

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

IN THE MATTER OF:)
)
Protective Specialty Insurance Company)
1099 North Meridian Street)
Indianapolis, Indiana 46204)

Examination of **Protective Specialty Insurance Company**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, 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.

May 15, 2013
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0014 7402 88

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

IN THE MATTER OF:)
)
Protective Specialty Insurance Company)
1099 North Meridian Street)
Indianapolis, Indiana 46204)

**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 May 2, 2008 through December 31, 2011.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on January 30, 2012.

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 March 27, 2013 and was received by the Company on March 29, 2013.

On April 24, 2013, 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:

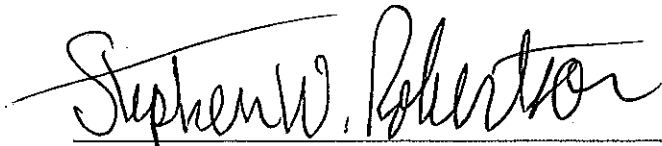
1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

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, 2011.
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 and Sealed this 15th day of May, 2013.



Stephen W. Robertson
Insurance Commissioner

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

PROTECTIVE SPECIALTY INSURANCE COMPANY

NAIC Co. CODE 13149
NAIC GROUP CODE 0867

As of

December 31, 2011

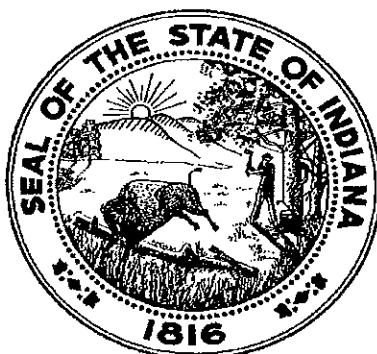


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STATE OF INDIANA

MICHAEL R. PENCE, Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE

311 W. WASHINGTON STREET, SUITE 300

INDIANAPOLIS, INDIANA 46204-2787

TELEPHONE: (317) 232-2385

FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

January 31, 2013

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3722, an examination has been made of the affairs and financial condition of:

Protective Specialty Insurance Company
1099 North Meridian Street
Indianapolis, IN 46204

hereinafter referred to as the "Company," or "PSIC," an Indiana domestic, stock, property and casualty insurance company. The examination was conducted at the Company's corporate offices in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2011, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company has not previously been examined by the Indiana Department of Insurance (INDOI). The present risk-focused examination covered the period from May 2, 2008, through December 31, 2011, and was conducted by Noble Consulting Services, Inc. (Noble) on behalf of the state of Indiana.

David Shepherd, FCAS, MAAA, of Merlinos & Associates, Inc., has been appointed by the INDOI to conduct a review of the Company's statutory reserves as of December 31, 2011. There were no actuarial adjustments from the review performed by Merlinos & Associates, Inc.

Noble conducted the risk-focused examination pursuant to and 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 and identify prospective risks of the Company by obtaining information about the Company, evaluating system controls, and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was formed on May 2, 2008, and is licensed in the state of Indiana and is a wholly-owned subsidiary of Protective Insurance Company (PIC). The Company serves as an excess and surplus (E&S) lines writer for the primary purpose of enhancing Baldwin and Lyons, Inc.'s (B&L) long-term strategic plan for product diversification.

CAPITAL AND SURPLUS

As of December 31, 2011, the Company had 60,000 common shares authorized, issued, and outstanding with a par value of \$100 each. The Company has no preferred stock authorized, issued, or outstanding. All issued and outstanding common shares have been owned by PIC throughout the examination period.

A significant adjustment to surplus occurred for the year ended December 31, 2009, in the form of a \$34 million paid-in contribution from B&L. The risk-based capital ratio continues to be well above the Company action level.

DIVIDENDS TO STOCKHOLDERS

In accordance with Indiana Code (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 gains from operations of such insurer of the prior year. A stock dividend of \$4 million was distributed to B&L in 2009.

TERRITORY AND PLAN OF OPERATION

The Company currently focuses on two (2) product lines – an existing book of Florida business owner’s policies (BOP), produced by Tower Hill Insurance Group, and professional liability errors and omissions (E&O) coverages. The Florida business is being sourced through Sagamore Insurance Company (SIC) until PSIC’s Florida E&S authority is obtained. Net writings for BOP and E&O in 2011 were \$18.4 million and \$4.5 million, respectively.

As of December 31, 2011, the Company has been approved to sell surplus lines in forty-six (46) states, with several other states currently in the approval process. The majority of professional liability E&O coverage is currently written in the state of California.

The Company is currently assuming the Florida commercial property and liability business being written by its sister company, SIC. Upon the Company receiving its excess and surplus authority in Florida, it is anticipated that PSIC will begin to produce this business directly.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted</u>		<u>Surplus and</u>		<u>Premiums</u>			
	<u>Assets</u>	<u>Liabilities</u>	<u>Other Funds</u>		<u>Earned</u>	<u>Net Income</u>		
2011	\$95,546,554	\$39,070,880	\$	56,475,674	\$	16,091,414	\$	1,062,195
2010	75,425,818	20,208,128		55,127,690		14,524,203		1,801,090
2009	63,731,710	10,535,634		53,196,076		2,767,816		(1,546,751)
2008	20,286,907	68,199		20,218,708		-		218,708

Since the Company’s inception, admitted assets and surplus have increased each year and both have more than doubled since 2008. From 2010 to 2011, admitted assets increased by approximately \$20 million or 27%. The increase in admitted assets was primarily funded by increases in unearned premiums (\$7 million) and payables for securities (\$10 million). Earned premiums have steadily increased since 2008 as the Company’s operations mature.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors consisting of nine (9) members. The stockholders, at the annual meeting, elect the members of the Board of Directors. The following is a listing of persons serving as directors at December 31, 2011:

<u>Name and Address</u>	<u>Principal Occupation</u>
Gary W. Miller Greenwood, Indiana	Executive Chairman Baldwin & Lyons, Inc.
Joseph J. DeVito Indianapolis, Indiana	Chief Executive Officer, Chief Operating Officer and President Baldwin & Lyons, Inc.
George P. Corydon Carmel, Indiana	Executive Vice President, Finance and Chief Financial Officer Baldwin & Lyons, Inc.
Craig C. Morfas Carmel, Indiana	Executive Vice President, Claims and Secretary Baldwin & Lyons, Inc.
Jennie L. LaReau Carmel, Indiana	Vice President, Underwriting Baldwin & Lyons, Inc.
John E. Mitchell Indianapolis, Indiana	Vice President, Reinsurance and Actuarial Services Baldwin & Lyons, Inc.
James D. Isham Greenwood, Indiana	Senior Vice President, Administration Baldwin & Lyons, Inc.
Mark L. Bonini Carmel, Indiana	Executive Vice President, Sales, Marketing and Underwriting Baldwin & Lyons, Inc.
Michael J. Case Zionsville, Indiana	Vice President and Secretary Protective Specialty Insurance Company

Officers

The Company's Bylaws provide that the officers shall consist of a Chairman of the Board, President, Secretary, and Treasurer. In addition, the Board of Directors may further elect such Executive Vice Presidents, other Vice Presidents, Resident Assistant Treasurers, an Auditor-in-Chief, and other Auditors as it may decide. The Chairman of the Board and the President shall be chosen from among the Directors. Any two (2) or more offices may be held by the same person, except for the duties of the President and Secretary. The following is a list of key officers and their respective titles as of December 31, 2011:

<u>Name</u>	<u>Office</u>
Gary W. Miller	Executive Chairman of the Board
Joseph J. DeVito	Chief Executive Officer, Chief Operating Officer and President
Michael J. Case	Vice President and Secretary
Thomas W. Thompson	Vice President and Treasurer
G. Patrick Corydon	Executive Vice President, Finance
John E. Mitchell	Vice President, Reinsurance and Actuarial Services
Craig C. Morfas	Vice President, Claims
Jennie L. LaReau	Vice President, Underwriting
James D. Isham	Senior Vice President, Administration
Mark L. Bonini	Executive Vice President, Sales, Marketing and Underwriting

CONFLICT OF INTEREST

Officers and directors are required to review and sign Conflict of Interest statements annually. It was determined that officers and directors listed in the management and control section of this Report of Examination have reviewed and signed their statements as of year-end 2011.

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. Each director subscribed to an Oath of Office statement in 2011.

CORPORATE RECORDS

Articles of Incorporation

The Articles of Incorporation were amended during the examination period to change the names of the initial directors and to change the number and par value of authorized shares.

Bylaws

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

Minutes

The Board of Directors, shareholders, audit, investment, nominating, and compensation committee meeting minutes were reviewed for the period under examination through the fieldwork date and significant actions taken during each meeting were noted. The annual meetings and other regular board meetings were held in accordance with the Company's Bylaws.

AFFILIATED COMPANIES

Organizational Structure

An organizational chart depicting the Company's relationship with its ultimate parent and other affiliates, as of December 31, 2011, is presented below:

	<u>NAIC Code</u>	<u>Domiciliary State</u>
Baldwin & Lyons, Inc.		IN
- B&L Insurance, Ltd.		BM*
- B&L Brokerage Services, Inc.		IN
- B&L Capital Markets		DE
- Transportation Specialty Insurance Agency		MI
- Protective Insurance Company	12416	IN
- Sagamore Insurance Company	40460	IN
- Protective Specialty Insurance Company	13149	IN

* Affiliate is licensed in Bermuda.

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.

Intercompany Expense Allocation Agreement

Originally effective July 28, 2005, and as amended to include the Company, effective January 23, 2009, the INDOI approved an Intercompany Expense Allocation Agreement between the Company, B&L, PIC, and SIC. The Company is allocated certain expenses paid by B&L under this agreement on an invoice-by-invoice basis using appropriate allocation methods, such as square footage utilized and employee time allocation percentages. The subsequent agreement was filed with the INDOI in accordance with IC 27-1-23-4(b)(4). In 2011, the Company paid \$1,183,196 under this agreement.

Intercompany Federal Income Tax Allocation Agreement

B&L and its subsidiaries, including the Company, are parties to an Intercompany Federal Income Tax Allocation Agreement. The allocation of taxes is based upon the amount of tax that each company would have paid had separate returns been filed. These agreements have been in effect between B&L, PIC, and SIC since 1986; a subsequent agreement was entered into between B&L, PIC, and PSIC in December, 2007. The 2007 Intercompany Federal Income Tax Allocation Agreement between B&L, PIC, and PSIC was approved by the INDOI in February, 2009.

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 employees through a financial institution bond issued by St. Paul Fire and Marine Insurance Company. The bond has blanket coverage of \$6 million with a deductible of \$100,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2011, through B&L including, but not limited to, general liability, professional liability, directors and officers liability, auto liability, fiduciary liability, excess liability, property, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

B&L maintains a defined contribution Employee Salary Savings and Profit Sharing Plan (the 401k Plan) in which all eligible employees of B&L participate. The Company's expense allocations for contribution to the 401k Plan were \$29,400 and \$36,200, for 2010 and 2011, respectively. The Company's allocation for contribution to the 401k Plan is based on the Intercompany Expense Allocation Agreement, described in the Affiliated Agreement section of this Report of Examination.

STATUTORY DEPOSITS

The Company reported the following statutory deposits at December 31, 2011:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For all Policyholders:		
Indiana	\$ 2,602,127	\$ 2,605,574
All Other Special Deposits:		
Arkansas	110,140	110,340
Kentucky	610,775	611,885
Massachusetts	710,903	712,194
New Mexico	110,141	110,640
New York	2,502,080	2,507,725
Total Deposits	<u>\$ 6,646,166</u>	<u>\$ 6,658,358</u>

REINSURANCE

Effective March 14, 2009, SIC and PSIC have entered into a Reinsurance Agreement whereby SIC cedes certain risks to PSIC. In 2011, SIC ceded earned premium to PSIC of \$31,217,972 and PSIC incurred \$9,015,282 of losses and expenses. This agreement was approved by the INDOI on June 14, 2010.

Effective December 1, 2009, PIC and SIC have entered into a Professional Liability Quota Share Reinsurance Agreement with PSIC whereby PIC and SIC cede certain risks to PSIC. PIC ceded premium of \$3,131,269 and PSIC incurred \$922,102 in losses and expenses in 2011. SIC ceded premium of \$194,974 to the Company and PSIC incurred \$15,000 in losses and expenses in 2011. This agreement was approved by the INDOI on August 5, 2011.

Effective October 1, 2010, PIC and SIC entered into a Contingent Liability Quota Share Reinsurance Agreement with PSIC whereby PIC and SIC indemnify PSIC for certain losses and expenses. No premiums were ceded or losses incurred by any party under this agreement in 2011. The agreement was approved by the INDOI on August 5, 2011.

Effective March 14, 2009, the PSIC entered into a Commercial Quota Share Reinsurance Agreement with SIC, whereby the Company will reinsure 100% of SIC's writings in Florida. In addition, PSIC also assumes 100% of the miscellaneous professional liability business written by PIC and SIC. During 2011, reinsurance assumed was \$38,184,247, all of which was assumed from affiliates.

One of the Company's primary business lines is Florida commercial owner's policies, which is currently being fronted by SIC until Florida excess and surplus lines authority is obtained. Due to potential catastrophe exposures, this business is heavily reinsured. During 2011, reinsurance ceded amounted to \$19,489,589, all of which was ceded to non-affiliates.

Subsequent to the examination date the company discontinued underwriting of Florida BOP policies and reinsurance associated therewith was terminated on a run-off basis.

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 balances prepared from the Company's general ledger for the years ended December 31, 2010 and 2011, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2010 and 2011, were agreed to the independent audit report with no material exceptions noted. The Company's accounting procedures, practices, and account records were deemed satisfactory.

PROTECTIVE SPECIALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2011

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Bonds	\$ 69,675,127	\$ -	\$ 69,675,127	\$ 68,536,519
Cash, cash equivalents and short-term investments	17,718,683	-	17,718,683	2,217,427
Receivable for securities	100,000	-	100,000	-
Subtotals, cash and invested assets	87,493,810	-	87,493,810	70,753,946
Investment income due and accrued	447,570	-	447,570	382,564
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	6,445,484	-	6,445,484	3,410,215
Reinsurance:				
Amounts recoverable from reinsurers	80,990	-	80,990	2,593
Net deferred tax asset	1,074,862	-	1,074,862	876,500
Aggregate write-ins for other than invested assets	3,838	-	3,838	-
Total	\$ 95,546,554	\$ -	\$ 95,546,554	\$ 75,425,818

PROTECTIVE SPECIALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2011

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Liabilities:				
Losses	\$ 8,942,446	\$ -	\$ 8,942,446	\$ 5,606,226
Loss adjustment expenses	544,452	-	544,452	181,085
Commissions payable, contingent commissions and other similar charges	51,606	-	51,606	-
Other expenses	137,131	-	137,131	82,424
Taxes, licenses and fees	235,210	-	235,210	76,524
Current federal and foreign income taxes	711,748	-	711,748	383,645
Unearned premiums	13,978,450	-	13,978,450	7,180,867
Ceded reinsurance premiums payable (net of ceding commissions)	4,403,346	-	4,403,346	6,695,951
Payable for securities	10,066,491	-	10,066,491	1,406
Total liabilities	<u>39,070,880</u>	<u>-</u>	<u>39,070,880</u>	<u>20,208,128</u>
Common capital stock	6,000,000	-	6,000,000	6,000,000
Gross paid in and contributed surplus	48,000,000	-	48,000,000	48,000,000
Unassigned funds (surplus)	2,475,674	-	2,475,674	1,217,690
Surplus as regards policyholders	<u>56,475,674</u>	<u>-</u>	<u>56,475,674</u>	<u>55,217,690</u>
Totals	<u>\$ 95,546,554</u>	<u>\$ -</u>	<u>\$ 95,546,554</u>	<u>\$ 75,425,818</u>

PROTECTIVE SPECIALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

	As of December 31, 2011			December
	Per Annual	Exam	Per	31, Prior
	Statement	Adjustments	Examination	Year
Premiums earned	\$ 16,091,414	\$ -	\$ 16,091,414	\$14,524,203
DEDUCTIONS				
Losses incurred	6,883,081	-	6,883,081	5,909,902
Loss adjustment expenses incurred	1,711,000	-	1,711,000	932,460
Other underwriting expenses incurred	6,723,377	-	6,723,377	5,655,302
Total underwriting deductions	<u>15,317,458</u>	<u>-</u>	<u>15,317,458</u>	<u>12,497,664</u>
Net underwriting gain (loss)	<u>773,956</u>	<u>-</u>	<u>773,956</u>	<u>2,026,539</u>
Net investment income earned	842,235	-	842,235	892,701
Net realized capital gains (losses) less capital gains tax	268,999	-	268,999	172,572
Net investment gain (loss)	<u>1,111,234</u>	<u>-</u>	<u>1,111,234</u>	<u>1,065,273</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,885,190	-	1,885,190	3,091,812
Federal and foreign income taxes incurred	<u>822,995</u>	<u>-</u>	<u>822,995</u>	<u>1,290,722</u>
Net income	<u><u>1,062,195</u></u>	<u><u>-</u></u>	<u><u>1,062,195</u></u>	<u><u>1,801,090</u></u>

PROTECTIVE SPECIALTY INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Reconciliation

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Capital and Surplus Account:				
Surplus as regards policyholders, December 31 prior year	\$ 55,217,690	\$ 53,196,076	\$ 20,218,708	\$ -
Net income	1,062,195	1,801,090	(1,546,751)	218,708
Change in net unrealized capital gains or (losses) less capital gains tax	2,159	(2,159)	-	-
Change in net deferred income tax	320,730	323,619	551,719	-
Change in nonadmitted assets	(127,100)	(100,936)	(27,600)	-
Capital changes:				
Paid in	-	-	-	2,000,000
Transferred from surplus (stock dividend)	-	-	4,000,000	-
Surplus adjustments:				
Paid in	-	-	34,000,000	18,000,000
Transferred from surplus (stock dividend)	-	-	(4,000,000)	-
Surplus as regards policyholders, December 31 current year	<u>\$ 56,475,674</u>	<u>\$ 55,217,690</u>	<u>\$ 53,196,076</u>	<u>\$ 20,218,708</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2011, based on the results of this examination.

SUBSEQUENT EVENTS

Subsequent to the examination date the company discontinued underwriting of Florida BOP policies and reinsurance associated therewith was terminated on a run-off basis.

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., hereinafter collectively referred to as the "Examiners," performed an examination of **Protective Specialty Insurance Company**, as of **December 31, 2011**.

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 2012 NAIC Financial Condition Examiner's 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 condition of **Protective Specialty Insurance Company**, as of **December 31, 2011**, as determined by the undersigned.




Daniel P. McBay, CFE
Noble Consulting Services, Inc.

State of:
County of:

On this 28 day of February 2013, before me personally appeared, Daniel P. McBay, 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 comm  _____
Notary Public