

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

IN THE MATTER OF: )  
 )  
**Employers Protective Insurance Company** )  
**302 South Reed Road** )  
**Kokomo, Indiana 46901** )

Examination of: **Employers Protective Insurance Company**


**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Employers Protective Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 28, 2021, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Employers Protective Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 18, 2021  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9933**

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**Employers Protective Insurance Company** )  
**302 South Reed Road** )  
**Kokomo, Indiana 46901** )

Examination of: **Employers Protective Insurance Company**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Employers Protective Insurance Company (hereinafter “Company”) for the time period January 1, 2015 through December 31, 2019.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 13, 2021.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 28, 2021 and was received by the Company on June 7, 2021.

The Company did not file any objections.

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

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Employers Protective Insurance Company as of December 31, 2019.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Employers Protective Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 10 day of  
June, 2021.

  
\_\_\_\_\_  
Amy L. Beard  
Insurance Commissioner  
Indiana Department of Insurance

## **ABOUT AFFIRMATIONS**

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

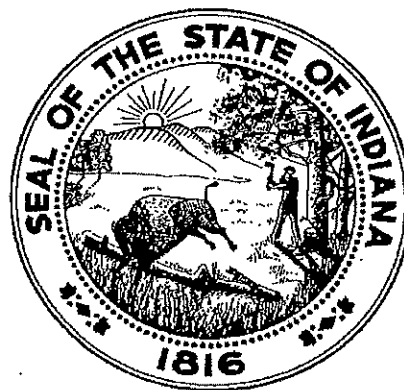
Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**EMPLOYERS PROTECTIVE INSURANCE COMPANY**  
NAIC COMPANY CODE 31020

As of

December 31, 2019



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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

## Indiana Department of Insurance

Amy L. Beard, Commissioner  
311 W. Washington Street, Suite 103  
Indianapolis, Indiana 46204-2787  
Telephone: 317-232-2385  
Fax: 317-232-5251  
Website: [in.gov/idoi](http://in.gov/idoi)

May 13, 2021

Honorable Amy L. Beard  
Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4065, an examination has been made of the affairs and financial condition of:

**Employers Protective Insurance Company**  
**302 South Reed Road**  
**Kokomo, Indiana 46901**

an Indiana domestic reciprocal property and casualty insurance company, hereinafter referred to as the "Company." The examination was conducted at the statutory home office of the Company at 302 South Reed Road, Kokomo, Indiana 46901.

The Report of Examination, showing the financial status of the Company as of December 31, 2019, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389    COMPANY COMPLIANCE 317-232-3495    CONSUMER SERVICES 317-232-2395/1-800-622-4461    FINANCIAL SERVICES 317-232-2390    MEDICAL MALPRACTICE 317-232-2402    COMPANY RECORDS 317-232-5692    STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2014. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2015 through December 31, 2019 and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

In accordance with the 2019 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, Thomas Consulting performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## HISTORY

The Company is a reciprocal property and casualty insurer whose Attorney-In-Fact is the Exchange of America, Inc. (EAI). EAI is 100% owned by the Indiana Public Employers' Plan, Inc. (IPEP), which is a not-for-profit, self-insured workers' compensation pool for Indiana public entities. IPEP provides self-insurance plans primarily to cities and municipalities.

## CAPITAL AND SURPLUS

The Articles of Incorporation for EAI provide that the Company has 1,000 authorized shares of common capital stock without par value. On May 22, 1998, IPEP acquired 100% of the common stock of EAI. During the period under examination, IPEP contributed \$100,000 of capital to the Company in 2015 as well as in 2017 and 2019 of the years under examination.

## DIVIDENDS TO STOCKHOLDERS

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

## TERRITORY AND PLAN OF OPERATION

The Company is licensed solely in the State of Indiana and has not written any business since the 1990s. The Company's operational, administrative, and investment operations are performed in Kokomo, Indiana.



## GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company for the period under examination:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus as Regards Policyholders</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2019	\$431,312	\$0	\$431,312	\$0	\$(43,427)
2018	374,739	0	374,739	0	(42,902)
2017	417,641	0	417,641	0	(45,875)
2016	363,516	0	363,516	0	(44,769)
2015	408,285	0	408,285	0	(61,147)

NOTE: Amounts are shown in whole dollars.

The annual net loss of the Company is due to operating expenses which are primarily monthly fees paid in accordance with the Corporate Power of Attorney Agreement.

## MANAGEMENT AND CONTROL

### **Directors**

The Company's Bylaws specify that the business affairs of the Company shall be managed under the direction of the Board of Directors (Board) consisting of not less than five (5) nor more than nine (9) persons. The Sole Shareholder elects the members of the Board at the annual meetings.

The following five (5) persons were serving as directors as of December 31, 2019:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
John Joseph Dillon III Indianapolis, Indiana	Managing Director NFP Corporation
Timothy Richard Downey Sarasota, Florida	Chairman Unemployment Compensation League, Inc.
Norman Hershel Gurwitz Indianapolis, Indiana	Retired VP, HR Director, Board Secretary, and Head of Employee Benefits Emmis Communications
Robert Leroy Meeks LaGrange, Indiana	Retired State Senator State of Indiana
Frank Thomas Short Indianapolis, Indiana	Retired Chairman and CEO Short Strategy Group, Inc.

## **Officers**

The Company's Bylaws state that the elected officers of the Company shall consist of a President, one (1) or more Vice Presidents (if any), a Secretary, a Treasurer, and such other officers as may be chosen by the Board. Any two (2) or more officers may be held by the same person. The officers shall be chosen annually by the Board.

The following is a list of key officers and their respective titles as of December 31, 2019:

<u>Name</u>	<u>Title</u>
Frank Thomas Short	Chairman and President
John Joseph Dillon III	Secretary and Treasurer

## **CONFLICT OF INTEREST**

The Company's conflict of interest disclosure process requires directors and officers to complete a conflict of interest statements on an annual basis. From a review of the directors and officers signed statements, there were no material conflict of interests noted for the period under examination.

## **OATH OF OFFICE**

IC 27-1-7-10(i) requires that every director, when elected, shall take, and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving as of December 31, 2019, signed an Oath of Office statement when elected.

## **CORPORATE RECORDS**

### **Articles of Incorporation**

There were no amendments to the Company's Articles of Incorporation during the examination period.

### **Bylaws**

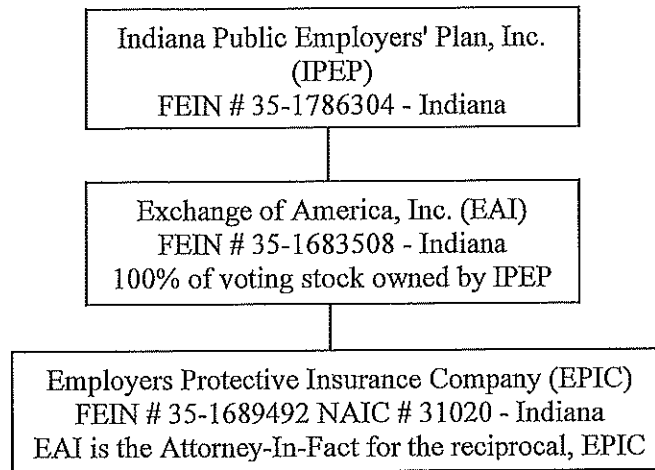
There were no amendments to the Company's Bylaws during the examination period.

### **Minutes**

The Board of Directors and Sole Shareholder Meeting minutes were reviewed for the period under examination through the fieldwork completion date and significant actions taken during each meeting were noted. For the period under examination, the Annual Meetings of the Sole Shareholder were held in accordance with IC 27-1-7-7(b) and the Company's Bylaws.

## AFFILIATED COMPANIES

### Organizational Structure



### Affiliated Agreements

The following affiliated agreement was disclosed as part of the Form B Holding Company Registration Statement and was filed with the INDOI, as required, in accordance with IC 27-1-23-4:

#### Corporate Power of Attorney Agreement

Effective September 2011, the Company became a party to an agreement between EAI and Public Risk Underwriters of Indiana, Inc., dba Downey Public Risk Underwriters (Downey). Under this agreement, Downey performs all operational functions of the Company in exchange for a monthly fee of \$3,000. In 2019, the Company paid Downey \$36,000 in accordance with this agreement.

## PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company has no retirement, deferred compensation, or post-retirement benefit plan.

## FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through IPEP's fidelity bond issued by Federal Insurance Company. The bond has a policy coverage limit of \$1,000,000 with a \$50,000 deductible. Although the fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC, it was determined that the fidelity bond was not filed with the INDOI and not approved by its Board at any time during the five-year (5) examination period ending December 31, 2019.

It is recommended that the Company's Board approve its fidelity bond and a copy be filed with the INDOI in accordance with IC 27-1-7-14. (Please see the "Other Significant Findings" section of this Report of Examination regarding this issue.)

### STATUTORY AND SPECIAL DEPOSITS

The Company reported a special deposit comprised of a PNC Bank Certificate of Deposit (CD) held jointly with INDOI as of December 31, 2019:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
<b>Deposits for the Benefit of all Policyholders:</b>		
Indiana	\$ 100,000	\$ 100,000
<b>Total Deposits</b>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

### REINSURANCE

The Company is not currently writing premiums and is not participating in any reinsurance program.

### ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the years ending December 31, 2019 was agreed to the Annual Statement without exception. Overall, Thomas Consulting determined the Company's accounting procedures, practices, and accounting records were satisfactory.

**FINANCIAL EXHIBITS**

Comparative Exhibit – Statutory Statement of Assets  
Comparative Exhibit – Statutory Statement of Liabilities, Surplus, and Other Funds  
Comparative Exhibit - Statutory Statement of Income  
Comparative Exhibit – Statutory Capital and Surplus Account

NOTE: Amounts are shown in whole dollars and columns may not total due to rounding.

**EMPLOYERS PROTECTIVE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Assets**

**As of December 31, 2019**

	<b>Per Annual Statement</b>	<b>Exam Adjustments</b>	<b>Per Examination</b>	<b>December 31, Prior Year</b>
<b>Assets:</b>				
Cash, cash equivalents and short-term investments	\$ 431,235	\$ -	\$ 431,235	\$ 374,666
Subtotals, cash and invested assets	\$ 431,235	\$ -	\$ 431,235	\$ 374,666
Investment income due and accrued	77	-	77	73
<b>Total Assets</b>	<b>\$ 431,312</b>	<b>\$ -</b>	<b>\$ 431,312</b>	<b>\$ 374,739</b>

**EMPLOYERS PROTECTIVE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Liabilities, Surplus, and Other Funds**

**As of December 31, 2019**

	<b>Per Annual Statement</b>	<b>Exam Adjustments</b>	<b>Per Examination</b>	<b>December 31, Prior Year</b>
<b>Liabilities:</b>				
<b>Total liabilities</b>	\$ -	\$ -	\$ -	\$ -
Gross paid in and contributed surplus	\$ 2,660,461	\$ -	\$ 2,660,461	\$ 2,560,461
Unassigned funds (surplus)	(2,229,149)	-	(2,229,149)	(2,185,721)
<b>Surplus as regards policyholders</b>	<b>\$ 431,312</b>	<b>\$ -</b>	<b>\$ 431,312</b>	<b>\$ 374,739</b>
<b>Total Liabilities, Capital and Surplus</b>	<b>\$ 431,312</b>	<b>\$ -</b>	<b>\$ 431,312</b>	<b>\$ 374,739</b>

**EMPLOYERS PROTECTIVE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Statement of Income**

**As of December 31, 2019**

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
<b>Underwriting Income</b>				
Premiums earned	\$ -	\$ -	\$ -	\$ -
DEDUCTIONS				
Other underwriting expenses	50,153	-	50,153	47,973
Total underwriting deductions	\$ 50,153	\$ -	\$ 50,153	\$ 47,973
Net underwriting gain (loss)	\$ (50,153)	\$ -	\$ (50,153)	\$ (47,973)
<b>Investment Income</b>				
Net investment income earned	\$ 6,726	-	\$ 6,726	5,071
Net investment gain	\$ 6,726	\$ -	\$ 6,726	\$ 5,071
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ (43,427)	\$ -	\$ (43,427)	\$ (42,902)
<b>Net Income</b>	<u>\$ (43,427)</u>	<u>\$ -</u>	<u>\$ (43,427)</u>	<u>\$ (42,902)</u>



**EMPLOYERS PROTECTIVE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Capital and Surplus Account**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Capital and Surplus Account:</b>					
Surplus as regards policyholders, December 31, prior year	\$ <u>374,739</u>	\$ <u>417,641</u>	\$ <u>363,516</u>	\$ <u>408,285</u>	\$ <u>369,432</u>
Net income	\$ (43,427)	\$ (42,902)	\$ (45,875)	\$ (44,769)	\$ (61,147)
Surplus adjustments Paid in	<u>100,000</u>	<u>-</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
<b>Change in surplus as regards policyholders for the year</b>	\$ <u>56,573</u>	\$ <u>(42,902)</u>	\$ <u>54,125</u>	\$ <u>(44,769)</u>	\$ <u>38,853</u>
Surplus as regards policyholders, December 31, current year	\$ <u>431,312</u>	\$ <u>374,739</u>	\$ <u>417,641</u>	\$ <u>363,516</u>	\$ <u>408,285</u>

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2019, based on the results of this examination.

## OTHER SIGNIFICANT FINDINGS

### **Fidelity Bond**

Contrary to the requirements of IC 27-1-7-14, the Company's fidelity bond was not approved by its Board nor approved and filed with the INDOI at any time during the five (5) year examination period ending December 31, 2019.

**It is recommended that the Company's Board approve the fidelity bond and a copy be approved and filed with the INDOI in accordance with the requirements of IC 27-1-7-14.**

## SUBSEQUENT EVENTS

### **Pandemic Risk**

On March 11, 2020, the World Health Organization declared an outbreak of the coronavirus (COVID-19). The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and fieldwork, the effects of COVID-19 on this entity are not fully addressed within this examination report.

## MANAGEMENT REPRESENTATION

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

**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **Employers Protective Insurance Company** as of **December 31, 2019**.

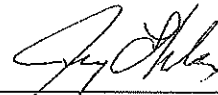
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2019 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standard and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of the **Employers Protective Insurance Company** as of **December 31, 2019**, as determined by the undersigned.



**David L. Daulton, CFE**  
**The Thomas Consulting Group, Inc.**



**Jerry Ehlers, CFE, CPA**  
**Indiana Department of Insurance**

DARCY L. SHAWVER  
NOTARY PUBLIC

**SEAL**

State of:

MARION COUNTY, STATE OF INDIANA

County of:

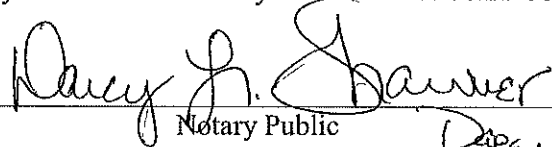
MY COMMISSION EXPIRES OCTOBER 4, 2025

COMMISSION NO 706053

On this 14<sup>th</sup> day of June, 2021, before me personally appeared, David L. Daulton and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025

  
Notary Public