

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

IN THE MATTER OF: )  
 )  
**Infinity Insurance Company** )  
**2201 4<sup>th</sup> Avenue North** )  
**Birmingham, AL 35203-3863** )

Examination of: **Infinity 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 Infinity Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 31, 2018, 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 Infinity Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

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

June 28, 2018  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0175**

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

IN THE MATTER OF: )  
 )  
**Infinity Insurance Company** )  
**2201 4<sup>th</sup> Avenue North** )  
**Birmingham, AL 35203-3863** )

Examination of: **Infinity Insurance Company**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Infinity Insurance Company (hereinafter “Company”) for the time period January 1, 2012 through December 31, 2016.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on February 13, 2018.

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 31, 2018 and was received by the Company on June 6, 2018.

The Company did not file any objections.


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

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the Infinity Insurance Company as of December 31, 2016.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the Infinity Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

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

Signed this 28 day of  
June, 2018.

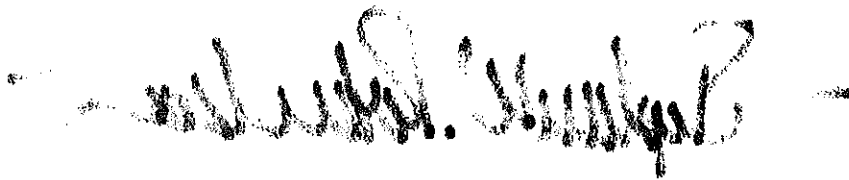
  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

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 large, cursive handwritten signature in black ink, appearing to read "James M. ...".Handwritten initials or a signature in black ink, possibly "JM" or "James".

**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**  
**INFINITY INSURANCE COMPANY**

NAIC Co. CODE 22268  
NAIC GROUP CODE 3495

As of

December 31, 2016

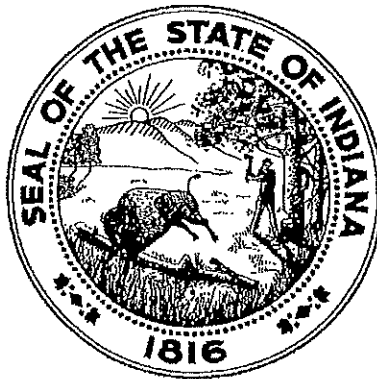


TABLE OF CONTENTS

SALUTATION.....1

SCOPE OF EXAMINATION .....2

HISTORY.....2

CAPITAL AND SURPLUS.....3

DIVIDENDS TO STOCKHOLDERS .....3

TERRITORY AND PLAN OF OPERATION.....4

GROWTH OF THE COMPANY.....4

MANAGEMENT AND CONTROL.....5

    Directors.....5

    Officers.....5

CONFLICT OF INTEREST .....6

OATH OF OFFICE .....6

CORPORATE RECORDS.....6

    Articles of Incorporation .....6

    Bylaws.....6

    Minutes.....7

AFFILIATED COMPANIES.....7

    Organizational Structure .....7

    Affiliated Agreements.....8

FIDELITY BOND AND OTHER INSURANCE.....8

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....8

SPECIAL AND STATUTORY DEPOSITS.....9

REINSURANCE.....9

    Reinsurance Pool.....9

    External Reinsurance Ceded .....10

ACCOUNTS AND RECORDS .....10

FINANCIAL STATEMENTS .....11

    Assets .....11

    Liabilities, Surplus and Other Funds.....12

    Statement of Income.....13

    Capital and Surplus Account Reconciliation.....14

COMMENTS ON THE FINANCIAL STATEMENTS .....15

OTHER SIGNIFICANT ISSUES .....15

SUBSEQUENT EVENTS.....15

AFFIDAVIT.....16



# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

---

## Indiana Department of Insurance

Stephen W. Robertson, Commissioner  
311 W. Washington Street, Suite 103  
Indianapolis, Indiana 46204-2787  
Telephone: 317-232-2385  
Fax: 317-232-5251  
Website: [in.gov/idoi](http://in.gov/idoi)

February 13, 2018

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 3935, an examination has been made of the affairs and financial condition of:

**Infinity Insurance Company**  
**2201 4<sup>th</sup> Avenue North**  
**Birmingham, Alabama 35203-3863**

hereinafter referred to as the "Company", or "IIC", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Birmingham, Alabama.

The Report of Examination, reflecting the status of the Company as of December 31, 2016, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
317-232-2413

COMPANY COMPLIANCE  
317-232-3495

CONSUMER SERVICES  
317-232-2395/1-800-622-4461

FINANCIAL SERVICES  
317-232-2390

MEDICAL MALPRACTICE  
317-232-2402

COMPANY RECORDS  
317-232-5692

STATE HEALTH INSURANCE PROGRAM  
1-800-452-4800

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2007 through December 31, 2011. The present risk-focused examination was conducted by Noble Consulting Services, Inc. and covered the period from January 1, 2012 through December 31, 2016, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination of the Ohio domestic insurance companies of Infinity Property and Casualty Corporation (IPCC) or (the Group) was called by the Ohio Department of Insurance (ODI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination of the Texas domestic insurance company of IPCC was called by the Texas Department of Insurance (TDI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The ODI and TDI served as participating states on the examination and the INDOI served as the lead state.

Merlinos & Associates, Inc. staff provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2016.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

## HISTORY

On July 9, 1955, the Company was originally incorporated under the laws of the state of Alabama as Dixie Auto Insurance Company (DAIC). On June 1, 1977, American Financial Corporation, a member of the American Financial Group, Inc. (AFG), acquired control of DAIC by purchasing 100% of the stock of its parent, Stonewall Insurance Company (SIC). In 1978, the Company merged with another SIC subsidiary, Specialty Insurance Company, a Florida corporation. The name of the surviving company was changed to Dixie Insurance Company on the merger date. On December 31, 1990, the Company was acquired by Pennsylvania Company (PC), a member of AFG. Effective October 2002, PC merged into American Premier Underwriters, Inc. (APU) and the Company became a direct subsidiary of APU.

Effective August 1, 1992, the Company's name was changed to IIC. On November 14, 1997, the Company was re-domiciled from Florida to Indiana. Effective December 31, 2002, all of the issued and outstanding common stock of the Company was distributed to IPCC. IPCC was formed to own all of the personal lines agency business of AFG for the purpose of making it available in an initial public offering. At the formation date of IPCC, the Company was



the lead insurer in the Infinity Intercompany Reinsurance Pool (Infinity Pool). The Infinity Casualty Insurance Company, Infinity Standard Insurance Company (Standard), and Infinity Auto Insurance Company reinsurance pools continued to operate independently as subsidiaries of IPCC.

On February 19, 2003, AFG sold 61% of IPCC in an initial public offering. Effective December 17, 2003, AFG sold its remaining shares of the issued and outstanding common stock of IPCC through a secondary public offering. As a result, AFG ceased to be the ultimate controlling entity and also ceased to be an affiliate of IPCC and its subsidiaries.

The Group is the culmination of efforts to combine the four (4) separate insurance groups formerly owned by AFG. On June 1, 2007, the Company paid an extraordinary dividend in the form of all issued and outstanding shares of its wholly-owned subsidiary, Hillstar Insurance Company (Hillstar), to IPCC. The Company owns all other companies in the Infinity Pool, with the exception of Infinity County Mutual Insurance Company (County Mutual), which is affiliated but not owned. The Company sold two (2) of the companies in the Infinity Pool, Infinity General Insurance Company and Infinity Specialty Insurance Company, during 2011. Both were Ohio domiciled insurance companies.

### CAPITAL AND SURPLUS

The Articles of Incorporation, as amended, provide that the authorized capital of the Company shall consist of 40,000 shares of common stock with \$120 par value. As of December 31, 2016, IPCC owned all 25,000 issued and outstanding shares of the Company's common stock. The Company has no shares of preferred stock outstanding.

### DIVIDENDS TO STOCKHOLDERS

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

Year	Total	Ordinary Dividends	Extraordinary Dividends
2016	\$ 60,000	\$ 12,000	\$ 48,000
2015	68,000	68,000	-
2014	60,000	60,000	-
2013	-	-	-
2012	-	-	-
Total	\$ 188,000	\$ 140,000	\$ 48,000

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer of the prior year. The Company paid three (3) extraordinary dividends during the examination period with the prior approval of the INDOI. All three (3) occurred in 2016 in the amount of \$16 million each. Other dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

In 2012, the Company received a capital contribution of \$50 million from its parent IPCC.

In 2014, the Company made a capital contribution to an affiliate, Standard, in the amount of \$50,000.

In 2012, the Company made capital contributions, (in 000s) to the following affiliates:

	<u>2012</u>
Infinity Assurance Insurance Company	\$ 290
Infinity Indemnity Insurance Company	650
Infinity Preferred Insurance Company	766
Infinity Select Insurance Company	<u>125</u>
Total	<u>\$ 1,831</u>

### TERRITORY AND PLAN OF OPERATION

The Group provides automobile insurance nationwide with a concentration in non-standard private passenger auto insurance. The Group markets its insurance products using a network of approximately 10,800 independent agents and brokers in 15,400 locations. While the Group does offer commercial auto and classic collector coverage, these products represented only 10% and 1% of gross written premiums for 2016, respectively. The remaining 89% of gross writings represents private passenger auto insurance.

The Group, through its various affiliated insurance companies, holds licenses in all fifty (50) states and the District of Columbia, but the Group is committed to growth in targeted urban areas identified within the Group's focus states. The Group has targeted urban areas in the following focus states: Arizona, California, Florida, and Texas. Business is heavily focused in California and Florida, which generate approximately 86% of the direct premiums written.

The Company is licensed to write business in forty-five (45) states and 96% of the premiums are written in California.

### GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus and Other Funds**	Premiums Earned	Net Income
2016	\$ 2,012,728	\$ 1,352,110	\$ 660,619	\$ 1,379,139	\$ 61,955
2015	1,992,728	1,339,952	652,776	1,334,445	61,440
2014	1,991,454	1,316,810	674,644	1,312,676	68,017
2013	1,966,393	1,299,832	666,560	1,288,363	47,759
2012	1,860,554	1,254,881	605,674	1,170,192	33,762

Overall growth in admitted assets, liabilities, surplus, and premiums during the examination period is attributable to profitable gross written premium growth. The increase in premium growth was primarily in the states of California and Florida. During the examination period, the compound annual growth rate was 5.3%. Dividends paid over the examination period partially offset net income in contributing to the growth in surplus and other funds.

\*\* The balance includes immaterial rounding differences.

## MANAGEMENT AND CONTROL

### Directors

The Articles of Incorporation provide that the corporate powers of the Company are to be exercised by a Board of Directors (Board). The number of directors of the Company shall be not less than seven (7) nor more than twenty-one (21), such number to be fixed from time to time by resolution adopted by a vote of a majority of the Board or by the Shareholders. The annual meetings of the Shareholders and of the Board shall be held within the first five (5) months after the close of the fiscal year at the principal office of the Company or at such other place and at such time as the Board may designate. As an Indiana domiciled company at least one (1) director is required to be a resident of Indiana.

The following is a listing of persons serving as directors as of December 31, 2016, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Robert Harold Bateman, Jr. Mountain Brook, Alabama	Executive Vice President and Chief Financial Officer Infinity Property and Casualty Corporation
David Glenn Blachly Indianapolis, IN	Attorney (Outside Director) Densborn Blachly LLP
James Randall Gober <sup>A</sup> Birmingham, Alabama	Chairman of the Board, President, and CEO Infinity Property and Casualty Corporation
Glen Nelson Godwin <sup>B</sup> Birmingham, Alabama	Senior Vice President, Business Development Infinity Property and Casualty Corporation
Amy Kay Jordan Hoover, Alabama	Senior Vice President and Controller Infinity Property and Casualty Corporation
Scott Christopher Pitrone <sup>C</sup> Decatur, Georgia	Senior Vice President, Product Management Infinity Property and Casualty Corporation
Samuel James Simon <sup>D</sup> Birmingham, Alabama	Executive Vice President and Secretary Infinity Property and Casualty Corporation

### Officers

The Bylaws state that the elected officers of the Company may consist of a Chairman of the Board and a President (each of whom shall be a director), one (1) or more Vice Presidents (or any derivations thereof, such as Senior or Executive Vice President), a Treasurer, a Secretary, and such other Assistant Vice Presidents, Assistant Secretaries, Assistant Treasurers, and other officers, as from time to time, may appear to the Board necessary or desirable for conducting the affairs of the Company.

<sup>A</sup> Effective August 1, 2017, James R. Gober retired as the President and CEO of IPCC. He will continue to serve as the Chairman of the Board and serve on Boards of the various company subsidiaries.

<sup>B</sup> Effective August 1, 2017, Glen N. Godwin became the CEO of IPCC.

<sup>C</sup> Effective August 9, 2017, Scott C. Pitrone resigned from all Officer and Board Member positions served with IPCC and its subsidiary companies. James H. Romaker, Assistant Secretary, replaced Mr. Pitrone as the Board Member.

<sup>D</sup> Effective August 1, 2017, Samuel J. Simon became the President of IPCC.

The following is a list of key officers and their respective titles as of December 31, 2016:

<u>Name</u>	<u>Office</u>
Glen Nelson Godwin	President and Chief Executive Officer
Robert Harold Bateman, Jr.	Senior Vice President and Chief Financial Officer
Ralph Allen Gravelle	Senior Vice President and Chief Information Officer
Samuel James Simon	Senior Vice President and Secretary
Amy Kay Jordan	Vice President, Treasurer, and Controller
Troy Perry Ballard	Assistant Treasurer
Mary Linn Clark	Assistant Treasurer
Timothy Michael Kelly	Assistant Treasurer
James Henry Romaker	Assistant Secretary
Mitchell Silverman	Assistant Secretary

#### CONFLICT OF INTEREST

The Company's directors and officers are required to review and sign Conflict of Interest statements every two (2) years. 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, 2015 for years 2015 and 2016.

#### OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2016.

#### CORPORATE RECORDS

##### Articles of Incorporation

The Articles of Incorporation were amended on October 24, 2014. The amendment changed the principal office address of the Company to 500 East 96<sup>th</sup> Street, Suite 100, Indianapolis, Indiana 46240. The amendment was approved by the INDOI.

##### Bylaws

The Bylaws were amended on July 28, 2014. The amendment was for the following items: (a) changed the definition of "Regular Meeting"; (b) deleted a sentence entitled "Board Action Without a Meeting"; and (c) changed the sentence entitled "Officers".

## Minutes

The Board and Shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws specify that the annual meeting of shareholders was held within five (5) months following the close of each fiscal year. For all years under examination the meeting was found to be held within this time frame.

The Company's finance committee meeting minutes for the examination period, and through the fieldwork date, were reviewed, as well as the minutes for the following IPCC committees: Audit Committee, Compensation Committee, Executive Committee, Investment Committee, and Nominating and Corporate Governance Committee.

## AFFILIATED COMPANIES

### Organizational Structure

The following organizational chart shows the Company's parent and subsidiaries as of December 31, 2016:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Infinity Property and Casualty Corporation		
<b>Hillstar Insurance Company</b>	<b>10068</b>	<b>IN</b>
Infinity Financial Centers, LLC		
<b>Infinity Insurance Company</b>	<b>22268</b>	<b>IN</b>
Infinity Insurance Agency, Inc.		
Infinity Agency of Texas		
<b>Infinity Indemnity Insurance Company</b>	<b>10061</b>	<b>IN</b>
<b>Infinity Select Insurance Company</b>	<b>20260</b>	<b>IN</b>
<b>Infinity Security Insurance Company</b>	<b>38873</b>	<b>IN</b>
<b>Infinity Standard Insurance Company</b>	<b>12599</b>	<b>IN</b>
Infinity Property and Casualty Services, Inc.		
Casualty Underwriters, Inc.		
Infinity Assurance Insurance Company	39497	OH
Infinity Auto Insurance Company	11738	OH
Leader Managing General Agency, Inc.		
Leader Group, Inc.		
Infinity Casualty Insurance Company	21792	OH
Infinity Preferred Insurance Company	10195	OH
Infinity Safeguard Insurance Company	16802	OH
Infinity County Mutual Insurance Company <sup>B</sup>	13820	TX

<sup>B</sup> Infinity County Mutual Insurance Company is affiliated but not owned by Infinity Insurance Company. As a mutual insurance company, County Mutual is owned by its policyholders.

## 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.

### *Management Agreement*

IIC and County Mutual are parties to a Management Agreement effective December 7, 1991, under which IIC acts as manager of County Mutual. Great American Insurance Company assigned this agreement to Standard on January 31, 2003. Standard assigned this agreement to IIC effective August 1, 2008. In 2016, IIC received compensation in the amount of \$302,478 under the Management Agreement.

### *Consolidated Tax Allocation Agreement*

IPCC and certain of its subsidiaries are parties to a Tax Allocation Agreement whereby federal income taxes resulting from the filing of a consolidated federal tax return are allocated among members of the federal consolidated tax group. The Tax Allocation Agreement was entered into on December 31, 2003, and was effective February 13, 2003.

### *Intercompany Pooling Agreement*

As more fully discussed in the Reinsurance section of this Report of Examination, all affiliate insurers, except for Hillstar and County Mutual, are members of an Intercompany Pooling Agreement, effective January 1, 2005, under which all the premiums, applicable liabilities, and expenses of the companies are “pooled” in accordance with the terms of the pooling agreement. On December 31, 2014, an Amendment was made to the pooling agreement terminating Hillstar’s participation.

## **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 Travelers Casualty and Surety Company of America. The bond has a single loss coverage limit of \$5,000,000, with a \$250,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2016, including but not limited to claim expense liability, computer fraud liability, fraudulent instruction liability, in transit liability, on premises liability, securities liability, and umbrella liability.

## **PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS**

All employees meeting minimum requirements regarding service are eligible to participate in the IPCC 401(k) Retirement Plan (Plan) for the benefit of employees of IPCC and its participating subsidiaries. The Plan is a defined contribution plan in which participating employees are entitled to share in contributions made by the Company on their behalf. The Plan has two (2) types of contributions, including 401(k) contributions made by participating employees and contributions made by the Company. Participating employees are permitted to make 401(k) contributions to the Plan. Matching contributions may be made by the Company based on the amount of 401(k) contributions made by the participating employees. IPCC also has a Supplemental Executive Retirement Plan (SERP) for a select group of management or highly compensated employees. The SERP enables eligible employees to receive additional retirement contributions from the Company that are precluded by law due to limitations of a qualified retirement plan. SERP costs are funded as they accrue and vested benefits are fully funded. Matching contributions to the SERP are subject to the discretion of IPCC, and the company has no liability for future contributions to the SERP. The Company’s share of the expense for the Plan and the SERP during 2016 was

\$5,039,160.

The Company provides postretirement benefits to employees based on date of retirement, age, and service requirements. The retiree medical care plan is a contributory plan. Some employees pay the full cost of retiree medical coverage as outlined by the plan. The Company paid the full cost of life insurance coverage in 2016 for retirees eligible for this coverage. The Company has the right to modify or terminate either of these plans in the future.

### SPECIAL AND STATUTORY DEPOSITS

The Company reported the following special and statutory deposits, (in 000s), as of December 31, 2016:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Florida	\$ 359	\$ 331
Indiana	2,368	2,334
All Other Special Deposits:		
Georgia	35	35
Massachusetts	100	100
Nevada	225	226
New Mexico	120	119
North Carolina	200	188
Virginia	105	105
Total Deposits**	<u>\$ 3,512</u>	<u>\$ 3,437</u>

### REINSURANCE

#### Reinsurance Pool

The Company participates in an intercompany reinsurance pool for which it acts as the lead pool reinsurer.

The pooling process is comprised of three (3) steps. First, each affiliated company directly or indirectly cedes 100% of their direct and assumed business to IIC pursuant to the pooling agreement. In 2016, IIC assumed premiums, case loss and expense reserves totaling \$686 million and \$165 million respectively in connection with pooling transactions.

Second, IIC cedes excess of loss and catastrophe reinsurance to a group of unrelated open market reinsurers and various state-operated residual market reinsurance facilities. Any uncollected external reinsurance balances are ultimately shared amongst pool members in proportion to each member's designated pooling percentage.

Third, in its capacity as lead pool insurer, IIC then cedes, or retrocedes, back to each participating pool member a specified percentage of the combined "pool" in accordance with each member's applicable pooling percentage. As of December 31, 2016, IIC retained 99.1% of the total pool and ceded 1/10th of 1% (one-tenth of one percent) to each of nine respective pool members as shown below. In 2016, the Company ceded premiums and case loss and loss expense, including IBNR, totaling \$1.4 million and \$.7 million respectively to each of the nine (9) pool members identified below.

\*\* The balance includes immaterial rounding differences.

Following is a list of the companies within the Intercompany Pooling Agreement and their respective contract percentage:

Name of Pool Members	Percentage of Pool	Domiciliary State
<b>Infinity Insurance Company</b>	<b>99.1%</b>	<b>IN</b>
<b>Infinity Indemnity Insurance Company</b>	<b>0.1%</b>	<b>IN</b>
<b>Infinity Security Insurance Company</b>	<b>0.1%</b>	<b>IN</b>
<b>Infinity Select Insurance Company</b>	<b>0.1%</b>	<b>IN</b>
<b>Infinity Standard Insurance Company</b>	<b>0.1%</b>	<b>IN</b>
Infinity Assurance Insurance Company	0.1%	OH
Infinity Auto Insurance Company	0.1%	OH
Infinity Casualty Insurance Company	0.1%	OH
Infinity Preferred Insurance Company	0.1%	OH
Infinity Safeguard Insurance Company	0.1%	OH
Total	<u>100.0%</u>	

In addition to the above listed companies one (1) other affiliate, County Mutual, cedes 100% of its business to Standard, but does not re-assume any share of the combined pool results. Standard, in turn cedes all but a minor portion of its direct and assumed business to other pool companies where it is combined with other business in the Infinity Pool.

#### External Reinsurance Ceded

As noted above, IIC maintains a comprehensive “corporate” reinsurance program designed to limit both per-risk and catastrophe exposures to acceptable limits. The most significant contracts and limits placed in this regard are as follows:

- Commercial Liability Quota Share - 75%
- Commercial Auto Excess of Loss - \$500k x/s \$500k
- Property and Homeowners Catastrophe Excess of Loss - \$95 million x/s \$5 million
- Contingency Clash and Excess of Loss - \$10 million x/s \$5 million

These treaties are placed on behalf of all members of the Group by ICC in their capacity as lead pool reinsurer. The cost of each treaty is deducted from the combined pooled premium and the residual ceded to each pool member in proportion to their designated pool share.

In addition, business is ceded to various state-operated residual market pools. The most significant of these is the Michigan Catastrophic Claims Association (MCCA), a state-operated pool which covers auto PIP (personal income protection) losses above \$450,000 per claim arising under Michigan’s no-fault automobile laws. As of December 31, 2016, IIC reported a total of \$7.4 million in claim reserves recoverable from the MCCA.

### 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, 2015 and December 31, 2016, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2012 through December 31, 2016, were agreed to each year’s independent audit report without material exception. The Company’s accounting procedures, practices, and account records were deemed satisfactory.



INFINITY INSURANCE COMPANY

Assets

As of December 31, 2016

(in 000s)

	Per Examination*
Bonds	\$ 1,195,377
Stocks:	
Common stocks	134,758
Real Estate:	
Properties occupied by the company	61,530
Properties held for sale	402
Cash, cash equivalents and short-term investments	18,644
Receivables for securities	795
Subtotals, cash and invested assets	1,411,505
Investment income due and accrued	11,198
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	36,325
Deferred premiums, agents' balances and installments booked but deferred and not yet due	468,589
Reinsurance:	
Amounts recoverable from reinsurers	1,005
Net deferred tax asset	64,359
Electronic data processing equipment and software	16,967
Receivables from parent, subsidiaries and affiliates	2,779
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	2,012,728
TOTAL**	\$ 2,012,728

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

\*\* The balance includes immaterial rounding differences.

INFINITY INSURANCE COMPANY  
 Liabilities, Surplus and Other Funds  
 As of December 31, 2016  
 (in 000s)

	Per Examination*
Losses	\$ 523,244
Reinsurance payable on paid losses and loss adjustment expenses	1,217
Loss adjustment expenses	138,736
Commissions payable, contingent commissions and other similar charges	16,034
Other expenses (excluding taxes, licenses, and fees)	18,495
Taxes, licenses and fees	1,255
Current federal and foreign income taxes	3,207
Unearned premiums	606,550
Ceded reinsurance premiums payable	(126)
Amounts withheld or retained by company for account of others	17,797
Remittances and items not allocated	3,059
Payable to parent, subsidiaries and affiliates	2,024
Payable for securities	12,259
Aggregate write-ins for liabilities	8,356
Total liabilities excluding protected cell liabilities	1,352,110
Total liabilities	1,352,110
Common capital stock	3,000
Gross paid in and contributed surplus	440,880
Unassigned funds (surplus)	216,739
Surplus as regards policyholders	660,619
TOTAL**	\$ 2,012,728

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

\*\* The balance includes immaterial rounding differences.

INFINITY INSURANCE COMPANY  
Statement of Income  
For the Year Ended December 31, 2016  
(in 000s)

	Per Examination*
<b>UNDERWRITING INCOME</b>	
Premiums earned	\$ 1,379,139
DEDUCTIONS:	
Losses incurred	932,038
Loss adjustment expenses incurred	157,439
Other underwriting expenses incurred	323,015
Total underwriting deductions	1,412,492
Net underwriting gain (loss)	(33,353)
<b>INVESTMENT INCOME</b>	
Net investment income earned	32,352
Net realized capital gains (losses) less capital gains tax	2,630
Net investment gain (loss)	34,983
<b>OTHER INCOME</b>	
Net gain (loss) from agents' or premium balances charged off	(16,831)
Finance and service charges not included in premiums	64,584
Aggregate write-ins for miscellaneous income	33,129
Total other income	80,881
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	82,511
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	82,511
Federal and foreign income taxes incurred	20,556
Net income**	\$ 61,955

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

\*\* The balance includes immaterial rounding differences.

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

	2016	2015	2014	2013	2012
Surplus as regards policyholders, December 31 prior year	\$ 652,776	\$ 674,644	\$ 666,560	\$ 605,674	\$ 526,751
Net income	61,955	61,440	68,017	47,759	33,762
Change in net unrealized capital gains or (losses) less capital gains tax	4,766	(5,485)	(1,394)	5,583	(8,188)
Change in net deferred income tax	(4,611)	5,283	982	(970)	9,945
Change in nonadmitted assets	4,539	(17,606)	(1,096)	6,162	(8,534)
Change in provision for reinsurance	-	-	-	-	18
Surplus adjustments:					
Paid in	1,105	1,729	1,338	2,321	51,883
Dividends to stockholders	(60,000)	(68,000)	(60,000)	-	-
Aggregate write-ins for gains and losses in surplus	88	771	236	31	36
Change in surplus as regards policyholders for the year	7,842	(21,868)	8,084	60,887	78,923
Surplus as regards policyholders, December 31 current year**	<u>\$ 660,619</u>	<u>\$ 652,776</u>	<u>\$ 674,644</u>	<u>\$ 666,560</u>	<u>\$ 605,674</u>

\*\* The balance includes immaterial rounding differences.

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2016, based on the results of this examination.

## OTHER SIGNIFICANT ISSUES

There were no issues noted that require a disclosure in this Report of Examination.

## SUBSEQUENT EVENTS

In late August and early September 2017, the southern United States suffered the effects of back-to-back hurricanes which struck multiple sites along the Gulf of Mexico and southeastern Florida. Hurricane Harvey was recorded as making "landfall" near Houston, Texas on August 24 and Hurricane Irma struck the southeastern Florida coast on September 6, 2017. Both hurricanes were rated by National Oceanic and Atmospheric Administration as Category 4 or higher at the time of their coastal impact. It was calculated that the net-of-reinsurance losses arising from both hurricanes totaled less than \$15 million for IPCC as a group.



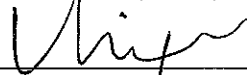
**AFFIDAVIT**

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 Infinity Insurance Company, as of December 31, 2016.

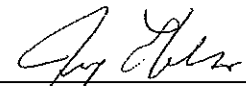
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

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 Infinity Insurance Company as of December 31, 2016, as determined by the undersigned.

  
\_\_\_\_\_  
Vitaliy Kyryk, CFE  
Noble Consulting Services, Inc.


Under the Supervision of:

  
\_\_\_\_\_  
Jerry Ehlers, CFE  
Examinations Manager  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 13 day of February 2018, before me personally appeared, Vitaliy Kyryk 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 \_\_\_\_\_  
  
\_\_\_\_\_  
Notary Public

