

STATE OF INDIANA  
COUNTY OF MARION

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) SS:  
)

BEFORE THE INDIANA  
COMMISSIONER OF INSURANCE

IN THE MATTER OF:

Safeco Insurance Company of Indiana  
175 Berkeley Street  
Boston, MA 02116

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Examination of Safeco Insurance Company of Indiana

**NOTICE OF ENTRY OF ORDER**

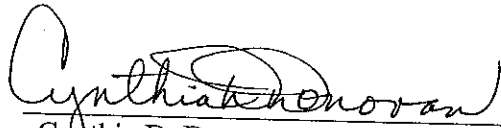
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Safeco Insurance Company of Indiana, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 29, 2015, 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 Safeco Insurance Company of Indiana shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

Date

7/10/2015



Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0046 0223**

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IN THE MATTER OF: )  
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Safeco Insurance Company of Indiana )  
175 Berkeley Street )  
Boston, MA 02116 )

Examination of Safeco Insurance Company of Indiana

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Safeco Insurance Company of Indiana (hereinafter "Company") for the time period January 1, 2010 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on May 22, 2015.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 29, 2015 and was received by the Company on June 4, 2015.

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 Safeco Insurance Company of Indiana as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Safeco Insurance Company of Indiana 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 and Sealed this 10<sup>th</sup> day of  
July, 2015.

  
Stephen W. Robertson  
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.

A handwritten signature in cursive script, appearing to read "Michael A. [unclear]". The signature is written in dark ink on a white background.

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**

**SAFECO INSURANCE COMPANY OF INDIANA**

NAIC Co. CODE 11215

NAIC GROUP CODE 0111

As of

December 31, 2013



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# STATE OF INDIANA

# IDOI

MICHAEL R. PENCE, Governor

**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

May 22, 2015

Honorable Stephen W. Robertson, 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 3815, an examination has been made of the affairs and financial condition of:

**Safeco Insurance Company of Indiana**  
**175 Berkeley Street**  
**Boston, Massachusetts 02116**

hereinafter referred to as the "Company"; or "SICIN", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Boston, Massachusetts and the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2013, 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    EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390    MEDICAL MALPRACTICE (317) 232-2402    SECURITIES/COMPANY RECORDS (317) 232-1991    STATE HEALTH INSURANCE PROGRA 1-800-332-4674

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2010 through December 31, 2013, 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and 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.

The examination of the Massachusetts domestic insurance companies of Liberty Mutual Group (LMG) was called by the Massachusetts Division of Insurance (MDOI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The MDOI served as the lead state on the examination and the Illinois Department of Insurance, INDOI, New Hampshire Insurance Department (NHID), Oregon Insurance Division, and the Wisconsin Office of the Commissioner of Insurance served as participants.

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

## HISTORY

The Company was incorporated in Minnesota as Gambles Insurance Company in March 1971. Its name has been changed several times over the years. Effective June 1, 1992, the Pennsylvania Insurance Department approved the redomestication of the Company from Minnesota to Pennsylvania. Effective January 30, 2002, the INDOI approved the redomestication from Pennsylvania to Indiana.

The Company is a wholly owned subsidiary of General Insurance Company of America (GICA), a New Hampshire insurance company, which is wholly owned by Safeco Corporation (Safeco), a company incorporated in the state of Washington.

On April 23, 2008, Safeco agreed to a merger with an LMG subsidiary. As a result of the merger, Liberty Mutual Holding Company, Inc. (LMHC), a Massachusetts mutual holding company, became the new ultimate parent. LMHC was formed in 2001 as part of the mutual holding company reorganization of Liberty Mutual Insurance Company (LMIC).

Effective January 1, 2009, the Company became part of the Peerless Insurance Pool (Peerless Pool) and entered into the Peerless amended and restated Pooling Agreement with Peerless Insurance Company (PIC) as the lead pool company.



Effective January 1, 2013, the Liberty Mutual Pool and Peerless Pool were merged into one (1) pool with LMIC serving as the lead company. AEIC continues to cede 100% of its direct written premium to the Liberty Mutual Pool and the participation percentage for the Company is 0% at December 31, 2013. The INDOI approved the Liberty Mutual second amended and restated Intercompany Reinsurance Agreement (Intercompany Reinsurance Agreement) on December 27, 2012.

### CAPITAL AND SURPLUS

GICA owned 100% of the Company's issued and outstanding stock as of the examination date. The Company had 500,000 shares authorized and 330,000 issued and outstanding with a stated par value of \$10 as of December 31, 2013.

### DIVIDENDS TO STOCKHOLDERS

The Company did not pay any dividends during the examination period.

### TERRITORY AND PLAN OF OPERATION

The Company is licensed to conduct business in forty-five (45) states and the District of Columbia, excluding California, Florida, Maine, Michigan, and New Hampshire. Operationally, LMG conducts its business through four (4) strategic business units (SBU): Commercial Insurance, Global Specialty, Liberty International, and Personal Insurance. Each business unit operates independently of the others and has dedicated actuarial, claims, financial, information technology, sales, and underwriting resources. On a direct basis the Company primarily writes homeowners and private auto business, with the three (3) largest states being Indiana, Ohio, and Texas.

### GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income
2013	\$ 16,320,219	\$ 1,732,625	\$ 14,587,594	-	\$ 221,981
2012	39,947,467	25,581,854	14,365,613	-	271,480
2011	33,414,501	19,320,368	14,094,133	-	308,954
2010	27,242,156	13,477,607	13,764,549	-	273,537

Fluctuations in amounts shown above for 2013 are primarily due to the merging of the Liberty-Mutual Pool and the Peerless Pool. With the merger of the pools, LMIC became the common paymaster for pool participants. The fluctuations in Admitted Assets, Liabilities, and Surplus and Other Funds are the result of timing differences in the payment of intercompany balances at December 31, 2013.

## 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 five (5) and no more than twenty-one (21) directors. At least one (1) of the directors must be a resident of Indiana. Directors shall be elected at the first annual shareholders' meeting and at each annual meeting thereafter. A director need not be a shareholder.

The following is a listing of persons serving as directors at December 31, 2013, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Margaret Dillon Norfolk, Massachusetts	Vice President and Chief Financial Officer Liberty Mutual Group
John Doyle Southborough, Massachusetts	Vice President and Comptroller Liberty Mutual Group
Paul Ivanovskis Foxboro, Massachusetts	Senior Vice President and Chief Actuary Liberty Mutual Group
Kevin Kirschner Indianapolis, Indiana	Director of Marketing Peerless Insurance Company
Dexter Legg Portsmouth, New Hampshire	Vice President and Secretary Liberty Mutual Group
James MacPhee North Easton, Massachusetts	Vice President and Chief Claims Officer Liberty Mutual Group
Elizabeth Morahan Newtonville, Massachusetts	Vice President and General Counsel Liberty Mutual Group
Timothy Sweeney Boston, Massachusetts	President and Chief Executive Officer Liberty Mutual Group

### Officers

The Bylaws state that the elected officers of the Company shall consist of a President, a Treasurer, and a Secretary. Each of the said officers shall be elected by a majority of the Board and shall hold office for one (1) year, or until such time as they might be removed. The President or the Chairman may appoint the number of Vice Presidents, Assistant Secretaries, Assistant Treasurers, or any such officer as the President or the Chairman may determine is required in the best interest of SICIN.

The following is a list of key officers and their respective titles as of December 31, 2013:

<u>Name</u>	<u>Office</u>
Timothy Sweeney	President and Chief Executive Officer
Dexter Legg	Vice President and Secretary
Laurance Yahia	Vice President and Treasurer
Margaret Dillon	Vice President and Chief Financial Officer
Anthony Fontanes	Vice President and Chief Investment Officer
John Doyle	Vice President and Comptroller
Elizabeth Morahan	Vice President and General Counsel

### 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, 2013.

### OATH OF OFFICE

Indiana Code (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, 2013.

### 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 Company's Bylaws do not specify the date or time the annual meeting of shareholders is to be held. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

LMHC committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit, Compensation, Contributions, Executive, Investment, Nominating and Governance, and Risk.

### AFFILIATED COMPANIES

#### Organizational Structure

The following abbreviated organizational chart shows the direct upstream affiliates of the Company and the other Indiana domiciled insurance affiliates as of December 31, 2013:

	NAIC Co. Code	Domiciliary State
Liberty Mutual Holding Company Inc.		MA
LMHC Massachusetts Holdings Inc.		MA
Liberty Mutual Group Inc.		MA
Liberty Mutual Fire Insurance Company	23035	WI
Employers Insurance Company of Wausau	21458	WI
Liberty Mutual Insurance Company	23043	MA
<b>LM Property and Casualty Insurance Company</b>	<b>32352</b>	<b>IN</b>
Liberty Insurance Holdings, Inc.		DE
Liberty Mutual Agency Corporation		DE
Peerless Insurance Company	24198	NH
Liberty – USA Corporation		DE
The National Corporation		IN
<b>National Insurance Association</b>	<b>27944</b>	<b>IN</b>
<b>Indiana Insurance Company</b>	<b>22659</b>	<b>IN</b>
<b>Consolidated Insurance Company</b>	<b>22640</b>	<b>IN</b>
Safeco Corporation		WA
<b>American States Insurance Company</b>	<b>19704</b>	<b>IN</b>
General Insurance Company of America	24732	NH
<b>Safeco Insurance Company of Indiana</b>	<b>11215</b>	<b>IN</b>
<b>American States Preferred Insurance Company</b>	<b>37214</b>	<b>IN</b>
<b>American Economy Insurance Company</b>	<b>19690</b>	<b>IN</b>
Ohio Casualty Corporation <sup>A</sup>		OH
The Ohio Casualty Insurance Company	24074	OH
<b>West American Insurance Company</b>	<b>44393</b>	<b>IN</b>

<sup>A</sup> 78% Owned by Liberty Mutual Insurance Company, 8% Owned by Employers Insurance Company of Wausau, 8% Owned by Peerless Insurance Company, 6% Owned by Liberty Mutual Fire Insurance Company

#### 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 Short-term Borrowing Agreement*

Effective November 1, 2007, American Economy Insurance Company, American States Insurance Company, American States Preferred Insurance Company, and SICIN entered into an Intercompany Short-term Borrowing Agreement with Safeco Insurance Company of America. No funds were distributed under the Intercompany Short-term Borrowing Agreement.

*Investment Management Agreement*

Effective July 1, 2011, SICIN entered into an Investment Management Agreement with Liberty Mutual Group Asset Management (LMGAM). The agreement was filed with the INDOI on May 18, 2011, and was not disapproved on June 15, 2011. The Company paid \$26,443 in management fees to LMGAM pursuant to the terms of the Investment Management Agreement in 2013.

*Management Services Agreement*

Effective January 1, 2013, SICIN entered into a Management Services Agreement with LMIC under which LMIC provides administration, claims adjustments, claims processing, contract management, policyholder services, risk underwriting, and services determined to be reasonably necessary or desirable. The Management Services Agreement was submitted to the INDOI on November 13, 2012, and was not disapproved on December 27, 2012. There were no fees paid in 2013 pursuant to the terms of the Management Services Agreement in 2013.

*Cash Management Agreement*

Effective April 1, 2012, SICIN entered into a Cash Management Agreement with LMGAM. The agreement was filed with the INDOI on February 29, 2012, and was not disapproved on March 23, 2012. There were no fees paid to LMGAM pursuant to the terms of the Cash Management Agreement in 2013.

*Intercompany Reinsurance Agreement*

Effective January 1, 2013, SICIN entered into the Intercompany Reinsurance Agreement covering all of their direct writings with participation being the percentage indicated within the agreement. The Intercompany Reinsurance Agreement was filed with the INDOI on November 13, 2012, and was not disapproved on December 27, 2012.

*Federal Tax Sharing Agreement*

Effective September 22, 2008, SICIN entered into a Federal Tax Sharing Agreement, as amended, with LMHC and affiliates. Under this agreement, the method of allocation is based upon separate return allocation with credit applied for losses as appropriate. SICIN has the enforceable right to recoup prior year payments in the event of future losses. The agreement may be terminated for any party when that entity no longer is a member of the consolidated group for tax filing purposes.

**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 Fidelity & Deposit Company of Maryland. The bond has a single loss coverage limit of \$15,000,000, with a \$50,000,000 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 at December 31, 2013, including but not limited to audit expenses, computer systems fraud, tele-facsimile transfer fraud, trading loss, and voice initiated transfer fraud.

## PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company does not have any direct employees, and therefore does not have any direct obligations for a defined pension, defined contribution pension, postretirement welfare, deferred compensation, compensated absences, or postemployment benefit plans. Services for the operation of the Company are provided under provisions of the Management Services Agreement.

### STATUTORY DEPOSITS

The Company reported the following statutory deposits at December 31, 2013:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$2,905,358	\$2,849,763
All Other Special Deposits:		
Georgia	50,049	57,899
Massachusetts	105,677	128,227
New Mexico	391,004	474,440
North Carolina	352,332	355,240
Virginia	250,085	250,823
Total Deposits	<u>\$4,054,505</u>	<u>\$4,116,392</u>

### REINSURANCE

Prior to January 1, 2013, LMIC was organized with two (2) separate and distinct intercompany reinsurance pools: the Liberty Mutual Pool and the Peerless Pool. Each pool was on a different examination cycle, with MDOI as the lead state for the Liberty Mutual Pool and NHID for the Peerless Pool; effective January 1, 2013, the Peerless Pool was merged into the Liberty Mutual Pool and thus dissolved.

Per the terms of the Intercompany Reinsurance Agreement, effective January 1, 2013, each affiliated member company, other than Wausau Business Insurance Company, Wausau General Insurance Company, and Wausau Underwriters Insurance Company, cedes to LMIC and LMIC accepts 100% of each company's risks arising out of its policies. LMIC cedes to each affiliated member company and each of the companies accepts their respective share of the Liberty Mutual Pool risks. Each company shall reimburse the ceding company for its share of the assessments, expenses, losses, policyholder dividends, and taxes. Also, each company shall maintain reserves for its share of the ceding company's liabilities.

Following is a list of the companies within LMG receiving a share of the Liberty Mutual Pool and their respective contract percentages:

Name of Pool Members	Percentage of Pool	Domiciliary State
Liberty Mutual Insurance Company	50.0%	MA
Peerless Insurance Company	20.0%	NH
Employers Insurance Company of Wausau	8.0%	WI
Liberty Mutual Fire Insurance Company	8.0%	WI
The Ohio Casualty Insurance Company	8.0%	NH
Safeco Insurance Company of America	6.0%	NH
<b>American Economy Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>American States Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>American States Preferred Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>Consolidated Insurance Company</b> Error! Bookmark not defined.	<b>0.0%</b>	<b>IN</b>
<b>Indiana Insurance Company</b> Error! Bookmark not defined.	<b>0.0%</b>	<b>IN</b>
<b>LM Property and Casualty Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>National Insurance Association<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>Safeco Insurance Company of Indiana<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>West American Insurance Company<sup>A</sup></b>	<b>0.0%</b>	<b>IN</b>
<b>Total</b>	<b>100.0%</b>	

<sup>A</sup> Indiana domiciled insurers that are party to the Intercompany Reinsurance Agreement, but do not participate in the retrocession of pool business.

### 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, 2012 and December 31, 2013, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2010 through December 31, 2013, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

SAFECO INSURANCE COMPANY OF INDIANA

Assets

As of December 31, 2013

	Per Examination*
Bonds	\$ 14,314,185
Cash, cash equivalents, and short-term investments	144,552
Subtotals, cash and invested assets	14,458,737
Investment income due and accrued	147,017
Reinsurance:	
Amounts recoverable from reinsurers	1,714,465
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	16,320,219
Total	\$ 16,320,219

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



SAFECO INSURANCE COMPANY OF INDIANA  
 Liabilities, Surplus and Other Funds  
 As of December 31, 2013

	Per Examination*
Current federal and foreign income taxes on realized capital gains (losses)	\$ 16,050
Ceded reinsurance premiums payable	(6,897,481)
Payable to parent, subsidiaries and affiliates	8,614,056
Total liabilities excluding protected cell liabilities	1,732,625
Total liabilities	1,732,625
Common capital stock	3,300,000
Gross paid in and contributed surplus	26,365,185
Unassigned funds (surplus)	(15,077,591)
Surplus as regards policyholders	14,587,594
Totals	\$ 16,320,219

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

SAFECO INSURANCE COMPANY OF INDIANA  
Statement of Income  
For the Year Ended December 31, 2013

	Per Examination*
UNDERWRITING INCOME	
Premiums earned	\$ -
INVESTMENT INCOME	
Net investment income earned	281,080
Net realized capital gains (losses) less capital gains tax	(3,314)
Net investment gain (loss)	277,766
OTHER INCOME	
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	277,766
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	277,766
Federal and foreign income taxes incurred	55,785
Net income	\$ 221,981

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

SAFECO INSURANCE COMPANY OF INDIANA  
Capital and Surplus Account Reconciliation

	2013	2012	2011	2010
Surplus as regards policyholders, December 31 prior year	\$ 14,365,613	\$ 14,094,133	\$ 13,764,549	\$ 13,461,492
Net income	221,981	271,480	308,954	273,537
Change in net deferred income tax	6,000	-	52,630	29,520
Change in nonadmitted assets	(6,000)	-	(32,000)	-
Change in surplus as regards policyholders for the year	221,981	271,480	329,584	303,057
Surplus as regards policyholders, December 31 current year	\$ 14,587,594	\$ 14,365,613	\$ 14,094,133	\$ 13,764,549

### **COMMENTS ON THE FINANCIAL STATEMENTS**

There were no recommended adjustments to the financial statements as of December 31, 2013, based on the results of this examination.

### **OTHER SIGNIFICANT ISSUES**

There were no significant issues found during the examination period requiring disclosure in this Report of Examination.

### **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.

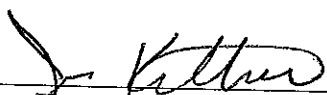
**AFFIDAVIT**

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., hereinafter collectively referred to as the "Examiners", performed an examination of Safeco Insurance Company of Indiana, as of December 31, 2013.

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 condition of Safeco Insurance Company of Indiana as of December 31, 2013, as determined by the undersigned.

  
\_\_\_\_\_  
James Kattman, CFE  
Noble Consulting Services, Inc.

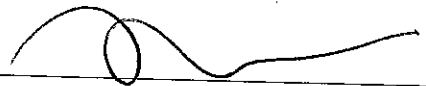
State of: Indiana  
County of: Marion

On this 22 day of May, 2015, before me personally appeared, James Kattman, 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



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

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