

Report of Examination of the

Landcar Casualty Insurance Company

Sandy, Utah
as of December 31, 2014

NAIC Group Code #503
NAIC Company Code #37109

Presented to:



State of Utah
Department of Insurance
Salt Lake City, Utah



TABLE OF CONTENTS

SCOPE OF THE EXAMINATION.....	1
SUMMARY OF SIGNIFICANT FINDINGS	1
Prior Examination.....	1
Current Examination.....	2
COMPANY HISTORY.....	2
Dividends to Stockholder	2
MANAGEMENT AND CONTROL	3
Corporate Governance	3
Corporate Organization.....	4
Organizational Chart.....	5
Related Party Agreements.....	5
TERRITORY AND PLAN OF OPERATION	5
REINSURANCE.....	6
FINANCIAL STATEMENTS	6
SUBSEQUENT EVENTS.....	11

February 05, 2016

Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

RE: Landcar Casualty Insurance Company

Dear Honorable Commissioner:

Pursuant to instructions and in compliance with the provisions of Utah Code Annotated (U.C.A.) §31A-2-204(6)(a), and the rules, regulations and provisions promulgated by the National Association of Insurance Commissioners, an examination of the financial condition and business affairs has been conducted of:

Landcar Casualty Insurance Company
Sandy, Utah

hereinafter referred to as the "Company."

The following report of examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We have performed our full-scope multi-state examination of the Company. The last financial examination of the Company, by representatives of the Utah Insurance Department ("UID"), was for the period January 1, 2009 through December 31, 2011. This examination covers the period January 1, 2012 through December 31, 2014, and any material transactions and/or events occurring subsequent and noted during the examination. The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with the 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 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 included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in Utah Code Annotated (U.C.A.) §31A-2-204(6)(a), and general information about the insurer and its financial condition.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

There were no significant findings noted in the prior examination.

CURRENT EXAMINATION

There were no significant findings to report in the current examination.

COMPANY HISTORY

The Company was incorporated on October 3, 1989, under the laws of the State of Colorado. It was re-domesticated to Utah in September 1995. As part of the re-domestication, the name was changed from Landcar Insurance Company of Colorado to Landcar Casualty Company. The Company is licensed to write in the states of Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, and Washington.

The Company provides contractual liability insurance policies (CLIP) for Guaranteed Auto Protection (GAP), and Vehicle Service Contracts (VSC) offered by Landcar Agency, an affiliate.

DIVIDENDS TO STOCKHOLDER

Landcar Life Insurance Company issued a surplus note (the note) to Landcar Casualty Company (November 2010) for \$9,800,000, in exchange for cash and securities. The Company made a principal payment of \$1,000,000 to Landcar Life Insurance Company in 2012. In December 2012 the company requested and received approval to transfer the remaining \$8,800,000 balance to Karen Gail Miller; the note has an interest rate of 1% above prime.

The Company requested and received approval on April 25, 2015, from the Utah Insurance Department to pay \$1,500,000 plus interest of \$24,898.64 toward the Surplus Note (the Note) held by Karen Gail Miller. On December 17, 2015, the company requested and received approval from the Utah Insurance Department to pay the outstanding balance of the Note in the amount of \$1,750,000 to Karen Gail Miller.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

The Company's bylaws state, "the number of directors shall be not less than three (3) nor more than nine (9) as determined, from time to time, by the Board of Directors." Currently, the Company has five (5) board members

At December 31, 2014, and during the examination period, the following individuals served as Directors and Officers of the Company:

Name	Location	Principal Occupation
Karen G. Miller	Salt Lake City, Utah	Stockholder Larry H. Miller Group of Companies
Gregory S. Miller	Sandy, Utah	Stockholder Larry H. Miller Group of Companies
Roger L. Miller (deceased)	Draper, Utah	Stockholder Larry H. Miller Group of Companies
Stephen Miller	Sandy, Utah	Stockholder Larry H. Miller Group of Companies
Karen R. Williams	Grantsville, Utah	Stockholder Larry H. Miller Group of Companies
Brian J. Miller	South Jordan, Utah	Stockholder Larry H. Miller Group of Companies

The Company's bylaws provide for officers to consist of a president, one or more vice presidents, a secretary and a treasurer.

The officers of the Company as of December 31, 2014, were as follows:

Name	Title
Karen G. Miller	President
Gregory S. Miller	Secretary/Treasurer
Roger L. Miller (deceased)	Vice President
Stephen Miller	Vice President
Karen R. Williams	Vice President
Brian J. Miller	Vice President

As of May 1, 2015, the officers of the Company are:

Name	Title
Bryant C. Henrie	President
Robert E. H. Enger	Vice President
Robert D. Tingey	Secretary/Treasurer

Committees and the respective committee members of the Company as of December 31, 2014, were as follows:

Committee	Name	Title
Audit	Karen G. Miller	Board Member/Owner
	Greg Miller	Board Member/Owner
	Clark Whitworth	President LHM Management Corp.
	Steve Starks	Executive Vice President (until 2014)
	Bryant Henrie	President LHM Management (2015)
	Robert Enger	General Manager/Vice President
Investment	Karen G. Miller	Board Member/Owner
	Greg Miller	Board Member/Owner
	Clark Whitworth	President LHM Management Corp.
	Steve Starks	Executive Vice President (until 2014)
	Bryant Henrie	President LHM Management (2015)
	Robert Enger	General Manager/Vice President

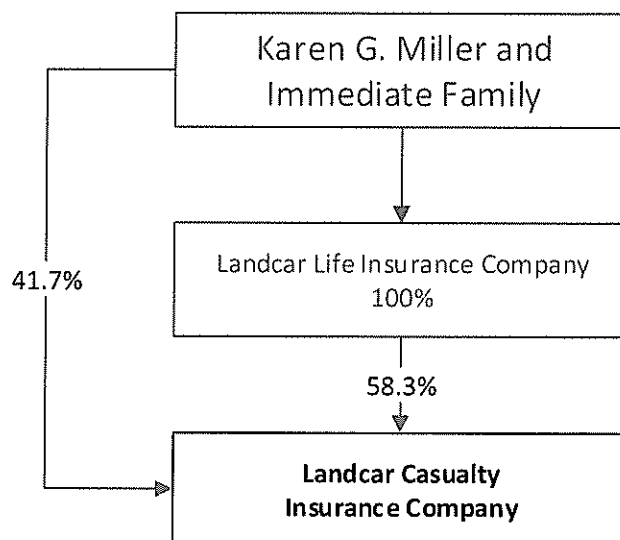
CORPORATE ORGANIZATION

The company is owned by, Karen G Miller, and immediate family members. The company is part of a holding company system (known as the Larry H. Miller Group of Companies). The holding company system consists of 85 member companies that are divided into five (5) divisions; Automotive, Sports and Entertainment, Insurance, Finance and Real Estate.

Landcar Life Insurance Co owns 58.33% or 280,000 shares of Landcar Casualty Company.

ORGANIZATIONAL CHART

The organizational chart below illustrates the holding company system at December 31, 2014.



RELATED PARTY AGREEMENTS

Cost Sharing Agreement

The company shares office facilities and personnel with Landcar Life Insurance Company, Landcar Agency, Inc., and Performance Automotive Corporation (Century Products), in accordance with a written cost sharing agreement. The companies share common management and ownership and routinely share personnel, facilities, equipment, and services. The agreement provides for the allocation of shared costs, facilities and resources.

TERRITORY AND PLAN OF OPERATION

Landcar Casualty Company provides the first dollar clip and service contract clip for the products marketed to customers of the dealerships. The product offering includes; guaranteed asset protection (GAP) coverage to consumers who finance their automobiles at LHM-owned dealerships, vehicle service contract (VSC) and vehicle theft recovery (VTR) insurance through Landcar Agency; an automotive division affiliate. Landcar Casualty Company does not compete directly with other insurers for this affiliated business. Due to increased consumer demand, products are now being provided directly to consumers and dealerships outside of the group on a controlled basis under the Total Care Auto brand. As a result of the increase in

demand, Landcar Casualty Company is now licensed in 39 States with premiums written in eight (8); Arizona, California, Colorado, Idaho, New Mexico, Oregon, Utah, & Washington.

REINSURANCE

The company did not have a reinsurance program in place as of the examination date, December 31, 2014.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Utah Insurance Department and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.

Please note that failure of any of the following items to add to the totals shown is due to dropping amounts less than one dollar.

Landcar Casualty Insurance Company
Balance Sheet (Assets)
December 31, 2014

	Net Admitted Assets
Bonds	15,948,293
Preferred Stocks	5,662,127
Common Stocks	7,642,514
First Liens-mortgage loans on real estate	1,787,371
Cash and short term investments	2,657,898
Subtotals, cash and invested assets	33,698,203
Investment income due and accrued	188,918
Uncollected premiums and agents' balances	1,023,330
Net deferred tax asset	1,024,499
Total assets	35,934,951

Landcar Casualty Insurance Company
Assets, Liabilities, Surplus, and Other Funds
December 31, 2014

	2014
Liabilities, Surplus, and Other Funds	
Losses	533,991
Loss adjustment expenses	53,399
Other expenses	83,382
Taxes, licenses and fees	87,943
Current federal and foreign income taxes	271,207
Unearned premiums	16,655,343
Amounts withheld or retained by company for account of others	14,838
Payable to parent, subsidiaries and affiliates	24,899
Aggregate write-ins for liabilities	635,271
Total liabilities	18,360,273
Surplus	
Common capital stock	2,400,000
Surplus notes	1,573,600
Unassigned funds	10,401,078
Surplus as regards policyholders	17,574,678
Total Liabilities, Surplus, and Other Funds	35,934,951

Landcar Casualty Insurance Company
Statement of Income
December 31, 2014

	2014
Underwriting Income	
Premiums Earned	6,035,777
Deductions	
Losses incurred	2,417,742
Loss adjustment expenses incurred	119,516
Other underwriting expenses incurred	823,487
Total underwriting deductions	3,360,745
Net underwriting gain or (loss)	2,675,032
Investment Income	
Net investment income earned	706,491
Net realized capital gains or (losses) less capital gains tax	189,954
Net investment gain (loss)	896,445
Other Income	
Net income before dividends to policyholders, after capital gains tax and before federal income tax	3,571,477
Dividends to policyholders	0
Net income after dividends to policyholders, after capital gains and before federal income tax	3,571,477
Federal income taxes incurred	1,323,264
Net income	2,248,213

Landcar Casualty Insurance Company
Capital and Surplus Account
December 31, 2014

Capital and Surplus Account	2014	2013	2012
Surplus as regards policyholders, December 31 prior year	\$17,698,763	\$18,732,772	\$17,645,080
Net Income	2,248,213	1,799,085	1,431,032
Change in net unrealized capital gains or (losses)	(63,836)	231,127	217,589
Change in net unrealized foreign exchange capital gain (loss)	(4,452)	0	0
Change in net deferred income tax	336,214	161,719	185,028
Change in nonadmitted assets	10,643	0	80,115
Change in surplus notes	(2,500,000)	(3,100,000)	(1,000,000)
Aggregate write-ins for gains and losses in surplus	(150,867)	(125,939)	173,928
Net change for capital and surplus for the current year	(124,085)	(1,034,009)	1,087,692
Surplus as regards policyholders December 31 current year	\$17,574,678	\$17,698,763	\$18,732,772

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

There were no significant findings or recommendations

SUBSEQUENT EVENTS

There were no subsequent events that would require disclosure.

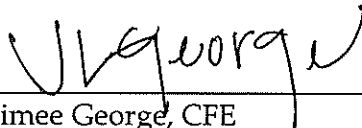
CONCLUSION

The examination procedures, described, herein, revealed no material findings or recommendations.

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

Alan Kaliski, FCAS, MAAA, of the actuarial firm of AGI Services performed the actuarial phases of the examination. In addition, Joseph Boyle, participated in the examination. Donald Catmull, CFE, Assistant Chief Examiner, of the Utah Insurance Department supervised the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully submitted,



Jaimee George, CFE
Examiner In Charge
State of Utah
Insurance Department