning of year</b>	<b>\$3,198,218</b>	<b>\$7,782,457</b>
<b>Add:</b>		
Provision for losses and loss adjustment expenses, current year	(867,000)	(104,000)
Change in estimated losses and loss adjustment expenses, prior years	213,300	(2,878,997)
<b>Total incurred</b>	<b>(653,700)</b>	<b>(2,982,997)</b>
<b>Deduct:</b>		
Losses and loss adjustment expenses paid, current year	(1,941,000)	(1,310,000)
Losses and loss adjustment expenses paid, prior year	1,886,926	2,911,242
<b>Total paid</b>	<b>(54,074)</b>	<b>1,601,242</b>
<b>Reserves for losses and loss adjustment expenses, end of year</b>	<b>2,598,593</b>	<b>\$3,198,218</b>
<b>Decrease in reserves for losses and loss adjustment expenses</b>	<b>(\$599,625)</b>	<b>(\$4,584,239)</b>

TMIC reserves for losses and loss adjustment expenses had a favorable prior-year development in the amount of \$23,699 in 2022 due to insured events in prior years.

UIC	2022	2021
<b>Reserves for losses and loss adjustment expenses, beginning of year</b>	<b>\$6,755,290</b>	<b>\$11,163,979</b>
<b>Add:</b>		
Provision for losses and loss adjustment expenses, current year	(809,000)	5,000
Change in estimated losses and loss adjustment expenses, prior years	152,949	107,000
<b>Total incurred</b>	<b>(656,051)</b>	<b>112,000</b>
<b>Deduct:</b>		
Losses and loss adjustment expenses paid, current year	2,386,000	1,998,000
Losses and loss adjustment expenses paid, prior year	(253,030)	322,200
<b>Total paid</b>	<b>2,132,970</b>	<b>2,320,200</b>
<b>Reserves for losses and loss adjustment expenses, end of year</b>	<b>3,966,269</b>	<b>6,755,290</b>
<b>Decrease in reserves for losses and loss adjustment expenses</b>	<b>(\$2,789,021)</b>	<b>(\$4,408,689)</b>

UIC reserves for losses and loss adjustment expenses had an unfavorable prior-year development in the amount of \$124,564 in 2022 due to insured events in prior years.

### Capital and Surplus

The following, in conjunction with the Statutory Statement Capital and Surplus, represents the changes in capital and surplus since the Department's last examination as of December 31, 2019:

TMIC	2022	2021	2020
<b>Capital and surplus, beginning of year</b>	<b>\$26,882,681</b>	<b>\$18,094,177</b>	<b>\$17,456,617</b>
Capital and surplus increases (decreases):			
Net income (loss)	2,779,568	10,317,432	(535,465)
Change in net unrealized capital gain (loss)	(1,562,426)	(1,851,649)	722,484
Change in net deferred income tax	(804,146)	203,292	232,803
Change in non-admitted assets	461,632	119,430	217,738
Dividends to stockholders	(2,688,268)	-	-
Aggregate write-ins for prior year losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	(1,813,641)	8,788,505	637,560
<b>Capital and surplus, end of year</b>	<b>\$25,069,040</b>	<b>\$26,882,681</b>	<b>\$18,094,177</b>



<b>UIC</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Capital and surplus, beginning of year</b>	<b>\$18,338,466</b>	<b>\$13,265,585</b>	<b>\$10,669,749</b>
Capital and surplus increases (decreases):			
Net income (loss)	842,578	6,152,835	(1,136,415)
Change in net unrealized capital gain (loss)	(1,015,208)	(1,693,757)	790,910
Change in net deferred income tax	(713,629)	365,570	(107,876)
Change in non-admitted assets	671,196	248,234	49,216
Surplus adjustments to paid-in capital	-	-	3,000,000
Aggregate write-ins for prior year losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	(215,066)	5,072,880	2,595,835
<b>Capital and surplus, end of year</b>	<b>\$18,123,401</b>	<b>\$18,338,465</b>	<b>\$13,265,585</b>

## **SUBSEQUENT EVENTS**

On September 11, 2023, UIC and TMIC paid extraordinary dividends of \$5,000,000 and \$10,000,000, respectively, to TMIC Holdings, which reallocated capital within the ACG Insurance Group after the 100% quota share reinsurance agreement reduced each company's capital needs.

**The Members Insurance Company Group**  
**DISTRIBUTION OF REPORT ON EXAMINATION**  
**December 31, 2022**

Joseph Richardson  
Chief Executive Officer  
The Auto Club Group  
1 Auto Club Drive  
Dearborn, Michigan 48126

Michael Hailer  
Assistant Vice President Compliance & Ethics  
The Auto Club Group  
1 Auto Club Drive  
Dearborn, Michigan 48126

## CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that each company within the TMIC Group, specifically TMIC and UIC, on a standalone basis complies with the \$2,250,000 minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that each company has been authorized to write.

The courteous cooperation and assistance extended by the officers and employees of the companies during the examination is hereby acknowledged.

Respectfully submitted,



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Monique D. Smith, CPA, CFE, CIA  
Deputy Commissioner  
North Carolina Department of Insurance

May 28, 2024

STATE OF NORTH CAROLINA

COUNTY OF WAKE

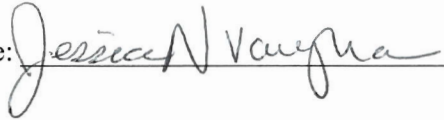
Jeffrey Streyle, Chief Financial Examiner, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by him is true and correct to the best of his knowledge and belief.

Signature:

 Date: 5/28/2024

Sworn and subscribed before me this 28 day of May, 2024.

Notary Public Signature:



Notary Public Seal:

