

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

IN THE MATTER OF: )  
 )  
**Diamond State Insurance Company** )  
**211 North Pennsylvania Street, Suite 300** )  
**Indianapolis, Indiana 46204** )

Examination of: **Diamond State Insurance Company**

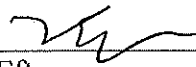
**NOTICE OF ENTRY OF ORDER**

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 Diamond State Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 16, 2024 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 Diamond State 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.

Date June 20, 2024

  
\_\_\_\_\_  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7019 0700 0000 3590 3147**

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

IN THE MATTER OF: )  
 )  
**Diamond State Insurance Company** )  
**211 North Pennsylvania Street, Suite 300** )  
**Indianapolis, Indiana 46204** )

Examination of: **Diamond State Insurance Company**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Diamond State Insurance Company (hereinafter “Company”) for the time period January 1, 2018 through December 31, 2022.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on January 16, 2024.

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 16, 2024 and was received by the Company on May 30, 2024.

The Company did not file any objections.

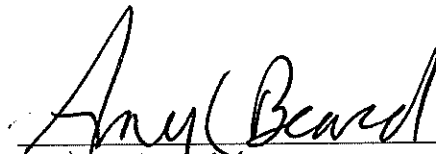
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Diamond State Insurance Company as of December 31, 2022.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Diamond State 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 20<sup>th</sup> day of  
June, 2024.

  
\_\_\_\_\_  
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**

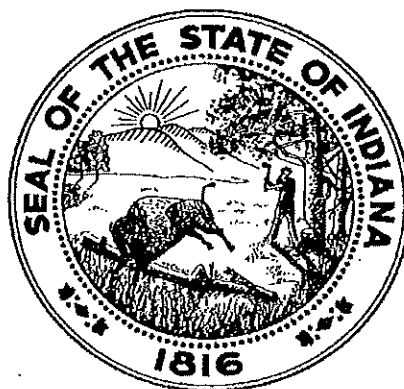
**DIAMOND STATE INSURANCE COMPANY**

NAIC COMPANY CODE 42048

NAIC GROUP CODE 920

As of

December 31, 2022



## TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
DIVIDENDS TO POLICYHOLDERS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	3
LOSS EXPERIENCE.....	4
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	5
CONFLICT OF INTEREST.....	6
OATH OF OFFICE.....	6
CORPORATE RECORDS.....	6
Articles of Incorporation.....	6
Bylaws.....	6
Minutes.....	6
AFFILIATED COMPANIES.....	6
Organizational Structure.....	6
Affiliated Agreements.....	7
FIDELITY BOND AND OTHER INSURANCE.....	8
STATUTORY AND SPECIAL DEPOSITS.....	8
REINSURANCE.....	9
Reinsurance Assumed.....	9
Reinsurance Ceded.....	9
Reinsurance Pooling Agreement.....	10
RESERVES.....	10
ACCOUNTS AND RECORDS.....	11
FINANCIAL EXHIBITS.....	12
FINANCIAL STATEMENTS.....	13
Assets.....	13
Liabilities, Surplus, and Other Funds.....	14
Statement of Income.....	15
Capital and Surplus Account.....	16
COMMENTS ON THE FINANCIAL STATEMENTS.....	17
OTHER SIGNIFICANT FINDINGS.....	17
SUBSEQUENT EVENTS.....	17
Indiana Resident Director.....	17
MANAGEMENT REPRESENTATION.....	17
AFFIDAVIT.....	18



# 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: 317-234-2103  
Website: [in.gov/idoi](http://in.gov/idoi)

January 16, 2024

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 4133, an examination has been made of the affairs and financial condition of:

**Diamond State Insurance Company**  
**211 North Pennsylvania Street, Suite 300**  
**Indianapolis, Indiana 46204**

an Indiana domestic property and casualty insurance company, hereinafter referred to as the "Company." The examination was conducted remotely with assistance from the corporate offices of the Company at 3 Bala Plaza, Suite 300E, Bala Cynwyd, Pennsylvania 19004-3406.

The Report of Examination, showing the financial status of the Company as of December 31, 2022, 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 317-232-5253    COMPANY RECORDS 317-232-2383    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) and covered the period from January 1, 2013 through December 31, 2017. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2018 through December 31, 2022, 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 performed on a coordinated basis with the Pennsylvania Insurance Department (PID), and the Virginia Bureau of Insurance. Pennsylvania served as the Lead State for the coordinated examination. The INDOI relied upon a portion of the coordinated examination work performed by PID and its representatives in its examination of the Company's parent, Global Indemnity Group, LLC (GBLI), and GBLI's insurers.

In conducting the risk-focused examination, the INDOI, by its representatives, relied upon the independent audit reports and opinions contained therein rendered by Ernst & Young LLP for the five (5) year examination period. Such reports were prepared on a statutory basis and reconciled to the financial statements contained in the respective Annual Statements.

The PID and their representatives provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2022.

In accordance with the 2022 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 was incorporated on February 20, 1981 as a domestic property and casualty company under the laws of the State of Delaware and commenced business on April 1, 1982. On July 13, 1993, the Company re-domesticated from Delaware to Indiana. On September 5, 2003, the Company was acquired by Fox Paine & Company, LLC, a private equity group. The Company sold two (2) of its wholly owned subsidiaries, United National Casualty Insurance Company and United National Specialty Insurance Company, to unrelated parties effective December 31, 2013 and September 30, 2016, respectively. On December 31, 2022, Everett Cash Mutual Insurance Company purchased the Company's affiliate, American Reliable Insurance Company (ARIC), from GBLI.

## CAPITAL AND SURPLUS

Pursuant to the Articles of Incorporation, the capital stock authorized for the Company is 1,000,000 shares of common stock with a par value of \$5 per share. As of December 31, 2022, the Company's total capital



and surplus was \$60,953,234, which included: common stock of \$5,000,000, consisting of 1,000,000 issued and outstanding shares; gross paid-in and contributed surplus of \$48,999,623; and unassigned funds (surplus) of \$6,953,611. All issued and outstanding shares were 100% owned by United National Insurance Company (UNIC) as of December 31, 2022.

**DIVIDENDS TO POLICYHOLDERS**

The Company declared and paid the following ordinary dividends to UNIC during the examination period:

<u>Year</u>	<u>Amount</u>
2022	\$4,000,000
2021	-
2020	-
2019	-
2018	<u>3,800,000</u>
Totals	<u>\$7,800,000</u>

The Company notified the INDOI of all declared ordinary dividends to UNIC during the examination period in accordance with the requirements of IC 27-1-23-1.5. There were no extraordinary dividends declared or approved during the examination period.

**TERRITORY AND PLAN OF OPERATION**

The Company is licensed in all 50 states and the District of Columbia. The Company markets its products through professional general agencies that have specific quoting and binding authority, as well as brokerage, in which internal personnel underwrites business submitted by wholesale insurance brokers. The Company operates in the surplus lines marketplace, and targets various homogenous groups and targeted insured segments generally not served by the standard lines marketplace. The Company primarily writes commercial multiple peril and inland marine insurance products.

**GROWTH OF THE COMPANY**

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

<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>
2022	\$239,034,441	\$178,081,207	\$ 60,953,234	\$ 79,509,247	\$ (1,801,987)
2021	175,583,170	128,945,409	46,637,761	71,473,239	3,633,076
2020	156,861,372	113,371,379	43,489,993	61,717,783	3,781,765
2019	113,351,606	80,399,346	32,952,260	53,916,223	4,222,992
2018	104,033,056	75,352,316	28,680,740	39,833,835	(6,515,861)

Note: Amounts are shown in whole dollars and rows may not total due to rounding.

The increases in assets and liabilities from 2021 to 2022 is mainly attributed to the Company's increased participation percentage in its intercompany Pooling Reinsurance Agreement (Please see the "Reinsurance" section of this Report of Examination). The increase in the Company's surplus as regards policyholders in 2022 is primarily a result of a \$20,000,000 capital contribution it received from UNIC on December 27, 2022.

The net loss in 2022 was mostly due to realized capital losses from investments and an increase in the Company's 2022 incurred federal income taxes. The key drivers to the 2018 net loss were related to California Wildfires and Hurricane Michael, as well as an operating loss from the run-off of the Company's reinsurance treaty with its former affiliate, Global Indemnity Reinsurance Company, Ltd.

### LOSS EXPERIENCE

The following exhibit shows the underwriting results of the Company for the period under examination:

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses and Loss Adjustment Expenses (LAE) Incurred</u>	<u>Other Underwriting Expenses Incurred</u>	<u>Losses and LAE Ratio</u>	<u>Other Underwriting Expenses Ratio</u>	<u>Combined Ratio</u>
2022	\$79,509,247	\$47,780,202	\$31,300,531	60.09%	39.37%	99.46%
2021	71,473,239	46,195,978	25,939,968	64.63%	36.29%	100.93%
2020	61,717,783	38,831,030	22,852,222	62.92%	37.03%	99.94%
2019	53,916,223	28,553,790	22,575,245	52.96%	41.87%	94.83%
2018	39,833,835	29,213,288	20,540,622	73.34%	51.57%	124.90%

The above amounts were compiled from the Company's filed Annual Statements and from examination results. A Combined Ratio below 100% generally indicates an underwriting profit. As shown above, the Company reported an underwriting profit for three (3) of the five (5) years covered by the examination. The larger combined ratio for 2018 is a result of the underwriting loss produced by the events described in the Growth of the Company section.

### MANAGEMENT AND CONTROL

#### **Directors**

The Company's Bylaws provide that the business and prudential affairs of the Company shall be managed by a Board of Directors (Board), composed of no less than five (5) and no more than fifteen (15) persons. Board members are elected at the Annual Meeting of the Shareholders and hold office until their successors are duly elected and qualified. The following is a listing of persons serving as directors as of December 31, 2022 and their principal occupations as of that date:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Joseph W. Brown Bedford Corners, NY	Chief Executive Officer United National Insurance Company

David C. Elliott Wenonah, NJ	Senior Vice President, Claims Penn-America Insurance Company
Thomas M. McGeehan King of Prussia, PA	Treasurer and Chief Financial Officer Global Indemnity Services, LTD
Jonathan E. Oltman Center Valley, PA	President United National Insurance Company
Ginny L. Peterson Cincinnati, OH	Senior Partner, Attorney Kightlinger & Gray, LLP
Stephen W. Ries Wayne, PA	Vice President and Secretary United National Insurance Company
Scott J. Sorkin Glen Allen, VA	President, Attorney Bland & Sorkin, P.C.

As of the date of this Report of Examination, the Company did not have an Indiana resident director as required by IC 27-1-7-11. (Please see the "Other Significant Findings" section of this Report of Examination regarding this issue.)

#### Officers

The Company's Bylaws state that the officers of the Company shall consist of: a President, who shall be a member of the Board; one (1) or more Vice-Presidents, a Treasurer, one (1) or more Secretaries, Assistant Treasurers, and Assistant Secretaries, none of whom need be members of the Board; and such officers as the Board may see fit to elect or appoint. In the absence of a President, the directors shall appoint an Executive Vice President to fulfill the duties of the President. The following is a list of key officers and their respective titles as of December 31, 2022:

<u>Name</u>	<u>Title</u>
Jonathan E. Oltman	President
Thomas M. McGeehan	Treasurer and Chief Financial Officer
Stephen W. Ries	Secretary, Vice President, and Senior Corporate Counsel
Thomas P. Gibbons	Executive Vice President and Chief Actuary
David C. Elliott	Senior Vice President, Claims
Brian J. Riley	Senior Vice President and Controller
Nicole F. Reilly	Senior Vice President, Talent and Leadership

## CONFLICT OF INTEREST

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

## OATH OF OFFICE

IC 27-1-7-10(i) requires that every director, when elected, shall take and subscribe to an oath stating that they 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 during the examination period signed an Oath of Office statement.

## CORPORATE RECORDS

### **Articles of Incorporation**

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

### **Bylaws**

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

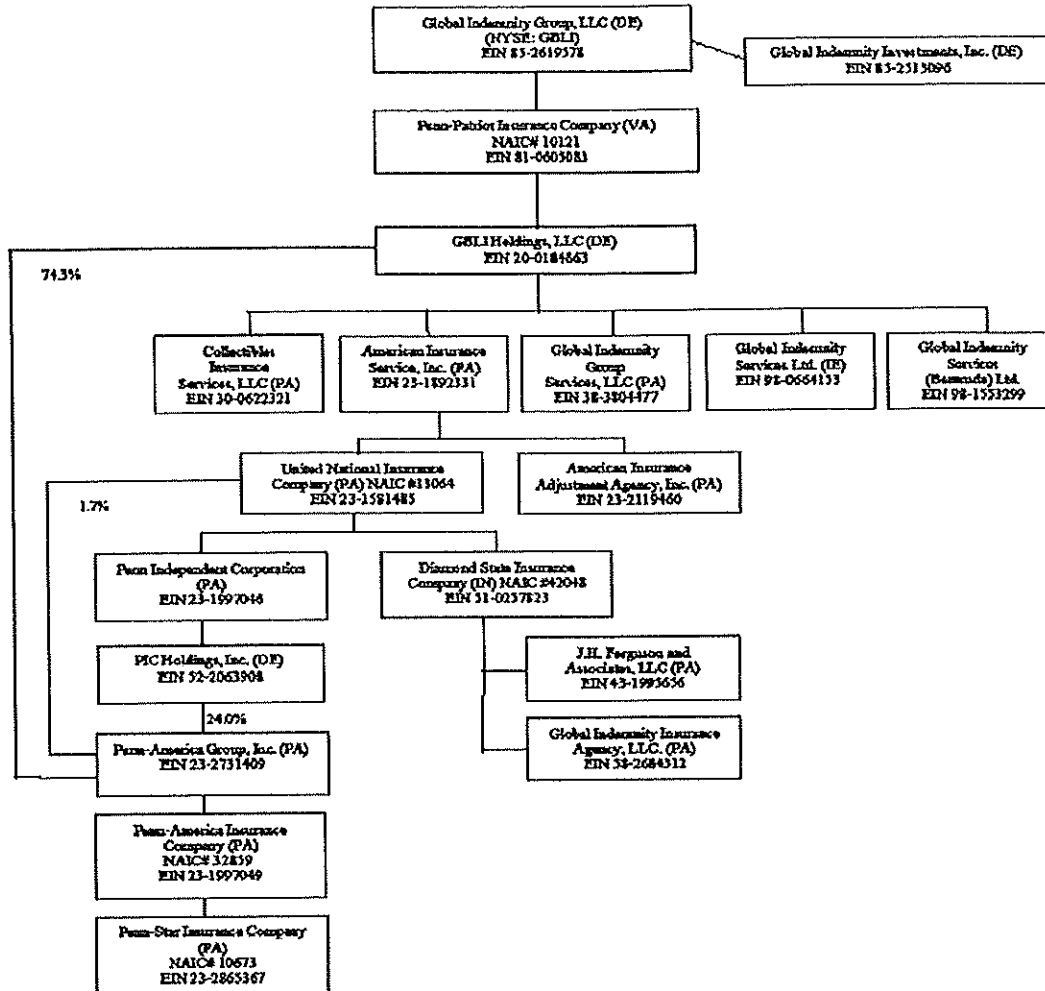
### **Minutes**

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

## AFFILIATED COMPANIES

### **Organizational Structure**

The Company is a member of an insurance holding company system as defined within IC 27-1-23. The following abbreviated organizational chart depicts the Company's relationship within the holding company system:



**Affiliated Agreements**

The following significant affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement and were filed with, and not disapproved by, the INDOI in accordance with IC 27-1-23-4(b)(4).

Amended and Restated Cost Allocation Agreement

Effective December 1, 2015, the insurers within the holding company system, including the Company, participate in an Amended and Restated Cost Allocation Agreement among themselves and with the non-insurance affiliates of GBLI. Under the terms of the agreement, the parties agree to perform certain services and to share in certain expenses, including but not limited to, the operation of certain property, equipment and facilities, and employees. The agreement allows the parties to allocate such expenses in a fair and equitable manner.

Claims Service Agreement

Effective October 1, 1999, the Company entered into a Claims Service Agreement with its affiliate, American Insurance Adjustment Agency, Inc. (AIAA). Under the terms of this agreement, AIAA agrees to

perform certain services for insurance claims investigation and management of insurance claims in exchange for a standard hourly billing rate as established by the Company.

Amended and Restated Tax Sharing Agreement

Effective December 31, 2018, the Company entered into an Amended and Restated Tax Sharing Agreement by and among the affiliates of GBLI. Under this agreement, the federal tax liability determined at the end of the taxable year of any individual insurer member of the affiliated group will not be more than it would have paid if it had filed on a separate return basis. Intercompany tax balances are settled with payments made within 60 days of the filing of the affiliated groups' return and refunds are paid within 60 days after receipt of any tax refund.

Intercompany Reinsurance Agreements

Please refer to the "Reinsurance" section of this Report of Examination for a summary of the intercompany Reinsurance Pooling Agreement.

**FIDELITY BOND AND OTHER INSURANCE**

The Company is protected by a fidelity bond issued by the Federal Insurance Company, which is part of the Chubb Group of Insurance Companies. The Company is insured for losses up to \$10,000,000 per loss and an aggregate loss limit of \$20,000,000 with a \$250,000 deductible. In addition, the Company and its affiliates have a financial institution bond excess policy with a single loss limit of \$5,000,000 issued by the Continental Casualty Company. The fidelity bond limit was adequate to meet the prescribed minimum coverage specified by the NAIC. Other various interests of the Company are protected by appropriate policies of insurance.

**STATUTORY AND SPECIAL DEPOSITS**

The Company reported statutory and special deposits comprised of cash and U.S. Treasury Bonds held by various state insurance departments as of December 31, 2022:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
<b>For the Benefit of All Policyholders:</b>		
Indiana	\$ 2,606,958	\$ 2,497,919
<b>All Other Special Deposits:</b>		
Alabama	1,198,908	1,188,852
Delaware	199,818	198,142
Georgia	149,863	148,607
Massachusetts	249,653	223,008
Nevada	339,528	303,290
New Mexico	324,704	321,981
North Carolina	324,704	321,981
Oregon	149,863	148,607
South Carolina	249,772	247,678
Tennessee	249,772	247,678

Virginia	275,500	273,466
Total Deposits	<u>\$ 6,319,043</u>	<u>\$ 6,121,209</u>

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

## REINSURANCE

### Reinsurance Assumed

#### Loss Portfolio Transfer, Unearned Premium and Prospective Quota Share Reinsurance Agreement

Effective October 1, 2022, the Company entered into a Loss Portfolio Transfer, Unearned Premium and Prospective Quota Share Reinsurance Agreement (LPT) with its former affiliate, ARIC. As a result of GBLP's sale of ARIC, all net retained business from ARIC as of October 1, 2022, was ceded to the Company under the terms of the LPT on a 100% quota share basis.

Other than the LPT and the intercompany Reinsurance Pooling Agreement described below, the Company did not assume any significant reinsurance during the examination period.

### Reinsurance Ceded

The Company's reinsurance program in effect at December 31, 2022 included the following significant contracts:

#### Property Excess of Loss Reinsurance Contract

Effective January 1, 2022, the Company entered into a Property Excess of Loss Reinsurance Contract with multiple reinsurers. The contract covers all policies classified by the Company as Property, Inland Marine, and Automobile Physical Damage. The contract provides coverage through two (2) layers for losses of \$8,000,000 per risk per occurrence in excess of \$2,000,000 per risk per occurrence, subject to a total per occurrence limit of \$26,000,000 for both layers combined. Both layers are 100% placed with the participating reinsurers.

#### Property Catastrophe Excess of Loss Reinsurance Contract

Effective June 1, 2022, the Company entered into a Property Catastrophe Excess of Loss Reinsurance Contract with multiple reinsurers. The contract covers all policies classified by the Company as Property. The contract provides coverage through three (3) layers for losses of \$115,000,000 per occurrence in excess of \$10,000,000 per occurrence, subject to aggregate limits per layer for a maximum of \$230,000,000 for all loss occurrences under the contract. The first layer provides coverage of 40% of \$10,000,000 per occurrence in excess of \$10,000,000 per occurrence. The second layer provides coverage of \$30,000,000 per occurrence in excess of \$20,000,000 per occurrence, and the third layer provides coverage of \$75,000,000 per occurrence in excess of \$50,000,000 per occurrence. The second and third layers are 100% placed with the participating reinsurers.

#### Casualty Excess of Loss Reinsurance Contract

Effective January 1, 2018, the Company entered into a Casualty Excess of Loss Reinsurance Contract with

multiple reinsurers. The contract covers all policies classified by the Company as Personal and Commercial, Casualty and Liability business. The contract provides coverage of \$10,000,000 per occurrence in excess of \$2,500,000 per occurrence, subject to an aggregate limit of \$20,000,000 for all loss occurrences under the contract. The contract is 100% placed with the participating reinsurers.

### **Reinsurance Pooling Agreement**

Effective January 1, 2009, the Company entered into an intercompany Reinsurance Pooling Agreement with the other GBLI insurers (Pool Members), whereby UNIC is the lead company of the pool. Under the terms of this agreement, each insurer cedes 100% of its premiums and liabilities to UNIC net of third-party reinsurance. UNIC then retrocedes the net retained pooled business to the Pool Members in the following participation percentages as of October 1, 2022:

United National Insurance Company (lead company)	43.0%
Penn-America Insurance Company	23.0%
Diamond State Insurance Company	17.0%
Penn-Patriot Insurance Company	10.0%
Penn-Star Insurance Company	7.0%

Prior to October 1, 2022, the following companies participated in the pool:

United National Insurance Company (lead company)	30.0%
American Reliable Insurance Company	30.0%
Penn-Star Insurance Company	16.0%
Diamond State Insurance Company	12.0%
Penn-Patriot Insurance Company	7.0%
Penn-America Insurance Company	5.0%

### **RESERVES**

Brian Z. Brown, FCAS, MAAA, with the firm of Milliman, Inc., is the Appointed Actuary for the Company. Mr. Brown was appointed by the Board to render an actuarial opinion on the statutory-basis reserves of the Company for 2022.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2022. In forming the opinion on loss and loss adjustment expense reserves, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used, and such tests of the calculations as considered necessary.

The 2022 opinion stated the amounts carried in the balance sheet on account of the actuarial items identified in the opinion; A) meet the requirements of the insurance laws of the State of Indiana, B) are consistent with reserves computed in accordance with standards of practice promulgated by the Actuarial Standards Board, C) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

During the examination, it was determined by the lead state's consulting actuaries, with the firm Taylor-Walker Consulting, LLC, the Company's carried loss and LAE reserve amounts are reasonably stated as of



December 31, 2022, and met the requirements of the insurance laws of the State of Indiana.

### 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 year ending December 31, 2022, was agreed to the Annual Statement without exception. The Company's independent auditors issued an unmodified opinion on the Company's audited Statutory Financial Statements for each year of the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2022, with no exceptions noted. All of the independent audit work papers were made available to Thomas Consulting during the examination.

Overall, Thomas Consulting determined the Company's accounting procedures, practices, and account 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.

DIAMOND STATE INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2022

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Bonds	\$ 175,058,968	\$ -	\$ 175,058,968	\$ 124,473,393
Preferred stocks	2,636,003	-	2,636,003	3,471,773
Cash, cash equivalents and short-term investments	3,824,346	-	3,824,346	6,171,382
Other invested assets	-	-	-	6,096,683
Subtotals, cash and invested assets	<u>\$ 181,519,317</u>	<u>\$ -</u>	<u>\$ 181,519,317</u>	<u>\$ 140,213,231</u>
Investment income due and accrued	\$ 1,082,724	\$ -	\$ 1,082,724	\$ 501,191
Uncollected premiums and agents' balances in the course of collection	21,530,218	-	21,530,218	17,394,969
Deferred premiums, agent's balances and installments booked but deferred and not yet due	4,524,889	-	4,524,889	1,381,581
Amounts recoverable from reinsurers	2,159,014	-	2,159,014	690,261
Funds held by or deposited with reinsured companies	24,675,196	-	24,675,196	3,474,923
Net deferred tax asset	3,108,189	-	3,108,189	2,050,122
Guaranty funds receivable or on deposit	11,028	-	11,028	13,657
Receivables from parent, subsidiaries and affiliates	-	-	-	9,863,235
Aggregate write-ins for other-than-invested assets	423,866	-	423,866	-
<b>Totals</b>	<u><u>\$ 239,034,441</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 239,034,441</u></u>	<u><u>\$ 175,583,170</u></u>

**DIAMOND STATE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Liabilities, Surplus, and Other Funds**

**As of December 31, 2022**

	<b>Per Annual Statement</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>	<b>December 31, Prior Year</b>
Losses	\$ 103,386,068	\$ -	\$ 103,386,068	\$ 63,219,027
Reinsurance payable on paid losses and loss adjustment expenses	-	-	-	4,938,145
Loss adjustment expenses	24,336,259	-	24,336,259	15,657,025
Commissions payable, contingent commissions and other similar charges	1,142,974	-	1,142,974	344,195
Other expenses	18,841	-	18,841	52,824
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,875	-	1,875	12
Current federal and foreign income taxes	1,337,534	-	1,337,534	1,136,016
Unearned premiums	42,828,455	-	42,828,455	31,568,634
Ceded reinsurance premiums payable	2,930,940	-	2,930,940	4,514,613
Amounts withheld or retained by company for account of others	236,529	-	236,529	-
Remittances and items not allocated	25,321	-	25,321	27,333
Provision for reinsurance payable to parent, subsidiaries and affiliates	32,000	-	32,000	61,000
Payable for securities	1,732,036	-	1,732,036	7,255,050
Aggregate write-ins for liabilities	12,629	-	12,629	100,000
Total liabilities	<u>59,746</u>	<u>-</u>	<u>59,746</u>	<u>71,535</u>
Common capital stock	\$ 178,081,207	\$ -	\$ 178,081,207	\$ 128,945,409
Gross paid in and contributed surplus	\$ 5,000,000	\$ -	\$ 5,000,000	\$ 5,000,000
Unassigned funds (surplus)	48,999,623	-	48,999,623	28,999,623
Surplus as regards policyholders	<u>6,953,611</u>	<u>-</u>	<u>6,953,611</u>	<u>12,638,138</u>
<b>Totals</b>	<u>\$ 239,034,441</u>	<u>\$ -</u>	<u>\$ 239,034,441</u>	<u>\$ 175,583,170</u>

**DIAMOND STATE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Statement of Income**

**As of December 31, 2022**

	<b>Per Annual Statement</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>	<b>December 31, Prior Year</b>
<b>Underwriting Income</b>				
Premiums earned	\$ 79,509,247	\$ -	\$ 79,509,247	\$ 71,473,239
<b>DEDUCTIONS</b>				
Losses incurred	39,549,587	-	39,549,587	38,913,322
Loss adjustment expenses incurred	8,230,615	-	8,230,615	7,282,656
Other underwriting expenses	31,300,531	-	31,300,531	25,939,968
Total underwriting deductions	<u>79,080,733</u>	<u>-</u>	<u>79,080,733</u>	<u>72,135,946</u>
<b>Net underwriting gain (loss)</b>	<b>\$ 428,514</b>	<b>\$ -</b>	<b>\$ 428,514</b>	<b>\$ (662,707)</b>
<b>Investment Income</b>				
Net investment income earned	\$ 3,340,071	\$ -	\$ 3,340,071	\$ 1,993,177
Net realized capital gains (losses)	(4,217,972)	-	(4,217,972)	(391,678)
<b>Net investment gain (loss)</b>	<b>\$ (877,901)</b>	<b>\$ -</b>	<b>\$ (877,901)</b>	<b>\$ 1,601,499</b>
<b>Other Income</b>				
Net gain (loss) from agent's or premium balance charged off	\$ 826	\$ -	\$ 826	\$ (30,039)
Aggregate write-ins for miscellaneous income	-	-	-	3,877,982
<b>Total other income</b>	<b>\$ 826</b>	<b>\$ -</b>	<b>\$ 826</b>	<b>\$ 3,847,943</b>
Net income before dividends to policyholders, after capital gains tax and before all federal and foreign income taxes	\$ (448,561)	\$ -	\$ (448,561)	\$ 4,786,735
Dividends to policyholders	-	-	-	-
Net income after dividends to policyholders, after capital gains tax and before all federal and foreign income taxes	\$ (448,561)	\$ -	\$ (448,561)	\$ 4,786,735
Federal and foreign income taxes incurred	1,353,426	-	1,353,426	1,153,659
<b>Net Income</b>	<b>\$ (1,801,987)</b>	<b>\$ -</b>	<b>\$ (1,801,987)</b>	<b>\$ 3,633,076</b>

**DIAMOND STATE INSURANCE COMPANY**

**FINANCIAL STATEMENTS**

**Capital and Surplus Account**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Surplus as regards policyholders, December 31, prior year	\$46,637,761	\$43,489,994	\$32,952,260	\$28,680,740	\$38,531,056
Net income	\$ (1,801,987)	\$ 3,633,076	\$ 3,781,765	\$ 4,222,992	\$ (6,515,861)
Change in net unrealized capital gains or losses	(954,109)	91,693	(889,154)	21,265	(27,459)
Change in net deferred income tax	1,326,897	67,242	520,742	110,493	395,135
Change in nonadmitted assets	(284,328)	(639,244)	1,121,381	(52,087)	104,726
Change in provision for reinsurance	29,000	(5,000)	3,000	(31,143)	(6,857)
Surplus adjustments Paid in Dividends to stockholders	20,000,000 (4,000,000)	- -	6,000,000 -	- -	- (3,800,000)
<b>Change in surplus as regards policyholders for the year</b>	<b><u>\$14,315,473</u></b>	<b><u>\$ 3,147,767</u></b>	<b><u>\$10,537,734</u></b>	<b><u>\$ 4,271,519</u></b>	<b><u>\$ (9,850,316)</u></b>
<b>Surplus as regards policyholders, December 31, current year</b>	<b><u>\$60,953,234</u></b>	<b><u>\$46,637,761</u></b>	<b><u>\$43,489,994</u></b>	<b><u>\$32,952,260</u></b>	<b><u>\$28,680,740</u></b>

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2022 based on the results of this examination.

### OTHER SIGNIFICANT FINDINGS

#### Indiana Resident Director

As of the date of this Report of Examination, the Company did not have an Indiana resident director as required by IC 27-1-7-11. (Please see the "Subsequent Events" section of this Report of Examination.)

### SUBSEQUENT EVENTS

#### **Indiana Resident Director**

Effective January 24, 2024, Casey R. Stafford, an Indiana resident, was appointed to the Board by the Company's sole shareholder. As a result, the Company is now in compliance with the provisions of IC-27-1-7-11.

There were no other events after the examination date, and before the completion of fieldwork, that were considered material events requiring disclosure in this Report of Examination.

### 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.





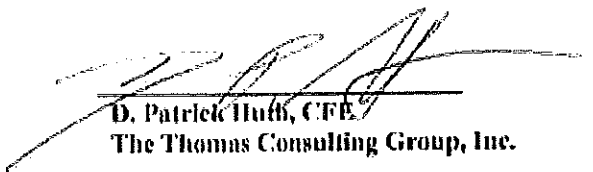
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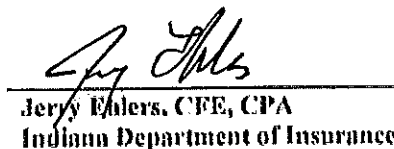
This is to certify that the undersigned is a duly qualified Examiner-In-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from The Thomas Consulting Group, Inc., performed an examination of the **Diamond State Insurance Company** as of **December 31, 2022**.

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 2022 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 **Diamond State Insurance Company** as of **December 31, 2022**, as determined by the undersigned.


  
D. Patrick Huth, CFE  
The Thomas Consulting Group, Inc.

  
Jerry Ehlers, CFE, CPA  
Indiana Department of Insurance

State of:  
County of:

On this 10<sup>th</sup> day of June, 2024, before me personally appeared, D. Patrick Huth 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

DARCY L. SHAWVER  
NOTARY PUBLIC  
SEAL  
MARION COUNTY, STATE OF INDIANA  
MY COMMISSION EXPIRES OCTOBER 4, 2025  
COMMISSION NO 708088

