

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

IN THE MATTER OF:)
)
Selective Insurance Company of the Southeast)
900 East 96th Street, Suite 400)
Indianapolis, Indiana 46240)

Examination of: **Selective Insurance Company of the Southeast**

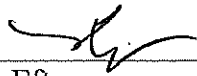
NOTICE OF ENTRY OF ORDER

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 Selective Insurance Company of the Southeast 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 Selective Insurance Company of the Southeast 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 21, 2024
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7019 0700 0000 3590 2904

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

IN THE MATTER OF:)
)
Selective Insurance Company of the Southeast)
900 East 96th Street, Suite 400)
Indianapolis, Indiana 46240)

Examination of: **Selective Insurance Company of the Southeast**

FINDINGS AND FINAL ORDER

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

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on January 31, 2024.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 14, 2024 and was received by the Company on May 16, 2024.

On May 16, 2024 pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company’s response.

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

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

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

Based on the FINDINGS, the Commissioner does hereby ORDER:

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

Signed this 21 day of
may, 2024.



Amy L. Beard
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

SELECTIVE INSURANCE COMPANY OF THE SOUTHEAST
NAIC COMPANY CODE 39926
NAIC GROUP CODE 0242

As of

December 31, 2022

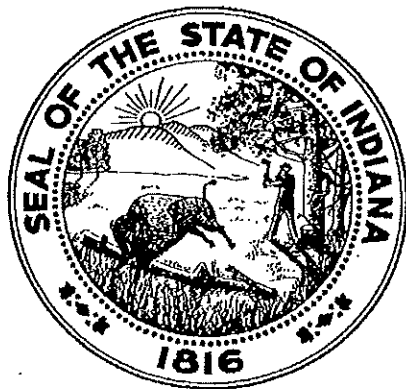


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Amy L. Beard, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-234-2103
Website: in.gov/idoi

January 31, 2024

Honorable Amy L. Beard
Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4151, an examination has been made of the affairs and financial condition of:

**Selective Insurance Company of the Southeast
900 East 96th Street, Suite 400
Indianapolis, Indiana 46240**

an Indiana domestic property and casualty insurer, hereinafter referred to as the "Company." The examination was conducted remotely with assistance from the main administrative offices of the Company located at 40 Wantage Avenue, Branchville, New Jersey 07890.

The Report of Examination, showing the Company's financial status as of December 31, 2022, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2389 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-5253 COMPANY RECORDS 317-232-2383 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2013, through December 31, 2017. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting) and covered the period from January 1, 2018 through December 31, 2022, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was performed on a coordinated basis with the New Jersey Department of Banking and Insurance (NJDOBI) and with the New York State Department of Financial Services. New Jersey served as the Lead State for the coordinated examination. The INDOI relied upon a portion of the coordinated examination work performed by the NJDOBI and its representatives in its examination of the Selective Insurance Group, Inc. (SIGI) and SIGI's insurers.

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

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

In accordance with the 2022 NAIC *Financial Condition Examiners Handbook*, Thomas Consulting planned and performed the risk-focused examination to evaluate the financial condition of the Company and to identify prospective risks related to its operations. The examination process included an evaluation of corporate governance, identification and assessment of inherent risks, and documentation of system controls and procedures used to mitigate the identified risks. In addition, Thomas Consulting performed an assessment of the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The examination also included a review of the Company's compliance with Statutory Accounting Principles, Annual Statement Instructions, and the Indiana Insurance Code (IC). All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

HISTORY

The Company was incorporated on September 26, 1980 under the laws of the State of North Carolina as Southeast Insurance Company, a stock property and casualty insurance company. It commenced business on October 14, 1980.

The Company became part of the SIGI holding system on July 1, 1980, when Selective Insurance Company of America (SICA) acquired all of its outstanding shares of common stock. The Company subsequently merged with Southeastern Fire Insurance Company on March 2, 1981 and changed its name to Southeastern Fire Insurance Company.

On January 2, 1986, the Company changed its name to Selective Insurance Company of the Southeast. On July 1, 1992, the SIGI organizational structure was changed, whereby the Company became a direct subsidiary of SIGI. Effective June 30, 2008, the Company redomesticated to Indiana.

CAPITAL AND SURPLUS

Pursuant to the Articles of Incorporation, the capital stock authorized for the Company is 500,000 shares of common stock with a par value of \$10 per share. As of December 31, 2022, the Company's total capital and surplus was \$163,513,769, which included: common stock of \$3,650,000, consisting of 365,000 issued and outstanding shares; gross paid-in and contributed surplus of \$23,925,682; and unassigned funds (surplus) of \$135,938,087. All issued and outstanding shares were 100% owned by SICA as of December 31, 2022.

DIVIDENDS TO STOCKHOLDERS

During the examination period, the Company declared and paid the following ordinary dividends to SIGI:

<u>Year</u>	<u>Amount</u>
2022	\$ 6,570,000
2021	8,760,000
2020	5,256,000
2019	6,752,500
2018	7,504,400
Total	<u>\$34,842,900</u>

The Company notified the INDOI of all declared dividends to SIGI during the examination period, in accordance with IC 27-1-23-1.5. No extraordinary dividends were declared or paid during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company is 100% owned by SIGI. SIGI is a publicly traded stock company that writes a broad range of property and casualty insurance products through its insurance subsidiaries. The Company is licensed in 40 states and the District of Columbia.

SIGI also provides a broad range of insurance and alternative risk management products and services to businesses, public entities, and individuals. As of December 31, 2022, SIGI distributed its products and services through approximately 1,500 independent agencies.

SIGI employs a field-based operating model supported by their home office in Branchville, New Jersey and seven (7) full-service regions utilizing branch offices. In addition, SIGI has an underwriting and claims service center in Richmond, Virginia.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2022	\$715,802,078	\$ 552,288,309	\$163,513,769	\$236,136,568	\$ 14,162,293
2021	665,599,265	505,293,417	160,305,848	211,207,708	19,372,567
2020	608,042,779	464,538,709	143,504,070	187,726,978	16,752,390
2019	571,012,017	442,322,616	128,689,401	181,801,876	18,553,778
2018	534,333,023	416,594,109	117,738,913	170,536,018	12,920,254

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

The decrease in net income in 2022 was primarily due to increases in incurred losses and net realized capital losses from investments. However, the Company reported net income for all years covered by the examination, which included positive net underwriting and investment income for 2018 to 2022.

LOSS EXPERIENCE

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

<u>Year</u>	<u>Premiums Earned</u>	<u>Losses and Loss Adjustment Expenses (LAE) Incurred</u>	<u>Other Underwriting Expenses Incurred</u>	<u>Losses and LAE Ratio</u>	<u>Other Underwriting Expenses Ratio</u>	<u>Combined Ratio</u>
2022	\$236,136,568	\$147,814,119	\$79,455,886	62.60%	33.65%	96.25%
2021	211,207,708	126,980,973	72,313,888	60.12%	34.24%	94.36%
2020	187,726,978	114,496,865	64,637,862	60.99%	34.43%	95.42%
2019	181,801,876	108,604,625	63,325,810	59.74%	34.83%	94.57%
2018	170,536,018	104,807,738	58,311,144	61.46%	34.19%	95.65%

The above amounts were compiled from the Company's filed Annual Statements and from examination results. A Combined Ratio below 100% indicates an underwriting profit. As indicated above, the Company reported an underwriting profit for all years covered by the examination.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws specify that the number of directors shall not be less than five (5) and no more than fifteen (15) persons. The following is a listing of persons serving as directors as of December 31, 2022 and their principal occupation as of that date:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Christopher G. Cunniff Franklin, MA	Senior Vice President, Chief Risk Officer Selective Insurance Company of America
Michael H. Lanza Newport, RI	Executive Vice President, General Counsel, and Chief Compliance Officer Selective Insurance Company of America
John J. Marchioni Sparta, NJ	Chairman of the Board, President, and Chief Executive Officer Selective Insurance Company of America
Erik A. Reidenbach Fishers, IN	Senior Vice President and Heartland Regional Manager Selective Insurance Company of America
Vincent M. Senia Morristown, NJ	Executive Vice President and Chief Actuary Selective Insurance Company of America
Mark A. Wilcox Chatham, NJ	Executive Vice President and Chief Financial Officer Selective Insurance Company of America

Officers

The Company's Bylaws state that the Company's officers shall be a President, Secretary, Treasurer, and, if desired, a Chairman of the Board, one (1) or more Vice Presidents, and such other Officers as the Board of Directors (Board) may determine. The following is a list of key officers and their respective titles as of December 31, 2022:

<u>Executive Officer</u>	<u>Title</u>
John J. Marchioni	Chairman of the Board, President, and Chief Executive Officer
Michael H. Lanza	General Counsel and Corporate Secretary
Rohan A. Pai	Treasurer and Senior Vice President-Investor Relations

Joseph O. Eppers	Executive Vice President and Chief Investment Officer
Vincent M. Senia	Executive Vice President and Chief Actuary
Mark A. Wilcox	Executive Vice President and Chief Financial Officer
Jeffery F. Kamrowski	Executive Vice President, Mesa Underwriters Specialty Insurance Company (MUSIC)
Brenda M. Hall	Executive Vice President and Chief Operating Officer-Standard Lines
Anthony D. Harnett	Senior Vice President and Chief Accounting Officer

Corporate Governance

The Company has designated the SIGI Audit Committee as its Audit Committee. The members serving on the SIGI Audit Committee as of December 31, 2022, were as follows:

H. Elizabeth Mitchell, Chairperson
Ainar D. Aijala, Jr.
John C. Burville
Terrence W. Cavanaugh
Robert K. Doherty
Thomas A. McCarthy
John S. Scheid
Philip H. Urban

The SIGI Audit Committee is comprised entirely of independent directors. Mr. Scheid is currently designated as the committee's financial expert.

CONFLICT OF INTEREST

The Company has established a procedure for disclosing to its Board any material interest or affiliation on the part of its officers, directors, and employees that conflict with such person's official duties.

Each year, the Company requires its directors, officers, and employees to sign a conflict-of-interest questionnaire and to divulge any potential conflicts of interest that could impact how they conduct the Company's business. Reviewing the conflict-of-interest questionnaires revealed that conflicts were being reported as instructed and no material conflicts were noted.

OATH OF OFFICE

IC 27-1-7-10(i) requires that every director, when elected, shall take and subscribe to an oath stating that they will faithfully, honestly, and diligently administer the affairs of the corporation and will not knowingly

violate any of the laws applicable to such corporation. Each director serving during the examination period signed an Oath of Office statement.

CORPORATE RECORDS

Articles of Incorporation

No amendments were made to the Company's Articles of Incorporation during the period under examination.

Bylaws

No amendments were made to the Company's Bylaws during the period under examination.

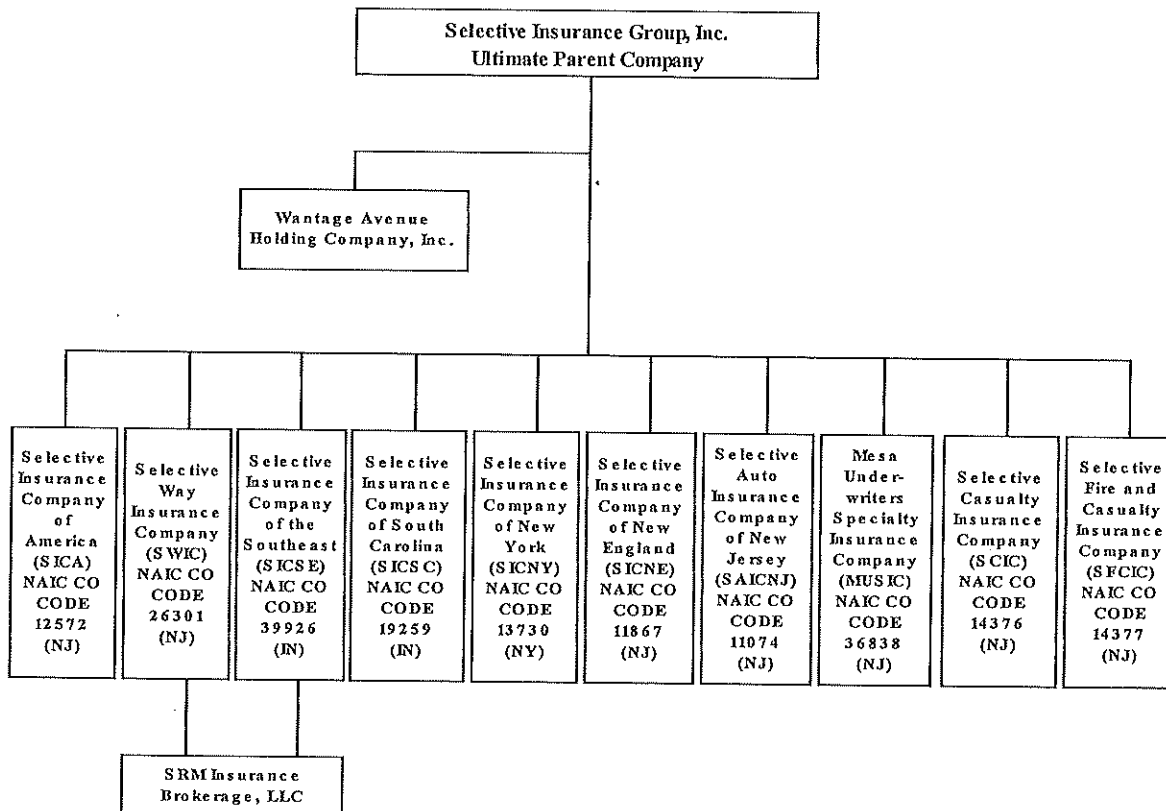
Minutes

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

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23. The following abbreviated organizational chart identifies the insurance companies within the holding company organization as of December 31, 2022:



Affiliated Agreements

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

Service Agreement

Effective July 1, 1995, the Company and its affiliates, SICA, SWIC, and SICSC, entered into a Service Agreement. SICNE joined the agreement as of January 1, 2004 and SAICNJ joined as of July 1, 2006. The agreement was amended as of June 30, 2008. On January 1, 2012 and on July 1, 2012, amendments were made to add Selective Fire and Casualty Insurance Company (SFCIC), Selective Casualty Insurance Company (SCIC), and MUSIC to this agreement. Under this agreement, SICA agrees to perform certain services for these affiliates, including accounting, tax, auditing, underwriting, claims, actuarial, legal, telecommunications and data processing services, and to make certain property, equipment, and facilities available for use. Expenses are allocated back to SICA's affiliates to be reimbursed based on the percentages outlined in the Third Amended and Restated Reinsurance Pooling Agreement (see the Reinsurance section of this Report of Examination). During 2022, the Company paid SICA \$34,164,833 under this agreement.

Joint Investment Operations Agreement

Effective July 1, 1995, the Company entered into a Joint Investment Operations Agreement with its affiliated companies, SICA, SWIC and SICSC. SICNE joined the agreement as of January 1, 2004 and SAICNJ joined the agreement as of July 1, 2006. On January 1, 2012 and July 1, 2012 amendments were made to add SFCIC, SCIC, and MUSIC to this agreement. Under this agreement, SICA provides investment services to each of these affiliates on a cost-reimbursement basis. During 2022, the Company paid SICA \$1,415,208 under this agreement.

Intercompany Revolving Demand Loan Agreement

The Company and its affiliates, SICA, SWIC, SICSC, SAICNJ, and SICNE, entered into an Intercompany Revolving Demand Loan Agreement effective as of June 1, 2006, amended as of June 30, 2008, under which SICA agrees to make revolving loans to each of these affiliates. No loans were made or outstanding under this agreement in 2022.

Intercompany Revolving Demand Loan Agreement

Effective as of March 31, 2009, SICSC and SICSE entered an Intercompany Revolving Demand Loan Agreement with their parent, SIGI, under which SICSC and SICSE each agree, in their sole discretion, to make revolving loans to SIGI not to exceed 10% of their respective admitted assets, as of the preceding December 31. The loans are payable in full on demand, with interest payable monthly at the Federal Funds Effective Rate published by The Wall Street Journal. As of December 31, 2022, the Company had an outstanding principal balance of \$16,000,000 due from SIGI under this agreement.

Amended and Restated Tax Allocation Agreement

The Company, its affiliates, and the ultimate parent, SIGI, file a consolidated federal income tax return. Effective January 1, 2012, the Company and certain affiliates entered into the Amended and Restated Tax Allocation Agreement, which covers the allocation, settlement, and financial statement presentation of current federal income taxes among companies in SIGI's consolidated income tax return. The Company entered into the first amendment to the Amended and Restated Tax Allocation Agreement, effective July 1, 2012, to add SCIC and SFCIC to the agreement.

FIDELITY BOND AND OTHER INSURANCE

As of December 31, 2022, SIGI, on behalf of itself and its subsidiaries, including the Company, maintains a fidelity bond providing coverage in four (4) layers for a single loss limit of \$20,000,000 and a shared aggregate limit of liability of \$40,000,000. The first layer of \$5,000,000 is placed with Chubb Insurance Company of New Jersey, the second layer of \$5,000,000 is placed with AXIS Insurance Company, the third layer of \$5,000,000 is placed with Zurich American Insurance Company, and the fourth layer of \$5,000,000 is placed with Markel American Insurance Company. The fidelity bond limit was adequate to meet the prescribed minimum coverage specified by the NAIC. Other various interests of the Company are protected by appropriate policies of insurance.

STATUTORY AND SPECIAL DEPOSITS

The Company reported statutory and special deposits that were primarily comprised of U.S. Treasury Bonds and held by various state insurance departments, Federal Home Loan Bank, and the U.S. Department of Labor as of December 31, 2022:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For the Benefit of All Policyholders:		
Delaware	\$ 129,971	\$ 110,378
Florida	2,430,576	2,085,175
Indiana	1,997,699	1,696,555
Massachusetts	578,794	490,570
Nevada	213,137	212,822
North Carolina	421,979	368,053
Rhode Island	95,244	82,436
All Other Special Deposits:		
Georgia	67,392	57,233
Idaho	248,177	211,836
Nevada	106,568	106,411
New Mexico	330,278	322,632
Aggregate Alien and Other	<u>33,892,315</u>	<u>30,861,057</u>
Total Deposits	<u>\$40,512,130</u>	<u>\$36,605,158</u>

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

REINSURANCE

Reinsurance Pooling Agreement

Effective January 1, 2014, the Company entered into the Third Amended and Restated Reinsurance Pooling Agreement with SICA, SWIC, SICSC, SICNY, SCIC, SAICNJ, MUSIC, SICNE, and SFCIC (collectively, pool members). Under this agreement, each pool member cedes 100% of its underwriting activity, net of third-party reinsurance, to SICA, the lead company in the pool. Cessions under this agreement are gross of collateralized reinsurance covers associated with catastrophe bonds, insurance linked securities or other collateralized reinsurance vehicles, if any, purchased by SICA on behalf of, or for the benefit of pool members. The net underwriting activity is retroceded to each pool member in the following pooling percentages as of December 31, 2022:

SICA	32%
SWIC	21%
SICSC	9%
SICSE	7%
SICNY	7%

SCIC	7%
SAICNJ	6%
MUSIC	5%
SICNE	3%
SFCIC	3%

Reinsurance Assumed

The Company assumes required business by participating in various voluntary and involuntary pools.

Reinsurance Ceded

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

Casualty

Residual Market Workers' Compensation Facility Reinsurance Contract:

Effective January 1, 2022, the Company ceded its Workers' Compensation Residual Markets (involuntary pools) business under a 100% quota share reinsurance contract with various reinsurers. The reinsurance limit per occurrence is the expected loss ratio for each covered jurisdiction plus 40 percentage points. The contract contains a profit-sharing provision whereby 50% of the reinsurer net profit, up to 12 percentage points of the reinsurers' net profit, is paid to the Company.

Casualty Excess of Loss Reinsurance Contract:

Effective July 1, 2022, the Company entered into a Casualty Excess of Loss Reinsurance Contract with multiple reinsurers, some brokered through Aon Re, Inc., with others placed with direct markets. The contract covers all policies classified by the Company as Casualty. The contract provides coverage of \$88,000,000 per occurrence in excess of \$2,000,000 per occurrence through six (6) layers. It is subject to aggregate limits per layer for a maximum of \$349,000,000 for all loss occurrences under the contract. Each layer is 100% placed with the participating reinsurers.

Property

Property Per Risk Excess of Loss Reinsurance Contract:

Effective July 1, 2022, the Company entered into a Property Per Risk Excess of Loss Reinsurance Contract with multiple reinsurers, some brokered through Aon Re, Inc., and others placed with direct markets. The contract covers all policies classified by the Company as Property. The contract provides coverage for losses of \$67,000,000 per risk, per occurrence, in excess of \$3,000,000 per risk, per occurrence through three (3) layers. It is subject to a total per occurrence limit of \$121,000,000 for all three (3) layers combined. Each layer is 100% placed with the participating reinsurers.

Property Catastrophe Excess of Loss Reinsurance Contract:

Effective January 1, 2022, the Company entered into a Property Catastrophe Excess of Loss Reinsurance Contract with multiple reinsurers, some brokered through Aon Re, Inc. and others placed with direct

markets. The contract covers all policies classified by the Company as Property. The contract provides coverage of \$835,000,000 per occurrence in excess of \$40,000,000 per occurrence through four (4) layers. It is subject to aggregate limits per layer for a maximum of \$1,320,000,000 for all loss occurrences under the contract. The Company retains 18% of the first layer, 3% of the second and third layers, and 10% of the fourth layer. In consideration of these co-participations, the maximum aggregate limit for all loss occurrences under the contract is effectively \$1,237,900,000.

Underlying Property Catastrophe Excess of Loss Reinsurance Contract:

Effective January 1, 2022, the Company entered into an Underlying Property Catastrophe Excess of Loss Reinsurance Contract with multiple reinsurers brokered through Aon Re, Inc. The contract covers all policies classified by the Company as Property written on an Excess and Surplus Lines basis. The contract provides coverage of \$30,000,000 per occurrence in excess of \$10,000,000 per occurrence, subject to an aggregate limit of \$33,675,000. The single layer of coverage is 66% placed with the participating reinsurers.

Other Reinsurance

Surety & Fidelity First and Second Excess Reinsurance Contract:

Effective January 1, 2022, the Company entered into a Surety & Fidelity First and Second Excess of Loss Reinsurance Contract with multiple reinsurers, some brokered through Aon Re, Inc., and others placed with direct markets. The contract covers all policies classified by the Company as Surety and/or Fidelity in force, written or renewed on or after January 1, 1997. The contract provides coverage of \$18,000,000 per occurrence in excess of \$2,000,000 per occurrence through two (2) layers. It is subject to aggregate limits per layer for a maximum of \$44,000,000 for all loss occurrences under the contract. Both layers are 100% placed with the participating reinsurers.

Other Reinsurance Contracts:

The Company also has other reinsurance contracts, including: Equipment Breakdown Coverage Reinsurance Contract; Multiple Line Reinsurance Agreement, which covers additional personal lines coverages; Cyber Response Quota Share Contract; and Excess Liability Quota Share agreements, which cover MUSIC's excess liability business.

RESERVES

Ian P. Sterling, FCAS, MAAA, with the firm of KPMG LLP, is the Appointed Actuary for the Company. Mr. Sterling was appointed by the Board to render an actuarial opinion on the statutory-basis reserves of the Company for 2022. The Board appointed Scott P. Weinstein, FCAS, MAAA, with the firm of KPMG LLP, to render an opinion on such reserves for the years 2018 to 2021 covered by this examination.

The scope of the opinion was to examine the loss and loss adjustment expense reserves of the Company. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. The 2022 opinion stated the reserves: A) meet the requirements of the insurance laws of Indiana; B) are consistent with reserves computed in accordance with accepted actuarial standards; and C) make a reasonable provision, in the aggregate, for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

During the examination, it was determined by the Lead State's consulting actuaries, David Heppen, FCAS, MAAA, Scott Merkord, FCAS, MAAA, and Michael M. Hall, FCAS, MAAA, that the material actuarial items in the Annual Statement of the Company are materially correct and fairly stated in accordance with statutory accounting practices prescribed or permitted by the Commissioner of Insurance of the State of Indiana.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The detail trial balance prepared from the Company's general ledger for the year ending December 31, 2022, was agreed to the Annual Statement without exception. The Company's independent auditors issued unmodified opinions on the Company's audited Statutory Financial Statements for each year during the examination period. The audited Statutory Financial Statements were agreed to the Annual Statement for the year ending December 31, 2022, with no exceptions noted. All of the independent audit work papers were made available to Thomas Consulting during the examination.

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

FINANCIAL EXHIBITS

Comparative Exhibit – Statutory Statement of Assets
Comparative Exhibit – Statutory Statement of Liabilities, Surplus and Other Funds
Comparative Exhibit - Statutory Statement of Income
Comparative Exhibit – Statutory Capital and Surplus Account

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

SELECTIVE INSURANCE COMPANY OF THE SOUTHEAST

FINANCIAL STATEMENTS

Assets

As of December 31, 2022

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Bonds	\$ 466,672,698	\$ -	\$ 466,672,698	\$ 432,868,060
Common stocks	18,976,021	-	18,976,021	35,835,229
Cash, cash equivalents and short- term investments	38,736,187	-	38,736,187	30,679,402
Other invested assets	30,636,837	-	30,636,837	25,210,238
Receivable for securities	123,032	-	123,032	100,000
Subtotals, cash and invested assets	<u>\$ 555,144,775</u>	<u>\$ -</u>	<u>\$ 555,144,775</u>	<u>\$ 524,692,929</u>
Investment income due and accrued	3,895,879	-	3,895,879	3,324,405
Uncollected premiums and agents' balances in the course of collection	27,962,782	-	27,962,782	27,141,700
Deferred premiums, agents' balances and installments booked but deferred and not yet due	64,222,489	-	64,222,489	55,327,231
Accrued retrospective premium	33,022	-	33,022	41,083
Amounts recoverable from reinsurers	32,851,948	-	32,851,948	20,751,002
Net deferred tax asset	11,554,348	-	11,554,348	9,011,395
Guaranty funds receivable or on deposit	37,047	-	37,047	21,859
Receivables from parent, subsidiaries and affiliates	14,705,191	-	14,705,191	20,446,161
Aggregate write-ins for other than invested assets	<u>5,394,597</u>	<u>-</u>	<u>5,394,597</u>	<u>4,841,500</u>
Totals	<u>\$ 715,802,078</u>	<u>\$ -</u>	<u>\$ 715,802,078</u>	<u>\$ 665,599,265</u>

SELECTIVE INSURANCE COMPANY OF THE SOUTHEAST

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2022

	Per Annual Statement	Examination Adjustments	Per Examination	December 31, Prior Year
Losses	\$ 254,148,156	\$ -	\$ 254,148,156	\$ 231,076,377
Reinsurance payable on paid losses and loss adjustment expenses	16,366,445		16,366,445	14,956,255
Loss adjustment expenses	51,117,640	-	51,117,640	47,173,247
Commissions payable	9,414,295	-	9,414,295	8,546,591
Other expenses	6,734,626	-	6,734,626	7,321,485
Taxes, licenses and fees	2,664,460	-	2,664,460	2,475,318
Current federal and foreign income tax	405,284	-	405,284	446,522
Net deferred tax liability	-	-	-	-
Borrowed money	28,040,056	-	28,040,056	28,040,058
Unearned premiums	127,428,681	-	127,428,681	113,414,030
Advance premium	834,137	-	834,137	670,484
Dividends declared and unpaid: Policyholders	425,164	-	425,164	383,364
Ceded reinsurance premiums payable	50,327,207	-	50,327,207	45,756,354
Funds held by the company under reinsurance treaties	136,839	-	136,839	136,839
Amounts withheld or retained by company for account of others	828,895	-	828,895	830,153
Provision for reinsurance	524,939	-	524,939	820,857
Payable to parent, subsidiaries, and affiliates	25,482	-	25,482	-
Aggregate write-ins for liabilities	<u>2,866,003</u>	-	<u>2,866,003</u>	<u>3,245,483</u>
Total liabilities	<u>\$ 552,288,309</u>	<u>\$ -</u>	<u>\$ 552,288,309</u>	<u>\$ 505,293,417</u>
Common capital stock	\$ 3,650,000	\$ -	\$ 3,650,000	\$ 3,650,000
Gross paid in and contributed surplus	23,925,682	-	23,925,682	23,925,682
Unassigned funds (surplus)	<u>135,938,087</u>	-	<u>135,938,087</u>	<u>132,730,166</u>
Surplus as regards policyholders	<u>\$ 163,513,769</u>	<u>\$ -</u>	<u>\$ 163,513,769</u>	<u>\$ 160,305,848</u>
Totals	<u><u>\$ 715,802,078</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 715,802,078</u></u>	<u><u>\$ 665,599,265</u></u>

SELECTIVE INSURANCE COMPANY OF THE SOUTHEAST

FINANCIAL STATEMENTS

Statement of Income

For the Year Ending December 31, 2022

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Underwriting Income				
Premiums earned	\$ 236,136,568	\$ -	\$ 236,136,568	\$ 211,207,708
DEDUCTIONS				
Losses incurred	126,448,668	-	126,448,668	107,611,387
Loss adjustment expense incurred	21,365,451	-	21,365,451	19,369,586
Other underwriting expenses incurred	79,429,034	-	79,429,034	72,297,642
Aggregate write-ins for underwriting deduction	<u>26,852</u>	<u>-</u>	<u>26,852</u>	<u>16,246</u>
Total underwriting deductions	<u>227,270,005</u>	<u>-</u>	<u>227,270,005</u>	<u>199,294,861</u>
Net underwriting gain (loss)	<u>\$ 8,866,563</u>	<u>\$ -</u>	<u>\$ 8,866,563</u>	<u>\$ 11,912,847</u>
Investment Income				
Net investment income earned	\$ 17,765,094	\$ -	\$ 17,765,094	\$ 12,751,696
Net realized capital gains (losses) less capital gains tax	<u>(6,889,077)</u>	<u>-</u>	<u>(6,889,077)</u>	<u>(248,734)</u>
Net investment gain (loss)	<u>\$ 10,876,017</u>	<u>\$ -</u>	<u>\$ 10,876,017</u>	<u>\$ 12,502,962</u>
Other Income				
Net gain (loss) from agents' or premium balances charged off	(249,020)	-	(249,020)	(607,792)
Finance and services charges not included in premiums	672,700	-	672,700	651,196
Aggregate write-ins for miscellaneous income	<u>372,039</u>	<u>-</u>	<u>372,039</u>	<u>845,328</u>
Total other income	<u>\$ 795,719</u>	<u>\$ -</u>	<u>\$ 795,719</u>	<u>\$ 888,732</u>
Net income before dividends to policyholders	\$ 20,538,299	\$ -	\$ 20,538,299	\$ 25,304,541
Dividends to policyholders	340,064	-	340,064	359,799
Net income, after capital gains tax and before all other federal and foreign income taxes	<u>\$ 20,198,235</u>	<u>\$ -</u>	<u>\$ 20,198,235</u>	<u>\$ 24,944,742</u>
Federal and foreign income taxes incurred	<u>6,035,942</u>	<u>-</u>	<u>6,035,942</u>	<u>5,572,175</u>
Net Income	<u>\$ 14,162,293</u>	<u>\$ -</u>	<u>\$ 14,162,293</u>	<u>\$ 19,372,567</u>

SELECTIVE INSURANCE COMPANY OF THE SOUTHEAST

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Surplus as regards policyholders, December 31, prior year	<u>\$160,305,848</u>	<u>\$143,504,070</u>	<u>\$128,689,401</u>	<u>\$117,738,913</u>	<u>\$111,829,974</u>
Net income	\$ 14,162,293	\$ 19,372,567	\$ 16,752,390	\$ 18,553,778	\$ 12,920,254
Change in net unrealized capital gains or (losses) less capital gains tax	(4,664,232)	4,966,600	1,473,984	(18,081)	23,942
Change in net deferred income tax	1,927,067	869,602	635,682	785,487	629,729
Change in nonadmitted assets	(586,648)	(1,962,426)	(110,996)	(741,449)	188,642
Change in provision for reinsurance	295,918	614,416	(989,864)	(89,426)	298,836
Surplus adjustments	-	-	2,000,000	-	-
Dividends to stockholders	(6,570,000)	(8,760,000)	(5,256,000)	(6,752,500)	(7,504,400)
Aggregate write-ins for gains and losses in surplus	<u>(1,356,477)</u>	<u>1,701,019</u>	<u>309,473</u>	<u>(787,321)</u>	<u>(648,064)</u>
Change in surplus as regards policyholders for the year	\$ 3,207,921	\$ 16,801,778	\$ 14,814,669	\$ 10,950,488	\$ 5,908,939
Surplus as regards policyholders, December 31, current year	<u>\$163,513,769</u>	<u>\$160,305,848</u>	<u>\$143,504,070</u>	<u>\$128,689,401</u>	<u>\$117,738,913</u>

COMMENTS ON THE FINANCIAL STATEMENTS

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

OTHER SIGNIFICANT FINDINGS

There were no significant findings noted as a result of this examination.

SUBSEQUENT EVENTS

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

MANAGEMENT REPRESENTATION

Thomas Consulting obtained a management representation letter in the standard NAIC format to support contingencies and accuracy of information provided during the examination. This letter was executed by key financial personnel of the Company and provided to Thomas Consulting.

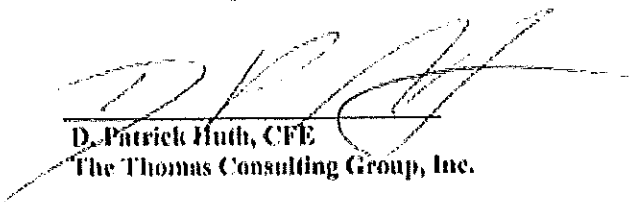
AFFIDAVIT

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 The Thomas Consulting Group, Inc., performed an examination of the Selective Insurance Company of the Southeast as of December 31, 2022.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2022 NAIC *Financial Condition Examiners Handbook* and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements in this report.

The attached Report of Examination is a true and complete report of the condition of the Selective Insurance Company of the Southeast as of December 31, 2022, as determined by the undersigned.

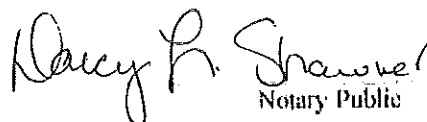

D. Patrick Huth, CFE
The Thomas Consulting Group, Inc.


Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

State of:
County of:

On this 21st day of May, 2024, before me personally appeared, D. Patrick Huth and Jerry Ehlers to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires October 4, 2025 
Notary Public

DARCY L. SHAWVER
NOTARY PUBLIC

SEAL

MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 708053

