



**EXAMINATION REPORT
OF**

**The Responsive Auto Insurance Company
Plantation, Florida**

NAIC Company Code: 13131

**as of
December 31, 2020**

**By
The Florida Office of Insurance Regulation**

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May 6, 2022

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("the NAIC"), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of

The Responsive Auto Insurance Company

8151 Peters Road #1000

Plantation, Florida 33324

hereinafter referred to as the "Company." Such report of examination is herewith respectfully submitted

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2016 through December 31, 2020 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation ("the Office") on July 16, 2021. The fieldwork concluded as of May 6, 2022. The Responsive Auto Insurance Company's ("the Company") last full scope exam by representatives of the Office covered the period of January 1, 2011 through December 31, 2015.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook ("the Handbook"). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes 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 Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with the NAIC Statements of Statutory Accounting Principles ("SSAP").

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

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

Some of the findings noted during this examination period have been resolved by the Company subsequent to the examination date. However, the findings or exceptions are discussed in detail in the body of the examination report.

Previous Examination Findings

There were no findings, exceptions, or corrective actions to be taken by the Company for the examination as of December 31, 2015.

COMPANY HISTORY

General

The Company was incorporated in Florida on February 14, 2008 and commenced business on May 1, 2008.

The Company is part of a holding company system comprised of Responsive Holdings, LLC (Responsive Holdings) which is owned by John D. Machul (28.0%) and Timothy B. Nee (25.3%), and other investors (46.7%), none of which hold more than 10% and are not deemed controlling entities.

Responsive Holdings owns 100% of the Company, the Responsive Auto Underwriters LLC (Responsive Underwriters), and UBI Squared, LLC, which is an inactive company. Responsive Underwriters provides all personnel and insurance services under a Managing General Agent Agreement.

Dividends

The Company did not declare or pay any dividends during the period under examination.

Capital Stock and Capital Contributions

As of December 31, 2020, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000
Number of shares issued and outstanding	1,000
Total common capital stock	\$1,000
Par value per share	\$1.00

The Company received capital contributions of \$1,500,000 in 2016 and \$500,000 in 2017.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

On February 27, 2017, the Company submitted a notification of a divestiture in which Quad Investors, which previously owned 12.85% membership interest in Responsive Holdings, reportedly liquidated approximately 3.4614% Membership Interest in Responsive Holdings to one of its members, FNBC Bank & Trust as trustee of Randal Guisfredi Marital Trust (Trust). The Trust then distributed the membership interest to its subsidiary, Responsive Investors, LLC (Responsive Investors). As of December 31, 2016, the effective date of the divestiture, the Company continues to be owned by Responsive Holdings. However, Responsive Holdings is now owned 50% by John D. Machul, 37.15% by other investors, 9.3886% by Quad Investors, and 3.4614% by Responsive Investors.

In 2019, Mr. Nee acquired an ownership stake in the Company of 22%, offset by a corresponding decrease in Mr. Machul's ownership. In 2020, Mr. Nee's ownership percentage further increased by 3.26%, offset by a decrease in the Other Investors' ownership.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
John Dennis Machul	Plantation, Florida	President and Treasurer, The Responsive Auto Insurance Company
John Michael Cox, Jr.	River Forest, Illinois	Retired
Timothy Brendan Nee	Richmond, Virginia	Chief Operating Officer, Responsive Holdings, LLC
Thomas Louis Fahey	Oak Brook, Illinois	President, Chicago Contractor Supply
Michael Joseph Murray	Hinsdale, Illinois	President, MJM Trading, Inc.
Juan Carlos Porro	Miami, Florida	Managing Director, FCI Residential Corporation

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
John Dennis Machul	Plantation, Florida	President and Treasurer
Sylvia Winnie Lee	Tamarac, Florida	Secretary

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2020. The first person listed for each committee is the chairman.

Investment Committee	
John Dennis Machul	Michael Joseph Murray

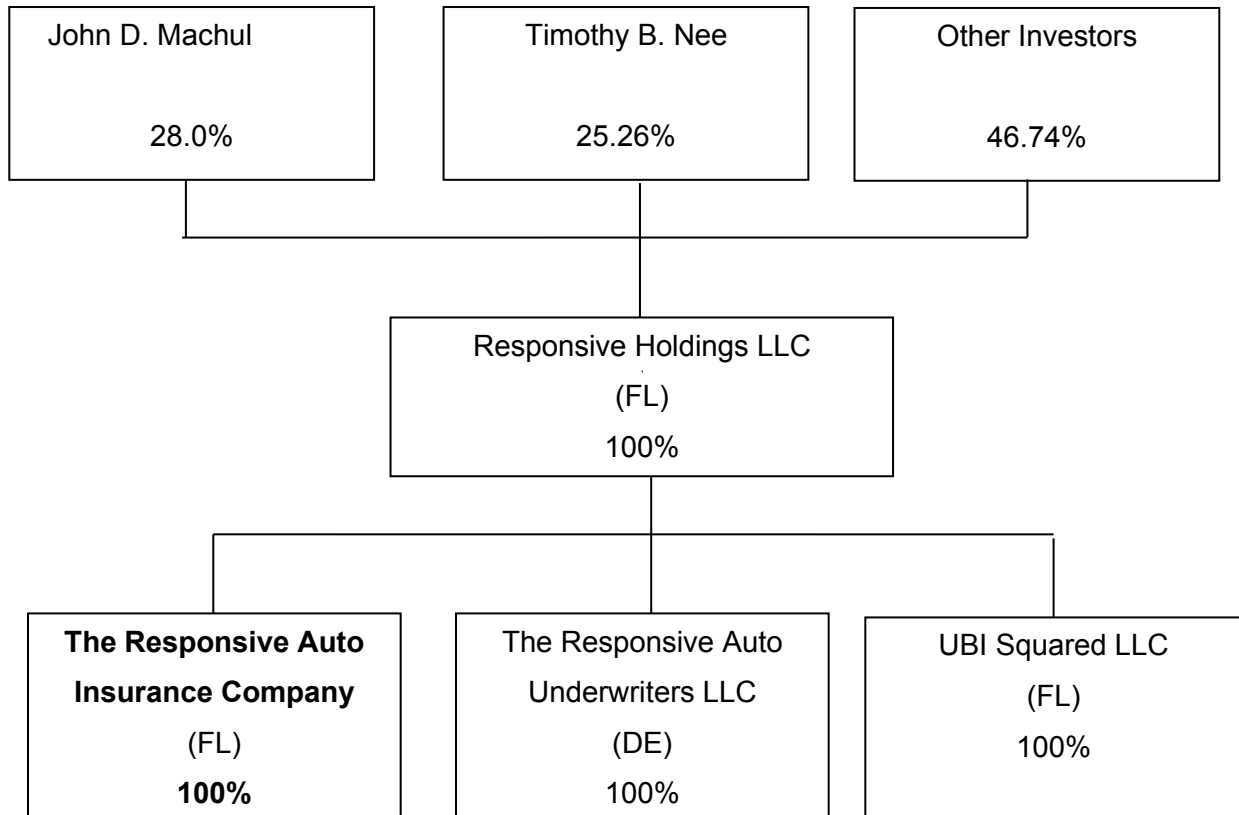
The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Audit Committee		
John Michael Cox, Jr.	Thomas Louis Fahey	Michael Joseph Murray

Holding Company System

An organizational chart as of December 31, 2020, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group.

**The Responsive Auto Insurance Company
Organizational Chart
December 31, 2020**



The following agreements were in effect between the Company and its affiliates:

Cost Allocation Agreement

Effective March 10, 2008, the Company entered into a cost allocation agreement with Responsive Underwriters and Responsive Premium Finance, LLC. The parties agreed to equitably allocate costs associated with office space, equipment, supplies, and certain non-management personnel utilizing either direct allocation or revenue-based allocation whichever is more readily determinable. The agreement is in effect for one-year periods unless terminated based on the termination clause of the agreement. The costs are allocated within 15 days following the end of the month. During 2020, approximately \$169,000 was allocated to the Company as follows: IT costs and system maintenance \$219,000; consulting \$(42,000); rent and rent related \$294,000; salary and salary related \$(383,000); and office related expenses and other \$81,000. In 2020, the amount paid for cost allocations totaled \$300,000. As of December 31, 2020, the related outstanding balance payable for these costs totals \$97,000.

Managing General Agent Agreement

Effective February 28, 2008, the Company entered into an MGA agreement with its affiliate Responsive Underwriters to provide certain management services. The agreement had an initial term to expire on December 31, 2011 and automatically renews for successive one-year periods unless terminated within the guidelines of the agreement. MGA fees were based on 25% of direct written premium, plus a per policy fee not to exceed that allowed under Section 626.7451(11), Florida Statutes, and is currently set at \$25. Direct premiums written by the MGA during 2020 totaled \$39,608,011. Premiums are comprised solely of Private Passenger Auto Liability of \$32,066,687 and Private Passenger Physical Damage of \$7,541,324. Fees incurred under this agreement during 2020 were \$10,014,560.

The prior examination noted the Company's Managing General Agent agreement was determined to be missing the following required provisions as required by Section 626.7451, Florida Statutes:

- 6(a) - Maximum Premium Volume
- 6(e) - Applicable Exclusions
- 6(f) - Territorial limitations
- 6(g) - Policy cancellation provisions

The current examination noted that the Managing General Agent agreement had not been updated to include these provisions.

Subsequent Event:

The Company amended and obtained Office approval for their revised Managing General Agent Agreement on December 1, 2021. The finding was remediated during the examination.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Plantation, Florida.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

The Company was authorized to transact insurance in Florida on March 27, 2008 and is currently authorized for Private Passenger Auto Liability and Private Passenger Auto Physical Damage as of December 31, 2020.

The Company's business is written through its affiliated Managing General Agent, which writes through contracted agencies in the Broward and Dade Counties in South Florida. Since the prior examination, the Company has not made any changes to its products or distribution channels.

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

Since August 1, 2010, the Company has purchased catastrophe reinsurance from General Reinsurance Corporation (Gen Re), covering the Company for the possibility of first-party auto losses due to natural disasters, namely Florida windstorms.

Beginning April 1, 2012, the Company entered into a quota share agreement with Gen Re in which Gen Re agrees to pay 20% of the Company's losses subject to a per occurrence limit of \$300,000 for liability and \$250,000 for physical damage. This agreement applies to losses occurring between April 1, 2012 and March 31, 2013.

Beginning April 1, 2013, the quota share agreement with Gen Re was renewed at the same quota share percentage and limits for losses occurring on or after April 1, 2013.

Effective April 1, 2017, the agreement was amended to apply on a risks attaching basis to those policies effective on or after April 1, 2017, while losses occurring after April 1, 2017 for policies effective prior to April 1, 2017 remained with the prior treaty. The limits and quota share percentages remained the same until July 1, 2019, at which time, the quota share percentage was reduced to 15% for policies effective July 1, 2019 through December 31, 2019. For policies effective January 1, 2020, the quota share percentage was increased to 20%.

In addition, Gen Re provides facultative reinsurance on the high value physical damage program.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; Statement of Income; and the statutory Reconciliation of Capital and Surplus for the year ended December 31, 2020. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2020. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

The Responsive Auto Insurance Company
Assets
December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$11,826,405		\$11,826,405
Common stocks	748,506		748,506
Cash and short-term investments	7,896,800		7,896,800
Subtotals, cash, and invested assets	\$20,471,711		\$20,471,711
Investment income due and accrued	100,356		100,356
Uncollected premiums and agents' balances	1,414,170		1,414,170
Deferred premiums, agents' balances, and installments	7,746,775		7,746,775
Amounts recoverable from reinsurer	946,147		946,147
Net deferred tax asset	580,000		580,000
Furniture and equipment including health care delivery assets	3,935	\$3,935	3,935
Receivables from parent, subsidiaries and affiliates	375,220		375,220
Aggregate write-ins for other than invested assets	80,549	80,549	
Total assets excluding Separate Accounts, Segregated Accounts, and Protected Cell Accounts	\$31,718,863	\$84,484	\$31,634,379
Totals	\$31,718,863	\$84,484	\$31,634,379

The Responsive Auto Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2020

	Per Company
Losses	\$5,996,073
Loss adjustment expenses	1,125,178
Other expenses	679,087
Current federal and foreign income taxes	85,000
Borrowed money and interest thereon	466,561
Unearned premiums	11,205,095
Ceded reinsurance premiums payable	1,515,764
Total liabilities excluding protected cell liabilities	21,072,758
Total liabilities	\$21,072,758
Common capital stock	1,000
Gross paid-in and contributed surplus	13,750,000
Unassigned funds (surplus)	(3,189,379)
Surplus as regards policyholders	\$10,561,621
Totals	\$31,634,379

The Responsive Auto Insurance Company
Statement of Income
December 31, 2020

	Per Company
Underwriting Income	
Premiums earned	\$30,551,323
Deductions	
Losses Incurred	\$15,014,872
Loss adjustment expenses incurred	4,482,196
Other underwriting expenses incurred	9,454,352
Total Underwriting deductions	28,951,420
Net underwriting gain (loss)	\$1,599,903
Investment Income	
Net investment income earned	\$177,140
Net realized capital gains or (losses)	83,075
Net investment gain or (loss)	260,215
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,860,118
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,860,118
Federal & foreign income taxes incurred	85,000
Net Income	\$1,775,118
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$8,515,352
Net Income	\$1,775,118
Change in net unrealized capital gains or losses, less capital gains tax	145,441
Change in net deferred income taxes	105,000
Change in non-admitted assets	20,710
Change in surplus as regards policyholders for the year	2,046,269
Surplus as regards policyholders, December 31, current year	\$10,561,621

The Responsive Auto Insurance Company
Reconciliation of Capital and Surplus
December 31, 2020

No adjustments were made to surplus as regards policyholders as a result of the examination.

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2015, per Company			\$9,267,037
	Increase	Decrease	
Loss in surplus		\$319,439	
Change in net unrealized capital gain (loss)	\$261,161		
Change in net deferred income tax		\$644,000	
Change in non-admitted assets		\$3,139	
Change in surplus notes			
Change in paid in surplus	\$2,000,000		
Transferred to surplus			
Net increase (or decrease)			\$1,294,584
Surplus at December 31, 2020, per Company			\$10,561,621

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$10,561,621 exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

A lawsuit against Allstate was decided by the 3rd District Court of Appeals on April 28, 2021. The Court's decision impacted the way insurers apply the Medicare Fee Schedule to pay Personal Injury Protection (PIP) claims. The Company strengthened its loss reserves in 2021 in a reasonable fashion. The ultimate impact from this court case, however, is still subject to uncertainty over time as the individual claims are settled.

The COVID-19 pandemic has continued to develop throughout 2021 and 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Office has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of The Responsive Auto Insurance Company as of December 31, 2020, consistent with the insurance laws of the State of Florida.


In addition to the undersigned, the following also participated in the examination:

Chad Mason, PIR	Exam Manager	Office
James Wheeler, PIR	Examiner	Office
Sheri L. Kenney, CFE, MCM	Exam Supervisor	Highland Clark, LLC
Travis R. Harrison, CPA, CPCU	Examiner	Highland Clark, LLC
Lori G. Lewter, CISA	Examiner, IT Specialist	Highland Clark, LLC
Aleksandreja H. Kulits	Examiner	Highland Clark, LLC
Allan Kaliski, FCAS, MAAA	Exam Actuary	Eide Bailly LLP

Respectfully submitted,



Tracy, D. Gates, CISA, CFE
Examiner in Charge, IT Specialist
Highland Clark, LLC



Daniel W. Applegarth, CFE, CPA, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation