

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

IN THE MATTER OF:)
)
Protective Specialty Insurance Company)
111 Congressional Boulevard, Suite 500)
Carmel, Indiana 46032)

Examination of: **Protective Specialty 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 Protective Specialty Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on June 1, 2023, 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 Protective Specialty 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 29, 2023
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7019 0700 0000 3590 2836

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

IN THE MATTER OF:)
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Protective Specialty Insurance Company)
111 Congressional Boulevard, Suite 500)
Carmel, Indiana 46032)

Examination of: **Protective Specialty Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Protective Specialty Insurance Company (hereinafter “Company”) for the time period January 1, 2017 through December 31, 2021.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on May 12, 2023.

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 June 1, 2023 and was received by the Company on June 7, 2023.

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 Protective Specialty Insurance Company as of December 31, 2021.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Protective Specialty 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 29 day of
June, 2023.



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

PROTECTIVE SPECIALTY INSURANCE COMPANY

NAIC Co. CODE 13149
NAIC GROUP CODE 0155

As of

December 31, 2021

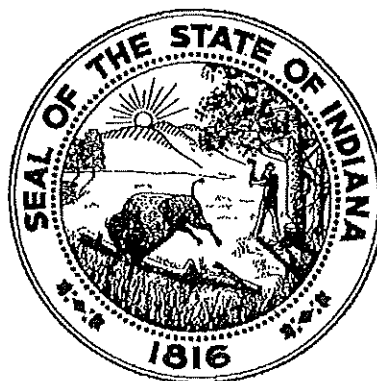


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STATE OF INDIANA

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

May 12, 2023

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 4110, an examination has been made of the affairs and financial condition of:

Protective Specialty Insurance Company
111 Congressional Boulevard, Suite 500
Carmel, Indiana 46032

hereinafter referred to as the "Company", or "PSIC", an Indiana domestic stock, property and casualty insurance company. The examination was conducted remotely with assistance from the corporate office in Carmel, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2021, 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
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2012, through December 31, 2016. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2017, through December 31, 2021, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted 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.

Robert Daniel, ACAS, MAAA, and Mark Davenport, ACAS, MAAA of Merlinos & Associates, Inc., provided actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2021.

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 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 the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer 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 separately communicated to other regulators and/or the Company.

HISTORY

PSIC was incorporated on May 1, 2008 and was wholly owned by Protective Insurance Company (PIC) whose ultimate parent was Baldwin & Lyons, Inc. (B&L), a publicly traded company formed in 1930. PSIC functions primarily as a surplus lines writer for non-traditional trucking coverages. The Company is licensed in Indiana and is approved as an excess and surplus lines writer in forty-nine (49) states and the District of Columbia. B&L, effective August 1, 2018, changed its name to Protective Insurance Corporation (Protective Corp).

On June 1, 2021, The Progressive Corporation (TPC) acquired Protective Corp resulting in TPC being the ultimate parent of Protective Corp, PIC, PSIC and Sagamore Insurance Company (SIC).

CAPITAL AND SURPLUS

As of December 31, 2021, the Company had 60,000 common shares authorized, issued, and outstanding, with a par value of \$100 each. PSIC has no preferred stock authorized, issued, or outstanding. All issued and outstanding common shares have been owned by PIC throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid no dividends during the examination period.

TERRITORY AND PLAN OF OPERATION

PSIC is licensed in Indiana and is approved as an excess and surplus lines writer in forty-eight (48) other states and the District of Columbia. The excess and surplus lines approvals do not include Florida. In 2021, the Company's largest two (2) states with regards to direct premiums written were New York and Tennessee with 40% and 34%, respectively. No other state made up over 7% of direct writings in 2021.

PSIC is a direct writer of employment related practices liability for an insured as well as contingent liability products through wholesale and retail agents, specializing in smaller insureds. For professional liability business, maximum policy limits are equal to \$5 million which are reinsured under various 50% to 90% quota share treaties. In addition, the Company has an intercompany aggregate excess of loss treaty with PIC.

GROWTH OF THE COMPANY

The following table summarizes the financial results of the Company during the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2021	\$ 69,082,284	\$ 2,186,351	\$ 66,895,933	\$ 181,182	\$ 1,701,323
2020	66,876,638	1,667,901	65,208,737	174,799	1,171,806
2019	67,364,030	3,383,723	63,980,307	141,677	1,687,375
2018	65,802,055	3,463,742	62,338,313	54,032	1,729,978
2017	66,228,724	5,418,058	60,810,666	786,238	730,333

The increase in net admitted assets and net income for 2021 was associated with the increase in net realized capital gains. Additionally, federal income taxes were lower in 2021 compared to 2020 due to a lower effective tax rate primarily the result of 2021 tax exempt investment income on taxable income.

The Company has a history of increases in surplus primarily due to net underwriting and investment gains.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than seven (7) and no more than twelve (12) directors. At least one (1) of the directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors as of December 31, 2021, and their principal occupations as of that date:

Name and Address	Principal Occupation
Ashley J. Burris * Fishers, Indiana	Vice President and Chief Financial Officer The Progressive Corporation
Jeremy F. Goldstein Indianapolis, Indiana	Executive Vice President, Claims The Progressive Corporation
Michael J. Miller * Rocky River, Ohio	Chairman, President and Chief Executive Officer The Progressive Corporation
Bahram D. Omidfar Summit, Wisconsin	Chief Information Officer The Progressive Corporation
Patrick S. Schmiedt Indianapolis, Indiana	Senior Vice President, Underwriting The Progressive Corporation
Matthew A. Thompson Fishers, Indiana	Executive Vice President, Sales and Marketing The Progressive Corporation
Sally B. Wignall Indianapolis, Indiana	Vice President, General Counsel and Secretary The Progressive Corporation

* Included on the 2021 Annual Statement Jurat page but appointment not effective until January 1, 2022.
Note – the titles listed above are considered each person’s title for PSIC and would not be accurate titles for TPC.

Officers

The Bylaws state that the elected officers of the Company shall consist of a Chairman, a Chief Executive Officer, a President, one (1) or more Executive Vice Presidents, one (1) or more Senior Vice Presidents, one (1) or more Vice Presidents, a Secretary, a Treasurer, and such assistant officers as the Board shall designate. Any two (2) or more offices may be held by the same person, except that the duties of the President and Secretary shall not be performed by the same person. Each officer (other than assistant officers) of the corporation shall be elected annually by the Board at its annual meeting and shall hold office for a term of one (1) year.

The following is a list of key officers and their respective titles as of December 31, 2021:

<u>Name</u>	<u>Office</u>
Michael J. Miller *	President, Chief Executive Officer, and Chief Operating Officer
Jeremy F. Goldstein	Executive Vice President, Claims
William C. Reid	Executive Vice President, Programs
Matthew A. Thompson	Executive Vice President, Sales and Marketing
Sally B. Wignall	Senior Vice President, Legal, and Secretary
Ashley J. Burris *	Vice President and Chief Financial Officer
Bahram D. Omidfar	Chief Information Officer
Patrick S. Schmiedt	Chief Underwriting Officer
Ronald A. Goshen	Treasurer

* Included on the 2021 Annual Statement Jurat page but appointment not effective until January 1, 2022.

Note – the titles listed above are considered each person’s title for PSIC and would not be accurate titles for TPC.

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2021.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates 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 Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2021.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5)

months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The annual meeting of the shareholders of the corporation will be held within four months after the close of each fiscal year, namely, on the third Tuesday in April of each year, or on such other date five (5) business days prior to or following this date as may be designated by the Board.

The Protective Corp committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Nominating and Corporate Governance Committee. TPC Audit Committee minutes were reviewed post-acquisition date through December 31, 2021.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and affiliates as of December 31, 2021:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
The Progressive Corporation		OH
Progressive Commercial Holdings, Inc.		DE
National Continental Insurance Company	10243	NY
Progressive Express Insurance Company	10193	OH
Blue Hill Specialty Insurance Company, Inc.	15643	IL
Artisan and Truckers Casualty Company	10194	WI
United Financial Casualty Company	11770	OH
Protective Insurance Corporation		IN
B&L Brokerage Services, Inc.		IN
Transport Specialty Insurance Agency, Inc.		MI
Protective Insurance Company	12416	IN
Protective Specialty Insurance Company	13149	IN
Sagamore Insurance Company	40460	IN
B&L Insurance LTD.		Bermuda
B&L Management, Inc.		DE

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Investment Services Agreement

Effective June 1, 2021, the Company entered into in an Investment Services Agreement with Progressive Capital Management Corp. (PCMC), a non-insurance affiliate. Under the terms of the agreement, the Company is provided investment and capital management services in exchange for an investment management fee based on its use of services. During 2021, PSIC did not pay any amounts to PCMC for these services.

Allocation to Federal Incomes Taxes

PSIC was a party to a Consolidated Tax Allocation Agreement with Protective Corp for the period January 1 through May 31, 2021. Effective June 1, 2021, PIC participates in an Allocation of Federal Income Tax Agreement with TPC and all of its eligible subsidiaries. The method of allocation between the companies is subject to written agreement and is jointly approved by an officer of TPC and of the Company. The tax liability allocated to any

member of the TPC agreement shall not exceed the amount that such member would be liable for if it filed a separate income tax return. If a member of the TPC agreement has a net operating loss as determined on a separate return basis, the member will be reimbursed for such loss to the extent that the loss results in a reduction in the consolidated tax liability.

Intercompany Expense Allocation Agreement

Under an Amended and Restated Intercompany Expense Allocation Agreement dated January 1, 2014, Protective Corp serves as common paymaster for PIC, PSIC and SIC which includes paying expenses such as payroll and related expenses paid by Protective Corp. In 2021, PSIC paid Protective Corp \$359,758 under this agreement.

Building Occupancy Expense Allocation Agreement

PIC owns the home office building utilized by Protective Corp and its subsidiaries. The Amended and Restated Intercompany Building Occupancy Expense Allocation Agreement dated January 1, 2014 allocates occupancy expenses to PSIC, SIC and Protective Corp and PSIC, SIC and Protective Corp remits to PIC within thirty (30) days following the end of each quarter, their respective share of allocated net occupancy expense for the home office as reflected on the invoices prepared by PIC. This agreement automatically renews and extends itself for additional terms of one (1) year extending from January 1 to December 31 on the same terms and conditions without the need to execute any other instrument or document. During 2021, PSIC did not pay any amounts to PIC under this agreement.

Cash Management Agreement

Effective December 1, 2021, PSIC entered into a Cash Management Agreement with Progressive Casualty Insurance Company (PCIC), an affiliate TPC company, which has a central cash management system for the benefit of members of the TPC group of companies. PCIC provides cash management services to participating TPC companies and the participating companies pay or receive interest on their payable or receivable balances based on the prevailing U.S. Treasury Bill rate.

Parental Guaranty Agreement

Effective January 1, 2010, PIC and PSIC have entered into a Parental Guaranty Agreement whereby PIC guarantees the financial performance of PSIC's undisputed liabilities and/or obligations and ensures funds are available for policyholders. The agreement was non-disapproved by the INDOI on June 10, 2010, and is continuous, subject to a one (1) year notice of termination. Either party may terminate the Guaranty by giving the other party written notice of its intent to terminate at least one (1) year prior to the termination date.

Interest Agreement

Effective February 1, 2022, the Company became a participant to the existing Interest Agreement with PCIC and members of the Progressive holding company system. Pursuant to the agreement, the Company agrees to pay PCIC or receive credit from PCIC for any balances owed to PCIC or owed by PCIC, as a result of the activity in the cashier account as stated in the Cash Management Agreement.

Reinsurance Agreements

See the "Reinsurance" section of this Report of Examination for further information regarding affiliated reinsurance agreements:

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Federal Insurance Company, a member of the Chubb Insurance Group. The bond has a single loss coverage limit of \$1,000,000, with an aggregate amount of \$2,000,000, and a \$10,000,000 deductible. The fidelity

bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2021, including but not limited to commercial property liability, employment practices liability, management indemnity/directors' and officers' liability, professional indemnity liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

Prior to the acquisition by TPC, Protective Corp maintained a 401(k) employee savings and profit sharing plan through May 31, 2021. Effective June 1, 2021, TPC sponsors the defined contribution savings plan for PIC.

TPC has a defined contribution pension plan (401(k) Plan) that covers employees who have been employed by TPC for at least 30 days. Under this plan, TPC matches up to a maximum of 6% of an employee's eligible compensation contributed to the plan. Employee and TCP matching contributions are invested, at the direction of the employee in a number of investment options available under the plan, including various mutual funds, a self-directed brokerage option, and an employee stock ownership program within the 401(k) Plan. The Company's share of 401k expense was \$5,823 and \$4,594 for 2021 and 2020, respectively.

TPC's incentive compensation includes both non-equity incentive plans (cash) and equity incentive plans. Cash incentive compensation includes an annual cash incentive program for a limited number of senior executives and TPC's Gainshare program for all other employees; the structures of these programs are similar in nature. Equity incentive compensation plans provide for the granting of restricted stock unit awards to key members of management.

TPC grants equity-based awards under the 2015 Equity Incentive Plan.

TPC maintains the Progressive Corporation Executive Deferred Compensation Plan, which permits eligible executives to defer receipt of some or all of their annual bonuses and all of their annual equity awards.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits as of December 31, 2021:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 2,736,663	\$ 2,712,014
All Other Special Deposits:		
Kentucky	637,162	631,423
Massachusetts	741,615	734,935
Total Deposits	<u>\$4,115,440</u>	<u>\$4,078,372</u>

REINSURANCE

The Company has no intercompany pooling arrangements; however, the following intercompany reinsurance agreements are in place:

Under the Property/Casualty Excess of Loss Reinsurance Agreement dated January 1, 2013, PIC indemnifies PSIC for certain losses and expenses. In 2021, PIC reimbursed PSIC \$283,904 for losses and expenses under this agreement.

Under the Contingent Liability Quota Share Reinsurance Agreement dated October 1, 2010, PIC and SIC indemnify PSIC for certain losses and expenses. In 2021, no premiums were ceded by PSIC to PIC or SIC, and PSIC incurred no losses and expenses under this agreement.

Under the Professional Liability Quota Share Reinsurance Agreement dated December 1, 2009, PIC and SIC cede certain risks to PSIC. In 2021, PIC and SIC ceded no premium to PSIC and PIC ceded \$1,055,752 in losses and expenses to PSIC and PSIC recognized a reduction of losses and expenses of \$87,000 from SIC under this agreement.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balance prepared from the Company's general ledger for the year ended December 31, 2021 was agreed to the respective Annual Statement. The Annual Statement for the year ended December 31, 2021 was agreed to the independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

PROTECTIVE SPECIALTY INSURANCE COMPANY

Assets

As of December 31, 2021

	<u>Per Examination*</u>
Bonds	\$ 57,965,035
Cash, cash equivalents and short-term investments	<u>10,412,521</u>
Subtotal, cash and invested assets	68,377,556
Investment income due and accrued	200,443
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	373,752
Reinsurance:	
Amounts recoverable from reinsurers	<u>130,533</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	69,082,284
Total	<u>\$ 69,082,284</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PROTECTIVE SPECIALTY INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2021

	Per Examination*
Losses	\$492,635
Reinsurance payable on paid losses and loss adjustment expenses	1,328,593
Loss adjustment expenses	277,824
Commissions payable, contingent commissions and other similar charges	(738,696)
Other expenses	108,485
Taxes, licenses and fees	764
Current federal and foreign income taxes	406,580
Net deferred tax liability	39,944
Unearned premiums	67,944
Ceded reinsurance premiums payable	197,865
Payable to parent, subsidiaries, and affiliates	4,380
Aggregate write-ins for liabilities	33
Total liabilities excluding protected cell liabilities	<u>2,186,351</u>
Total liabilities	<u>2,186,351</u>
Common capital stock	6,000,000
Gross paid in and contributed surplus	48,000,000
Unassigned funds (surplus)	<u>12,895,933</u>
Surplus as regards policyholders	<u>66,895,933</u>
Totals	<u><u>\$69,082,284</u></u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PROTECTIVE SPECIALTY INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2021

	Per Examination*
UNDERWRITING INCOME	
Premiums earned	\$ 181,182
DEDUCTIONS	
Losses incurred	(340,451)
Loss adjustment expenses incurred	260,429
Other underwriting expenses incurred	284,642
Total underwriting deductions	204,620
Net underwriting gain or (loss)	(23,438)
INVESTMENT INCOME	
Net investment income earned	1,327,022
Net realized capital gains or (losses) less capital gains tax	650,284
Net investment gain (loss)	1,977,306
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,953,868
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,953,868
Federal and foreign income taxes incurred	252,545
Net income	\$ 1,701,323

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PROTECTIVE SPECIALTY INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2021	2020	2019	2018	2017
Surplus as regards policyholders, December 31 prior year	\$ 65,208,737	\$ 63,980,307	\$ 62,338,313	\$ 60,810,666	\$ 60,062,783
Net income	1,701,323	1,171,806	1,687,375	1,729,978	730,333
Change in net unrealized capital gains or (losses) less capital gains tax	-	49,435	(10,656)	(128,453)	73,782
Change in net deferred income tax	(14,127)	(6,296)	(31,602)	(67,104)	(121,338)
Change in nonadmitted assets	-	13,485	(3,123)	(6,774)	65,106
Change in surplus as regards policyholders for the year	<u>1,687,196</u>	<u>1,228,430</u>	<u>1,641,994</u>	<u>1,527,647</u>	<u>747,883</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 66,895,933</u>	<u>\$ 65,208,737</u>	<u>\$ 63,980,307</u>	<u>\$ 62,338,313</u>	<u>\$ 60,810,666</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2021, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues to report.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

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 Noble Consulting Services, Inc. and actuarial assistance from Merlinos & Associates, Inc., performed an examination of Protective Specialty Insurance Company, as of December 31, 2021.

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

This examination was performed in accordance with those procedures required by the 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 standards 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 the condition of the Protective Specialty Insurance Company as of December 31, 2021, as determined by the undersigned.

Paul Ellis

Paul Ellis, CFE
Noble Consulting Services, Inc.

Under the Supervision of:

Jerry Ehlers

Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 20th day of June, 2023, before me personally appeared, Paul Ellis 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: 1-29-28

Theresa Johnson

Notary Public



THERESA JOHNSON
Notary Public, State of Ohio
My Commission Expires 01-29-28

Notary Public

