

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**

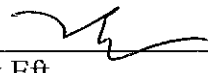
**NOTICE OF ENTRY OF ORDER**

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 amended by the Final Order, 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 27, 2024  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7018 1130 0001 7982 7021**

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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, 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 May 15, 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 June 6, 2024 and was received by the Company on June 10, 2024.

On June 26, 2024 pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2022.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance 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, as amended, 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, as amended. 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 27 day of  
June, 2024.

  
\_\_\_\_\_  
Amy L. Beard  
Insurance Commissioner

## **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, 2022



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

May 15, 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 4146, 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, 2022, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES	COMPANY COMPLIANCE	CONSUMER SERVICES	FINANCIAL SERVICES	MEDICAL MALPRACTICE	COMPANY RECORDS	STATE HEALTH INSURANCE PROGRAM
317-232-2389	317-232-3495	317-232-2395/1-800-622-4461	317-232-2390	317-232-5253	317-232-2383	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, 2017, through December 31, 2021. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2022, 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 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.

The examination of the Ohio domestic insurance companies of The Progressive Corporation (TPC) was called by the Ohio Department of Insurance (OHDOI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The OHDOI served as the lead state on the examination, and the INDOI and the state insurance departments representing Florida, Illinois, Louisiana, Michigan, New Jersey, New York, Texas, and Wisconsin served as participants.

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, 2022.

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-eight (48) states and the District of Columbia. Effective August 1, 2018, B&L changed its name to Protective Insurance Corporation (Protective Corp).

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



The following is a listing of persons serving as directors as of December 31, 2022, and their principal occupations as of that date:

Name and Address	Principal Occupation
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
Matthew F. Moore Sheridan, Indiana	Chief Financial 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

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, 2022:

Name	Office
Michael J. Miller	President and Chief Executive 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
Ronald A. Goshen	Treasurer
Matthew F. Moore	Chief Financial Officer
Patrick S. Schmiedt	Chief Underwriting Officer

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

## CAPITAL AND SURPLUS

As of December 31, 2022, the Company had 60,000 shares of common stock 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 stock shares have been owned by PIC throughout the examination period.

## DIVIDENDS TO STOCKHOLDERS

The Company paid no dividends during the examination period. In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer of the prior year.

## TERRITORY AND PLAN OF OPERATION

PSIC is licensed in Indiana and is approved as an excess and surplus lines writer in forty-eight (48) states and the District of Columbia. The excess and surplus lines approvals do not include Florida. In 2022, the Company's largest two (2) states with regards to direct premiums written were California and Texas 17% and 15%, respectively.

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 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 (Loss)</u>
2022	\$ 71,641,428	\$ 4,747,823	\$ 66,893,605	\$ 1,758,220	\$ (162,745)

## 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 eight (8) 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. It was determined that during the May 2022 Shareholder meeting only seven (7) directors were elected and only six (6) were reported on the 2022 Annual Statement Jurat page. See Other Significant Issues section of this Report of Examination.

## 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, 2022.

## 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 not all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2022. See the Other Significant Issues section of this Report of Examination.

## 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 (4) 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. For the year under review, the annual meeting of shareholders was held within five (5) months following the close of the fiscal year but was not in compliance with the Company's Bylaws regarding meeting dates. See the Other Significant Issues section of this Report of Examination.

## AFFILIATED COMPANIES

### Organizational Structure

The following abbreviated organizational chart shows the Company's parent and affiliates as of December 31, 2022:

	NAIC Co. Code	Domiciliary State/Country
The Progressive Corporation		OH
Progressive Commercial Holdings, Inc.		DE
Protective Insurance Corporation		IN
<b>Protective Insurance Company</b>	<b>12416</b>	<b>IN</b>
<b>Protective Specialty Insurance Company</b>	<b>13149</b>	<b>IN</b>
<b>Sagamore Insurance Company</b>	<b>40460</b>	<b>IN</b>
B&L Insurance LTD.		Bermuda
B&L Management, Inc.		DE
B&L Brokerage Services, Inc.		IN
Transport Specialty Insurance Agency, Inc.		MI
Progressive Direct Holdings, Inc.		DE
<b>Progressive Paloverde Insurance Company</b>	<b>44695</b>	<b>IN</b>
Progressive Agency Holdings, Inc.		DE
<b>Progressive Southeastern Insurance Company</b>	<b>38784</b>	<b>IN</b>
ARX Holding Corp.		DE
<b>ASI Select Insurance Corp.</b>	<b>14042</b>	<b>IN</b>

### 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 an Investment Services Agreement with Progressive Capital Management Corporation (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 2022, PSIC paid \$14.9 thousand to PCMC for these services.

#### *Allocation of Federal Income Taxes Agreement*

Effective June 1, 2021, the Company participates in an Allocation of Federal Income Taxes 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 reimbursing for various expenses paid by Protective Corp. In 2022, PSIC paid Protective Corp \$53.9 thousand 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 2022, PSIC did not pay any amounts to PIC under this agreement.

#### *Parental Guaranty Agreement*

Effective January 1, 2010, PIC and PSIC 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.

#### *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.

#### *Interest Agreement*

The Company became a participant, effective February 1, 2022, 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 million, with an aggregate amount of \$2 million, and a \$10 million 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, 2022, 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

The Company does not have employees or payroll and as such, does not have legal obligations for employee benefit plans. Employees of other TPC entities provide management, operations, investment, and claims service under the agreements previously described in the Affiliated Agreement section of this Report of Examination.

## SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits, as of December 31, 2022:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 2,702,364	\$ 2,489,707
All Other Special Deposits:		
Kentucky	629,176	579,665
Massachusetts	732,320	674,692
Total Deposits	<u>\$4,063,860</u>	<u>\$3,744,064</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. PIC incurred \$263.6 thousand in losses and expenses under this agreement in 2022. PSIC did not cede any premium under this agreement in 2022.

Under the Contingent Liability Quota Share Reinsurance Agreement dated October 1, 2010, PIC and SIC indemnify PSIC for certain losses and expenses. In 2022, no premiums were ceded by PSIC to PIC or SIC, and PSIC incurred no losses or expenses under this agreement.

Under the Commercial Quota Share Reinsurance Agreement dated March 14, 2009, SIC cedes certain risks to PSIC. No premium was ceded and no losses were incurred under this agreement in 2022.

Under the Professional Liability Quota Share Reinsurance Agreement dated December 1, 2009, PIC and SIC cede certain risks to PSIC. In 2022, PSIC incurred \$786.1 thousand in losses and expenses from PIC. No premium was ceded under this agreement in 2022.

## 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, 2022 was agreed to the Annual Statement. The Annual Statement for the year ended December 31, 2022 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, 2022

	<u>Per Examination*</u>
Bonds	\$ 63,969,174
Cash, cash equivalents and short-term investments	4,593,925
Receivable for securities	32,500
Subtotal, cash and invested assets	<u>68,595,599</u>
Investment income due and accrued	268,962
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	2,340,034
Reinsurance:	
Amounts recoverable from reinsurers	313,860
Net deferred tax asset	120,473
Receivables from parent, subsidiaries and affiliates	2,500
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>71,641,428</u>
Total	<u>\$ 71,641,428</u>

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\* 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, 2022

	Per Examination*
Losses	\$ 1,507,608
Reinsurance payable on paid losses and loss adjustment expenses	15,790
Loss adjustment expenses	444,257
Commissions payable, contingent commissions and other similar charges	(734,664)
Taxes, licenses and fees	33,680
Current federal and foreign income taxes	69,202
Unearned premiums	3,020,947
Ceded reinsurance premiums payable	301,113
Payable to parent, subsidiaries and affiliates	72,472
Aggregate write-ins for liabilities	17,418
Total liabilities excluding protected cell liabilities	4,747,823
Total liabilities	4,747,823
Common capital stock	6,000,000
Gross paid in and contributed surplus	48,000,000
Unassigned funds (surplus)	12,893,605
Surplus as regards policyholders	66,893,605
Totals	\$ 71,641,428

\* 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  
As of December 31, 2022

	<u>Per Examination*</u>
<b>UNDERWRITING INCOME</b>	
Premiums earned	\$ 1,758,220
<b>DEDUCTIONS</b>	
Losses incurred	1,251,562
Loss adjustment expenses incurred	228,244
Other underwriting expenses incurred	981,567
Total underwriting deductions	2,461,373
Net underwriting gain (loss)	(703,153)
<b>INVESTMENT INCOME</b>	
Net investment income earned	1,144,912
Net realized capital gains or (losses) less capital gains tax	(350,844)
Net investment gain (loss)	794,068
<b>OTHER INCOME</b>	
Net gain (loss) from agents' or premium balances charged off	(6)
Total other income	(6)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	90,909
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	90,909
Federal and foreign income taxes incurred	253,654
Net income (loss)	\$ (162,745)

\* 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

	<u>2022</u>
Surplus as regards policyholders, December 31 prior year	66,895,933
Net income (loss)	(162,745)
Change in net deferred income tax	<u>160,417</u>
Change in surplus as regards policyholders for the year	<u>(2,328)</u>
Surplus as regards policyholders, December 31 current year**	<u>\$ 66,893,605</u>

\*\*The balance includes immaterial rounding differences.

## COMMENTS ON THE FINANCIAL STATEMENTS

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

## OTHER SIGNIFICANT ISSUES

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of eight (8) directors. It was determined that during the May 2022 Shareholder meeting only seven (7) directors were elected and only six (6) were reported on the 2022 Annual Statement Jurat page.

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 not all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2022. It is recommended that every director shall take and subscribe to an Oath of Office at the time of annual election to the Board.

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 (4) 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. For the year under review, the annual meeting of shareholders was held within five (5) months following the close of the fiscal year but was not in compliance with the Company's Bylaws regarding meeting dates.

## 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, 2022.

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, 2022, as determined by the undersigned.

*Paul Ellis*

Paul Ellis, CFE  
Noble Consulting Services, Inc.

State of: Ohio  
County of: Mahoning

On this 6 day of JUNE, 2024, before me personally appeared, Paul Ellis, 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.

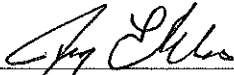
My commission expires: 10-10-2025 *Hilbert*  
Notary Public



DENISE HILBERT  
Notary Public, State of Ohio  
My Commission Expires October 10, 2025



Under the Supervision of:



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

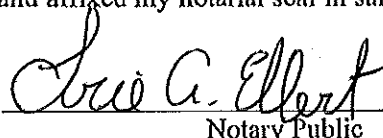
State of: Indiana  
County of: Marion

On this 10<sup>th</sup> day of June, 2024, before me personally appeared, 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:

July 11, 2025



Notary Public

Lorie A. Ellert

Lorie A Ellert  
Notary Public  
**SEAL**  
Marion County, State of Indiana  
My Commission Expires July 11, 2025  
Commission #702622

