

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

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

Examination of: **Protective Insurance Company**

**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Amy L. Beard, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Protective 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 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  
 ) SS:  
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**Protective Insurance Company** )  
**111 Congressional Boulevard, Suite 500** )  
**Carmel, Indiana 46032** )

Examination of: **Protective Insurance Company**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Protective 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.

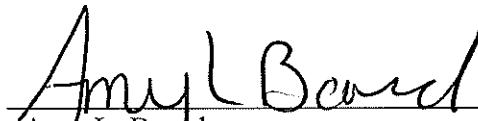
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Protective Insurance Company as of December 31, 2021.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Protective Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

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

Signed this 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 INSURANCE COMPANY**

NAIC Co. CODE 12416  
NAIC GROUP CODE 0155

As of

December 31, 2021

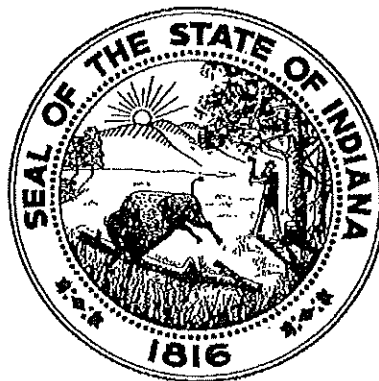


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# STATE OF INDIANA

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](http://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 4109, an examination has been made of the affairs and financial condition of:

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

hereinafter referred to as the "Company", or "PIC", 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

## 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

PIC is a stock, property and casualty insurance company incorporated on December 21, 1954, under the provisions of the 1935 Acts of the Indiana General Assembly. The Company was a subsidiary of Baldwin & Lyons, Inc. (B&L), a publicly traded company formed in 1930. PIC specializes in underwriting commercial casualty insurance for the trucking industry.

On December 15, 1985, B&L contributed the stock of Sagamore Insurance Company (SIC) to PIC. SIC was formed on December 15, 1981. In addition, the Company is the parent of Protective Specialty Insurance Company (PSIC), a surplus lines writer that was formed on May 1, 2008. 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 SIC.

## CAPITAL AND SURPLUS

As of December 31, 2021, the Company had 765,000 common shares authorized, issued, and outstanding, with a par value of \$10 each. The Company had no preferred stock authorized, issued, or outstanding.



## DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, (in 000s), to Protective Corp during the examination period:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>
2021	\$ 10,000	\$ 10,000
2020	18,000	18,000
2019	32,000	32,000
2018	5,000	5,000
2017	10,000	10,000
Total	<u>\$ 75,000</u>	<u>\$ 75,000</u>

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. Dividends paid by the Company during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

## TERRITORY AND PLAN OF OPERATION

PIC is licensed in all fifty (50) states, the District of Columbia, Puerto Rico, and all Canadian provinces. In 2021, the Company's top state with regards to direct premiums written was Pennsylvania, representing approximately 23% of total written premiums. No other state made up over 7% of direct writings in 2021.

The Company specializes in marketing and underwriting property, liability, and workers' compensation coverage for trucking fleets, as well as coverage for transportation industry independent contractors. PIC provides coverage for larger companies in the motor carrier industry that retain substantial amounts of self-insurance, for independent contractors utilized by trucking and delivery companies, and for medium-size and small trucking companies on a first-dollar deductible basis. This group of products is collectively referred to as commercial automobile. Large fleet trucking products are marketed both directly to commercial automobile clients and through relationships with non-affiliated brokers and specialized agents. Products for small and intermediate fleets and independent contractors are marketed through relationships with non-affiliated brokers and specialized agents.

## GROWTH OF THE COMPANY

The following table summarizes the financial results, (in 000s), 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	\$1,236,212	\$ 845,802	\$ 390,410	\$ 496,038	\$ 67,391
2020	1,130,716	784,482	346,234	415,159	(4,052)
2019	1,078,985	708,475	370,509	407,672	14,014
2018	973,853	579,241	394,612	394,700	29,944
2017	885,623	465,253	420,370	307,423	20,338

\* The balances include immaterial rounding differences.

The increase in net admitted assets for 2021 was associated with the increase in premiums written and earned, which were offset by increases in losses, loss expenses and other underwriting expenses.

The increase in surplus is primarily due to net underwriting and investment gains, offset by dividends paid to Protective Corp, the previous parent company.

The increase in net income in 2021 was due to improved underwriting results and higher realized capital 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 PIC and would not be accurate titles for TPC.

### Officers

The Bylaws state that the elected officers of the Company shall consist of a Chairman/Executive Chairman, a Chief Executive Officer, a Chief Operating 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 and until his/her successor shall be duly elected and qualified.

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

Name	Office
Michael J. Miller *	Chairman, 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
Ashley J. Burris *	Vice President and Chief Financial Officer
Sally B. Wignall	Vice President, General Counsel, and Secretary
Ronald A. Goshen	Treasurer
Bahram D. Omidfar	Chief Information Officer
Patrick S. Schmiedt	Senior Vice President, Underwriting

\* 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 PIC 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

The Bylaws of the Company were amended on November 17, 2017, with changes to Article III - Meeting of Shareholders at Section 2. - Annual Meetings to read, “meeting shall be held on the first Tuesday in May of each

year, or on such other date twelve (12) business days prior to or following this date as may be designated by the Board of Directors”. Previously the Bylaws read, “meetings shall 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 of Directors”.

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 Company’s Bylaws specify the date of the annual meeting of shareholders is to be held on the first Tuesday in May each year, or on such other date twelve (12) business days prior to or following this date as designated by the Board. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

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 subsidiaries or 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
<b>Protective Insurance Company</b>	<b>12416</b>	IN
<b>Protective Specialty Insurance Company</b>	<b>13149</b>	IN
<b>Sagamore Insurance Company</b>	<b>40460</b>	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 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, PIC did not pay any amounts to PCMC for these services.

#### Allocation to Federal Incomes Taxes

PIC was a party to a consolidated federal tax sharing 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.

#### Joint Servicing Agreement

Effective June 1, 2021, PIC and Protective Corp entered into a Joint Servicing (cost allocation) Agreement with United Financial Casualty Company (UFCC), an insurance affiliate domiciled in Ohio. Under the terms of the agreement, UFCC may provide various services to PIC. Additionally, PIC, from time to time, may provide services to UFCC and, on UFCC's behalf, to affiliates of the parties. In exchange for these services, the companies charge management fees based on each company's use of the other's services. During 2021, PIC did not pay any amounts to UFCC for these services.

#### 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, PIC paid Protective Corp \$59,674,203 under this agreement.

#### Building Occupancy Expense Allocation Agreement

PIC owns the home office building utilized by Protective Corp, PSIC and SIC. 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 while SIC paid PIC \$305,713 and Protective Corp paid PIC \$305,902.

#### Agency Agreement

Protective Corp, in its capacity as an insurance broker, places risks with PIC pursuant to an Agency Agreement. Commissions vary by product and are commensurate with those allowed other agents and brokers. The Agency Agreement with PIC was executed in 2006 and was amended and restated in 2017. Protective Corp collects the premiums and withholds the commissions when remitting payment to PIC. During 2021, PIC incurred \$11,323,202 in commissions for business placed with it by Protective Corp.

### Cash Management Agreement

Effective December 1, 2021, PIC 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

The Company has a Parental Guaranty Agreement (the Guaranty) with its wholly owned subsidiary, PSIC. The Guaranty requires the Company to furnish the necessary capital if PSIC becomes financially unable, for any reason, to respond to its liabilities and/or obligations. The Company will make payment promptly upon demand by PSIC. The Guaranty was approved 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 the 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 401(k) expenses

under the plan maintained by Protective Corp was \$1,043,000 in 2021, and the Company's share of 401(k) expenses under the plan maintained by TPC was \$829,000 in 2021.

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 Gainsharing 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, (in 000s), as of December 31, 2021:

State	Book Value	Fair Value
For All Policyholders:		
Arkansas	383	388
California	78,883	78,157
Delaware	110	109
Indiana	2,758	2,733
Oregon	240	250
All Other Special Deposits:		
Georgia	109	112
Idaho	773	773
Massachusetts	533	528
Nevada	325	321
New Mexico	310	320
North Carolina	334	344
Oregon	2,361	2,419
Tennessee	109	112
Virginia	220	221
Puerto Rico	201	257
Total Deposits	87,649	87,042

\* The balances include immaterial rounding differences.

### 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, 2016, PIC indemnifies SIC for certain losses and expenses. PIC paid \$4,920,821 in reimbursements to SIC under this agreement in 2021.

Under an agreement effective January 15, 2003, SIC cedes certain excess of loss risks to PIC. In 2021, nothing was ceded from SIC to PIC and PIC recognized a reduction of losses and expenses of \$121,203 under this agreement.

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 cede certain risks to PSIC. In 2021, no premiums were ceded under this agreement. PIC ceded \$1,055,752 in losses and expenses to PSIC under this agreement in 2021.

Under the Professional Liability Quota Share Reinsurance Agreement dated December 1, 2009, PIC and SIC cede certain risks to PSIC. No premiums were ceded and no losses were incurred under this agreement in 2021.

#### Ceded Reinsurance

PIC cedes portions of its gross premiums written to certain insurers using excess of loss, quota share, and facultative agreements for commercial automobile and workers' compensation business. These agreements principally provide PIC with the ability to offer the higher limits required by trucking company insureds.

PIC cedes certain risks to B&L Insurance Ltd. under an Agreement dated August 1, 1981. PIC receives ceding commissions commensurate with industry standards and associated acquisition expenses. In 2021, PIC ceded premium to B&L Insurance, Ltd. of \$166,560 and B&L Insurance, Ltd. incurred \$75,795 in losses and expenses under this agreement.

#### Assumed Reinsurance

Effective October 1, 1994, B&L Insurance, Ltd. cedes certain risks to PIC. In 2021, B&L Insurance, Ltd. ceded premium to PIC of \$385,439 and PIC incurred no losses and expenses under this agreement.

PIC also assumes reinsurance voluntarily from other insurers using treaty arrangements and participates in certain reinsurance pools that require insurance companies to provide coverage on assigned risks. The assigned risk pools allocate participation to all insurers based upon each insurer's portion of the premium writings on a state or national level.

### 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 INSURANCE COMPANY

#### Assets

As of December 31, 2021

(in 000s)

	<u>Per Examination*</u>
Bonds	\$ 673,767
Stocks:	
Common stocks	228,287
Mortgage loans on real estate:	
Other than first liens	2,412
Real estate:	
Properties occupied by the company	26,188
Cash, cash equivalents and short-term investments	101,725
Other invested assets	7,232
Aggregate write-ins for invested assets	12,808
Subtotal, cash and invested assets	<u>1,052,418</u>
Investment income due and accrued	1,939
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	93,937
Accrued retrospective premiums	(1,235)
Reinsurance:	
Amounts recoverable from reinsurers	33,473
Funds held by or deposited with reinsured companies	2,500
Net deferred tax asset	20,556
Guaranty funds receivable or on deposit	229
Electronic data processing equipment and software	697
Receivables from parent, subsidiaries, and affiliates	1,754
Aggregate write-ins for other than invested assets	29,943
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>1,236,212</u>
Total**	<u>\$ 1,236,212</u>

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

\*\* The balances include immaterial rounding differences.

PROTECTIVE INSURANCE COMPANY  
 Liabilities, Surplus and Other Funds  
 As of December 31, 2021  
 (in 000s)

	Per Examination*
Losses	\$ 591,676
Reinsurance payable on paid losses and loss adjustment expenses	(1,275)
Loss adjustment expenses	98,129
Commissions payable, contingent commissions and other similar charges	6,198
Other expenses	14,275
Taxes, licenses, and fees	3,258
Current federal and foreign income taxes on realized capital gains (losses)	4,380
Unearned premiums	47,769
Ceded reinsurance premiums payable	62,599
Funds held by company under reinsurance treaties	430
Amounts withheld or retained by company for account of others	15,553
Remittances and items not allocated	594
Provision for reinsurance	100
Payable to parent, subsidiaries, and affiliates	499
Aggregate write-ins for liabilities	1,617
Total liabilities excluding protected cell liabilities	845,802
Total liabilities	845,802
Common capital stock	7,650
Gross paid in and contributed surplus	42,164
Unassigned funds (surplus)	340,595
Surplus as regards policyholders	390,410
Totals**	\$ 1,236,212

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

\*\* The balances include immaterial rounding differences.

PROTECTIVE INSURANCE COMPANY  
Statement of Income  
For the Year Ended December 31, 2021  
(in 000s)

	Per Examination*
<b>UNDERWRITING INCOME</b>	
Premiums earned	\$ 496,038
DEDUCTIONS	
Losses incurred	236,106
Loss adjustment expenses incurred	92,374
Other underwriting expenses incurred	134,734
Total underwriting deductions	463,214
Net underwriting gain or (loss)	32,824
<b>INVESTMENT INCOME</b>	
Net investment income earned	13,063
Net realized capital gains or (losses) less capital gains tax	28,117
Net investment gain (loss)	41,180
<b>OTHER INCOME</b>	
Net gain (loss) from agents' or premium balances charged off	209
Finance and service charges not included in premiums	261
Aggregate write-ins for miscellaneous income	705
Total other income	1,175
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	75,179
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	75,179
Federal and foreign income taxes incurred	7,788
Net income**	\$ 67,391

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

\*\* The balances include immaterial rounding differences.

PROTECTIVE INSURANCE COMPANY  
Capital and Surplus Account Reconciliation  
(in 000s)

	2021	2020	2019	2018	2017
Surplus as regards policyholders, December 31 prior year	\$346,234	\$370,509	\$394,612	\$420,370	\$397,990
Net income	67,391	(4,052)	14,014	29,944	20,338
Change in net unrealized capital gains or (losses) less capital gains tax	(3,620)	3,850	3,724	(55,967)	7,377
Change in net unrealized foreign exchange capital gain (loss)	(314)	811	(267)	51	3,514
Change in net deferred income tax	(409)	9,731	(1,355)	2,033	1,574
Change in nonadmitted assets	(8,872)	(16,763)	(8,063)	1,607	705
Change in provision for reinsurance	-	149	(156)	1,573	(1,126)
Dividends to stockholders	(10,000)	(18,000)	(32,000)	(5,000)	(10,000)
Change in surplus as regards policyholders for the year	44,176	(24,276)	(24,102)	(25,758)	22,381
Surplus as regards policyholders, December 31 current year**	\$390,410	\$346,234	\$370,509	\$394,612	\$420,370

\*\*The balance includes immaterial rounding differences.

### 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 field work 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 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 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 20<sup>th</sup> 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

\_\_\_\_\_  
Notary Public



THHERESA JOHNSON  
Notary Public, State of Ohio  
My Commission Expires 01-29-28  
Indiana Department of Insurance  
Accredited