



**EXAMINATION REPORT
OF**

**UNITED AUTOMOBILE INSURANCE COMPANY
Miami Gardens, Florida**

NAIC Company Code: 35319

**as of
December 31, 2020**

**BY
THE FLORIDA OFFICE OF INSURANCE REGULATION**

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May 19, 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

United Automobile Insurance Company

1313 North West 167th Street
Miami Gardens, Florida, 33169

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 8, 2021. The fieldwork concluded as of May 11, 2022. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2011 through December 31, 2015. The Office conducted a limited-scope examination as of December 31, 2018, which focused on Losses, Loss Adjustment Expenses, and Reinsurance.

The examination was a multi-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 except as discussed in the Summary Financial Highlights which appear below.

Previous Examination Findings

The following is an update on other significant regulatory information disclosed in the previous examination:

Finding: Losses and Loss Adjustment Expenses

The prior examination found that the reserve for losses was deficient by \$20,320,147 and the reserve for loss adjustment expenses was deficient by \$6,447,686. This resulted in a net deficiency of \$26,767,833.

Resolution: The FLOIR conducted a limited scope examination for gross and net losses, loss adjustment expenses, and a review of reinsurance treaties as of December 31, 2018. The result of the limited scope examination was that the provision for net unpaid losses and loss adjustment expenses was \$4.2 million less than the minimum amount considered necessary to be within the range of reasonable estimates. This determination was in non-compliance with paragraph 9.d. of Consent Order 206348-17-CO executed by the Company and filed on October 13, 2017 reads as follows:

“UNITED AUTO: agrees to, now and in the future, book and establish loss reserves at or above the midpoint indicated in the actuarial opinion summary issued by UNITED AUTO’s appointed actuary.”

This finding from the December 31, 2015 examination, therefore, was unresolved based upon the findings noted in the December 31, 2018 limited scope examination. However, per the December 31, 2020 examination this finding has been resolved based upon the

review of the gross and net losses and loss adjustment expenses being within reasonable estimates.

COMPANY HISTORY

General

The Company was incorporated in Florida on March 2, 1989 and commenced business on July 1, 1990.

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	2,750,000
Number of shares issued and outstanding	2,750,000
Total common capital stock	\$2,750,000
Par value per share	\$1.00

There was a capital contribution of additional paid-in capital provided by United Automobile Holdings, LLC (parent) in 2018 in the amount of \$29,278,851.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

Effective November 26, 2018, Argus Fire and Casualty Company, the Company's wholly owned subsidiary, merged into the Company and as of the effective date of the merger ceased to exist as a separate entity. No adjustments were recorded directly to the surplus of the Company as a result of the merger.

In 2018, all outstanding shares were transferred from United Automobile Insurance Group (UAIG) to United Automobile Holdings, LLC (UAH) as part of a corporate reorganization. All the outstanding shares are owned by UAH. Another part of the reorganization brought all the shares of United Group Underwriters, LLC into UAH. UAH then sold shares to an independent investor group, Victory Park Capital, which provided capital for infusion into the Company.

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
Richard Peter Parrillo, Sr. ⁽¹⁾	Miami, Florida	President, CEO and Chairman of the Board, UAIC
Jack Swift Ramirez	Loch Lloyd, Missouri	Senior Policy Advisor, UAIC
John Abbott Hitchcock	Mequon, Wisconsin	Director, UAIC
Richard Neil Levy	Chicago, Illinois	CEO, Victory Park Capital
Charles Josef Asfour	Chicago, Illinois	Partner, Victory Park Capital

(1) Chairman

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

Senior Officers		
Name	City, State	Title
Richard Peter Parrillo, Sr.	Miami, Florida	President, CEO and Chairman of the Board
Paul Victor Polachek ^(a)	Miami Gardens, Florida	Secretary and Treasurer
Beau William Parrillo ^(b)	Miami, Florida	Executive Vice President
Juan Luis Ferrer	Miami Gardens, Florida	Senior Vice President Operations and Marketing

Sandra Neira Covolo	Miami Gardens, Florida	Senior Vice President Claims
Dean David Kozlowski	Chicago, Illinois	Vice President Product and Regulatory Compliance
Daniel Antonio Colon	Miami Gardens, Florida	Vice President Administration
Kerry Heitz ^(c)	Miami Gardens, Florida	Chief Financial Officer

(a) Paul Polachek resigned effective 3/31/21.

(b) Beau Parrillo on leave of absence.

(c) Kerry Heitz replaced Paul Polachek as Secretary and Treasurer effective at the March 10, 2021, quarterly meeting.

The Company's Board appointed 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.

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

Audit Committee	
John Abbott Hitchcock	Jack Swift Ramirez

A combination of Company board members, senior officers and their general counsel form the Company's ERM Committee:

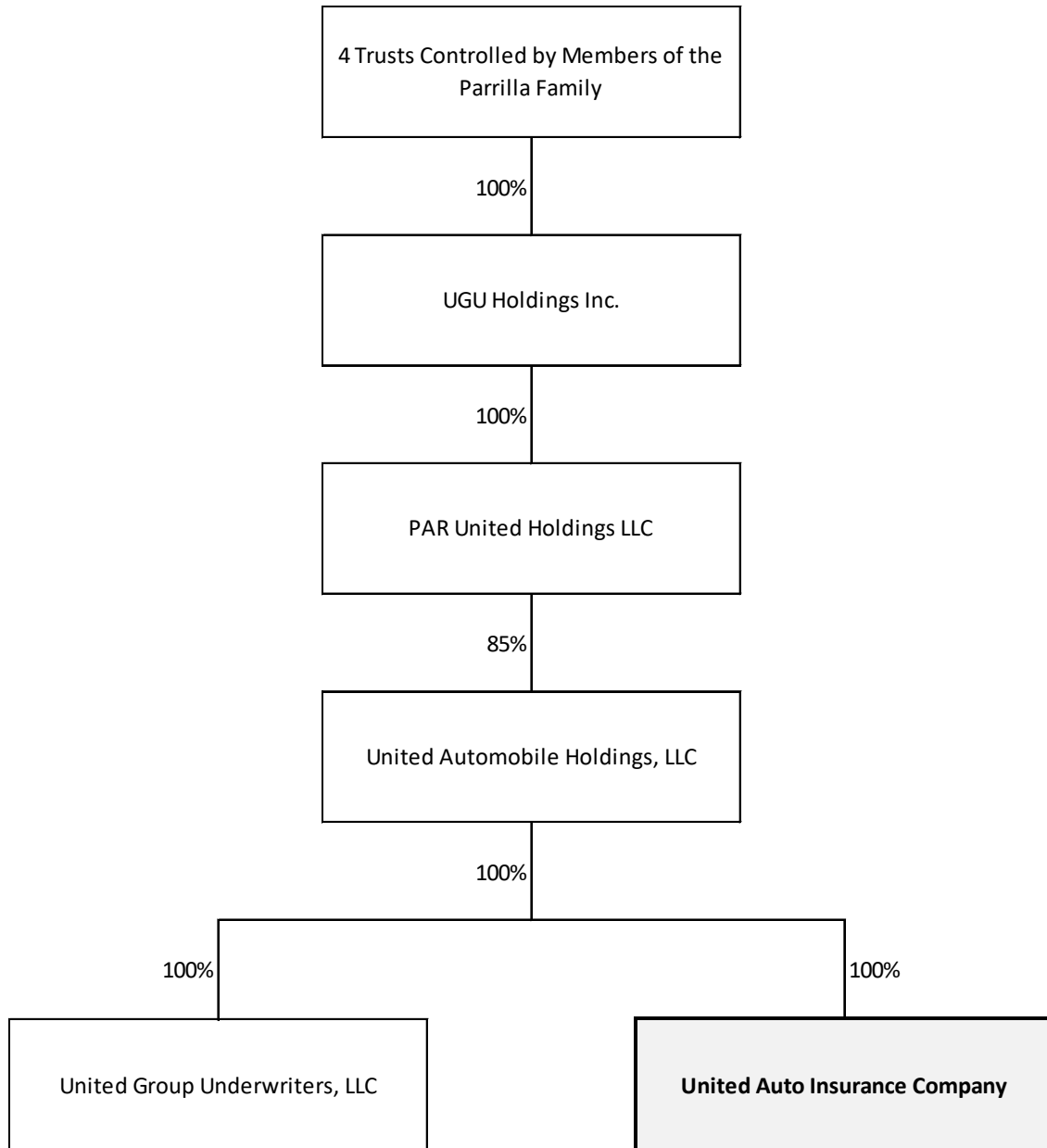
ERM Committee		
Richard Peter Parillo, Sr.	Dean David Koslowski	Sandra Neira Covolo
Juan Luis Ferrer	Paul Susz ⁽¹⁾	Daniel Antonio Colon

(1) Mr. Susz is the Company's general counsel.

Holding Company System

A simplified 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.

**United Automobile Insurance Company
Simplified Organizational Chart
December 31, 2020**



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

Cost Sharing Agreement

The Cost Sharing agreement was amended and restated effective January 1, 2018. The named parties of this agreement include: UAIC; UGU, LLC; UAH, LLC; and Argus Fire & Casualty Insurance Company.

The parties agree that costs shall be determined, allocated, and charged to such other party or parties in accordance with GAAP. Costs will be determined each and every month and billed to the other party or parties within 30 days after the end of each month. Each party agrees to pay such billed amounts within 60 days after the end of the month. The parties agree that this agreement shall apply to all costs for Services to be reimbursed that are not otherwise anticipated or covered under the MGA agreement between UAIC and UGU.

Managing General Agency Agreement

The Managing General Agency agreement was entered into effective March 7, 2016 between UAIC and UGU, Inc. This agreement replaced the MGA agreement effective 9/11/15, which was subsequently terminated as agreed upon by each respective party.

UGU as the Managing General Agent (“MGA”) under the agreement is to supervise and manage the Private Passenger Auto (“PPA”) policies produced by brokering agents. MGA is required to comply with applicable insurance laws. UAIC shall pay commission and policy fees to the MGA on a monthly basis. MGA to negotiate reinsurance on behalf of UAIC. The MGA shall manage and maintain separate books and records of business written for at least 3 years after payment.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Miami Gardens, Florida.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states:

- Arizona
- Arkansas
- Florida
- Georgia
- Illinois
- Indiana
- Kansas
- Kentucky
- Louisiana
- Mississippi
- Nebraska
- New York
- Oklahoma
- Pennsylvania
- South Carolina
- Utah

The Company was authorized to transact insurance in Florida on July 1, 1990, and was authorized for the following lines of business as of December 31, 2020:

- Fire (Reinsurance Only)
- Allied Lines (Reinsurance Only)
- Homeowners Multiple Peril
- Commercial Auto Physical Damage
- Commercial Auto Liability
- Private Passenger Auto Physical Damage
- Private Passenger Auto Liability

The Company primarily writes Private Passenger Auto Liability and Physical Damage policies in the states where it is licensed or eligible. Below represents the largest states the Company writes in, which comprises 99.9% of all business written:

<u>State</u>	<u>Direct Premium Written (in Millions)</u>
Florida	\$293
Texas	\$8

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

The Company assumed risk on an excess of loss basis and quota share basis from insurers under two reinsurance treaties. Of particular note, effective May 27, 2011, the Company assumed risk on an excess of loss basis from its subsidiary, Argus Fire & Casualty Insurance Company. Effective October 24, 2018, Argus Fire & Casualty Insurance Company was merged into the Company.

Reinsurance Ceded

Effective April 1, 2020, the Company entered into a quota share reinsurance treaty to diversify a portion of the Company's liability for Losses Incurred on business covered. The Company ceded risk under this treaty for its Florida and Texas policies to various unaffiliated reinsurers.

KEY FINANCIAL FIGURES

Figures on the next page show some key financial metrics related to the Company. For ease of presentation, figures from the period under examination and subsequent thereto are presented in one place instead of being shown here and under subsequent events:

(Dollar Amounts Reported in Thousands)							
	Financial Reporting Period Ending						
	3/31/2022*	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/13/2016
Balance Sheet							
Cash & Invested Assets	232,858	233,995	247,342	188,742	162,098	143,749	154,287
Non-Invested Assets	261,162	244,266	180,427	180,534	158,499	119,663	142,849
Total Assets	494,020	478,260	427,770	369,275	320,598	263,412	297,136
Losses	154,336	152,418	119,554	96,823	78,706	75,241	91,659
Loss Adjustment Expenses	25,006	25,035	24,516	23,205	21,027	21,689	28,341
Unearned Premium	96,969	68,990	68,152	51,722	60,370	32,703	20,140
Funds Held Under Reinsurance Treaties	102,163	102,098	95,799	89,299	80,059	92,753	103,182
Other Liabilities	32,939	27,248	18,839	11,969	-10,154	-14,935	5,574
Total Liabilities	411,413	375,789	326,860	273,018	230,008	207,451	248,896
Capital & Surplus							
Common & Preferred Capital Stock	2,750	2,750	2,750	2,750	2,750	2,750	2,750
Gross Paid-in & Contributed Surplus	119,779	119,779	119,779	119,779	119,779	90,500	90,500
Unassigned Funds	-39,922	-20,057	-21,620	-26,272	-31,939	-37,289	-45,010
Policyholder Surplus	82,607	102,471	100,909	96,257	90,590	55,961	48,240
Capital & Surplus Detail							
Surplus at December 31, Prior Year	102,471	100,909	96,257	90,590	55,961	48,240	68,770
Net Income	-17,377	884	3,411	6,726	-3,618	103	-6,365
Change in Net Unrealized Cap. Gains (Losses)	-109	-111	-243	534	89	-140	261
Change in Non-Admitted Assets	-6,016	901	1,455	-534	-8,650	9,508	9,645
Surplus Adjustments	0	0	0	0	29,279	0	0
Other Gains (Losses) to Surplus	3,637	-112	30	-1,059	17,529	-1,749	-24,072
Change in Surplus for the Year	-19,864	1,562	4,653	5,667	34,629	7,722	-20,531
Surplus at December 31, Current Year	82,607	102,471	100,909	96,257	90,590	55,961	48,240
Measure of Liquidity							
Liquid Assets**	206,502	207,408	219,920	161,320	134,466	111,346	122,621
Adjusted Liabilities***	278,869	261,985	227,036	173,439	145,862	147,545	182,529
Liquidity Ratio (Liquid Assets/Adj Liabilities)	74.0%	79.2%	96.9%	93.0%	92.2%	75.5%	67.2%
Analysis of Loss Reserves							
Total Loss & LAE Reserves	179,342	177,453	144,070	120,028	99,733	96,930	120,000
As a % to Policyholder Surplus	217.1%	173.2	142.8	124.7	110.1	173.2	248.8
One-Year Reserve Development	n/a	37,206	35,308	32,137	29,979	22,619	27,227
As a % to Prior Year Policyholder Surplus	n/a	36.9	36.7	35.5	53.6	46.9	39.6
Two-Year Reserve Development	n/a	68,016	62,152	56,439	48,140	48,663	43,357
As a % to 2nd Prior Year Policyholder Surplus	n/a	70.7	68.6	100.9	99.8	70.8	56.8
Premiums Earned/Written							
Gross Premiums Written	124,818	418,349	392,191	312,136	264,486	230,568	343,053
Net Premiums Written	79,995	226,525	217,431	158,283	142,781	104,378	150,713
Premiums Earned	52,016	225,687	201,001	166,930	115,114	91,815	169,045
Measures of Profitability							
Net Underwriting Gain (Loss)	-25,134	-32,599	-32,458	-18,899	-25,566	-19,513	-27,778
Net Investment Gain (Loss)	1,078	6,750	6,158	6,393	4,315	4,704	3,673
Net Income	-17,377	884	3,411	6,726	-3,618	103	-6,365
Net Loss Ratio	109.4	89.4	87.1	90.1	93.9	103.4	98.4
Expense Ratio	25.3	24.9	26.9	22.4	22.8	15.7	20.2
Combined Ratio	134.7	114.4	114	112.5	116.7	119.1	118.6

*This time period represents a three month time period while the others represent twelve month time periods.

** Liquid Assets = Bonds + Invested Income Due & Accrued + Cash + Other Short-Term Investments + Stocks - Affiliated Investments

*** Adjusted Liabilities = Total Liabilities - Liabilities Equal to Deferred Agents' Balances

Summary Financial Data Highlights

- The balance sheet data portrayed provides context for the other observations.
- Liquid assets were less than adjusted liabilities for each accounting period depicted above.
This is illustrated in part by the fact that the liquidity ratio is consistently less than 100%.
- When adverse development is portrayed, it is shown as positive numbers. Adverse development occurred in each of the twelve month reporting periods shown above.
- Premiums earned/written increased for most of the annual periods depicted above.
- While the Company has not posted an underwriting gain during the entire period depicted above, its net income has been positive for four of the last six annual accounting periods. However, the Company recorded a net loss during the first quarter of 2022.
- The combined ratio is in excess of 100 for each of the time periods shown above.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in 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.)

United Automobile Insurance Company
Assets
December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$102,461,012		\$102,461,012
Mortgage loans on real estate – first liens	3,412,000		3,412,000
Real Estate			
Properties occupied by the company	22,538,747		22,538,747
Properties held for sale	806,352		806,352
Cash and short-term investments	116,630,475		116,630,475
Other invested assets	1,493,733		1,493,733
Subtotals, cash and invested assets	\$247,342,319		\$247,342,319
Investment income due and accrued	828,258		828,258
Premiums and considerations			
Uncollected premiums and agents' balances	18,264,131	71,088	18,193,043
Deferred premiums, agents' balances and installments	99,824,156		99,824,156
Funds held by or deposited with reinsured companies	42,633,405		42,633,405
Net deferred tax asset	19,342,518	6,180,438	13,162,080
Electronic data processing equipment and software	2,263,931	2,263,931	
Furniture and equipment, including health care delivery assets	153,349	153,349	
Aggregate write-in for other than invested assets	6,251,682	465,240	5,786,442
Total	\$436,903,749	\$9,134,046	\$427,769,703

United Automobile Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2020

	Per Company
Losses	\$119,553,500
Loss adjustment expenses	24,516,500
Commissions payable, contingent commissions and other similar charges	(6,903,380)
Other expenses	3,437,819
Taxes, licenses and fees	1,560,960
Unearned premiums	68,152,387
Advance premiums	762,736
Funds held by company under reinsurance treaties	95,798,987
Amounts withheld or retained by company for account of others	3,034,306
Drafts outstanding	16,900,646
Payable to parent, subsidiaries and affiliates	45,964
Total liabilities excluding protected cell liabilities	\$326,860,426
Total liabilities	\$326,860,426
Common capital stock	\$2,750,000
Gross paid-in and contributed surplus	119,778,851
Unassigned funds (surplus)	(21,619,574)
Surplus as regards policyholders	\$100,909,278
Totals	\$427,769,703

United Automobile Insurance Company
Statement of Income
December 31, 2020

	Per Company
Underwriting Income	
Premiums earned	\$201,000,796
Deductions	
Losses Incurred	130,184,408
Loss adjustment expenses incurred	44,813,911
Other underwriting expenses incurred	58,460,167
Total Underwriting deductions	233,458,486
Net underwriting gain (loss)	(32,457,690)
Investment Income	
Net investment income earned	5,868,973
Net realized capital gains or (losses)	288,599
Net investment gain or (loss)	6,157,572
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(3,982,270)
Finance and service charges not included in premiums	28,729,020
Aggregate write-ins for miscellaneous income	4,887,625
Total other income	29,634,375
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	3,334,256
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	3,334,256
Federal & foreign income taxes incurred	(76,716)
Net Income	\$3,410,972
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$96,256,765
Net Income	3,410,972
Change in net unrealized capital gains or losses less capital gains tax	(243,496)
Change in net deferred income taxes	30,149
Change in non-admitted assets	1,454,889
Change in surplus as regards policyholders for the year	4,652,513
Surplus as regards policyholders, December 31, current year	\$100,909,278

**United Automobile Insurance Company
Reconciliation of Capital and Surplus
December 31, 2020**

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2015, per Company			\$68,770,246
	Increase	Decrease	
Net increase (or decrease) in surplus	\$256,601		
Change in net unrealized capital gain (loss)	500,507		
Change in net deferred income tax		\$9,320,951	
Change in non-admitted assets	11,424,026		
Change in paid in surplus	29,278,851		
Net increase (or decrease)			\$32,139,034
Surplus at December 31, 2020 per Company			\$100,909,280

Capital and Surplus

The amount of capital and surplus reported by the Company of \$100,909,278, exceeded the minimum of \$30,878,411 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Investment Advisory Agreement

Effective September 1, 2021, the Company entered into an Investment Advisory Agreement with related party Victory Capital Advisors, LLC (“VPC”). VPC will provide investment management services with respect to the Company’s assets. VPC shall have the sole and exclusive authority, discretion and responsibility for directing the investment activities with respect to the Company’s assets, subject to the approval of the Company’s Board relating to the Company’s assets. VPC shall provide the Company with quarterly reports of all investment activity such that the Company’s Board is able to provide formal approval of said investments in accordance with Section 625.304, Florida Statutes.

Withdrawn Lines of Business

Effective June 21, 2021 the following lines of business were withdrawn from the Company: Fire, Allied Lines, and Homeowners Multi-Peril.

Key Financial Data

Data related to both the period under examination and subsequent thereto is depicted under the header “**KEY FINANCIAL FIGURES**” on page 10.

CONCLUSION

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

In addition to the undersigned, the following individuals from the firms Lewis & Ellis ("L&E"), Jennan Enterprises, LLC ("Jennan"), and INS Consultants, Inc. ("INS") also participated in the examination:

Dave Palmer	Examination Manager	L&E
Mel Heaps, CFE	Financial Examiner	L&E
Ryne Davison, CFE	Financial Examiner	L&E
Joseph Detrick, AES, CISA, CPA, CFE	IT Specialist	Jennan
Jenny Jeffers, AES, CISA, CFE (Fraud)	IT Specialist	Jennan
Dave Macesic, ACAS, MAAA	Actuary	INS
Pete Vuong, FCAS, MAAA	Actuary	INS
Jim McCreesh, FCAS, MAAA	Actuary	INS

Respectfully submitted,



Omar Akel, CFE
Examiner-in-Charge
Lewis and Ellis, Inc.
Representing the Florida Office of Insurance Regulation



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