

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

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

Examination of: **Protective Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Protective Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 21, 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 Protective Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

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

June 25, 2018
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0120

STATE OF INDIANA) BEFORE THE INDIANA
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111 Congressional Boulevard, Suite 500)
Carmel, IN 46032)

Examination of: **Protective Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Protective Insurance Company (hereinafter "Company") for the time period January 1, 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 January 24, 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 21, 2018 and was received by the Company on May 29, 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 Protective Insurance Company as of December 31, 2016.
2. That the Examiner's Recommendations are reasonable and necessary in order for the Protective Insurance Company to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

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

Signed this 25 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.

Robert W. ...

25/1

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

PROTECTIVE INSURANCE COMPANY
NAIC Co. CODE 12416
NAIC GROUP CODE 0867

As of

December 31, 2016

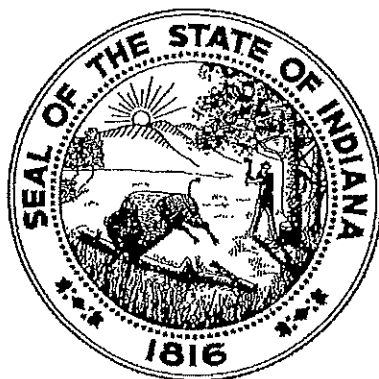


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	2
DIVIDENDS TO STOCKHOLDERS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	5
OATH OF OFFICE.....	5
CORPORATE RECORDS.....	5
Articles of Incorporation.....	5
Bylaws.....	5
Minutes.....	6
AFFILIATED COMPANIES.....	6
Organizational Structure.....	6
Affiliated Agreements.....	6
FIDELITY BOND AND OTHER INSURANCE.....	7
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....	7
SPECIAL AND STATUTORY DEPOSITS.....	8
REINSURANCE.....	8
ACCOUNTS AND RECORDS.....	9
FINANCIAL STATEMENTS.....	9
Assets.....	10
Liabilities, Surplus and Other Funds.....	11
Statement of Income.....	12
Capital and Surplus Account Reconciliation.....	13
COMMENTS ON THE FINANCIAL STATEMENTS.....	14
OTHER SIGNIFICANT ISSUES.....	14
SUBSEQUENT EVENTS.....	14
AFFIDAVIT.....	15



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

January 24, 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 3943 an examination has been made of the affairs and financial condition of:

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

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

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.

Tony Alfieri, ACAS, MAAA, of Merlinos & Associates, Inc. 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

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

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

CAPITAL AND SURPLUS

As of December 31, 2016, the Company had 765,000 common shares authorized, issued, and outstanding, with a par value of \$10 each. PIC has no preferred stock authorized, issued, or outstanding. All issued and outstanding common shares have been owned by B&L throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to B&L during the examination period:

Year	Total	Ordinary Dividends
2016	\$ 20,000,000	\$ 20,000,000
2015	38,771,623	38,771,623
2014	15,000,000	15,000,000
2013	14,000,000	14,000,000
2012	14,000,000	14,000,000
Total	<u>\$101,771,623</u>	<u>\$101,771,623</u>

Dividends paid to B&L in 2015 included \$20,000,000 and \$18,771,623 of cash and stock dividends, respectively. There were no extraordinary dividends paid during the examination period.

In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

TERRITORY AND PLAN OF OPERATION

PIC is licensed in all 50 states, the District of Columbia, Puerto Rico, and all Canadian provinces. In 2016, the Company's top state with regards to direct premiums written was Pennsylvania, representing approximately 23% of the total. No other state made up over seven (7) % of direct writings in 2016.

The Company specializes in underwriting casualty insurance for the trucking industry and also provides group accident and health, non-trucking liability, physical damage, and workers' compensation coverages. PIC no longer accepts retrocessions from non-affiliated insurance and reinsurance companies. All global assumed property reinsurance programs were terminated during the period of 2012 through 2014, as excess capital in these markets has caused catastrophe exposures to be disproportionate to potential profitability. As of June 30, 2015, PIC has eliminated all global property exposures.

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
2016	\$ 785,370,653	\$ 387,381,032	\$ 397,989,621	\$ 257,252,050	\$ 23,171,896
2015	753,493,124	364,065,940	389,427,184	239,549,213	27,073,224
2014	791,785,634	394,394,897	397,390,737	234,097,595	29,693,689
2013	741,136,735	365,312,349	375,824,386	224,255,812	28,551,317
2012	680,093,297	342,606,697	337,486,600	198,015,136	24,044,788

Invested assets are the largest asset of the Company and have increased throughout the examination period, to \$725.2 million. Holdings of bonds increased by 12% during 2016, primarily due to a \$20.0 million reallocation from equities, \$5.0 million in additional contributions from operating cash, and \$2.0 million of 2015 receivables

being invested during 2016. Liabilities also increased during the examination period, which is in line with the overall growth of the Company. With regards to premiums, the Company has continued to grow throughout the examination period with an overall increase of 30% from 2011 through 2016. Net income has remained relatively stable over the past five years but decreased slightly in 2016 due to an increase of \$31.5 million in losses and loss expenses from the prior year, resulting primarily from prior accident year development and growth. Growth in surplus is in line with the increase in premiums.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) composed of as many as twelve (12) but no less than seven (7) members. At least one (1) of the directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

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

<u>Name and Address</u>	<u>Principal Occupation</u>
W. Randall Birchfield Carmel, Indiana	President and Chief Executive Officer Baldwin & Lyons, Inc.
Michael J. Case Zionsville, Indiana	Executive Vice President and Chief Operating Officer Baldwin & Lyons, Inc.
Michael B. Edwards Avon, Indiana	Treasurer Baldwin & Lyons, Inc.
Jeremy F. Goldstein Indianapolis, Indiana	Senior Vice President, Claims and General Counsel Baldwin & Lyons, Inc.
John E. Mitchell Indianapolis, Indiana	Chief Risk Officer Baldwin & Lyons, Inc.
Tonya S. Peacock Fishers, Indiana	Vice President, Human Resources Baldwin & Lyons, Inc.
William C. Vens Zionsville, Indiana	Chief Financial Officer Baldwin & Lyons, Inc.
Sally B. Wignall Indianapolis, Indiana	Vice President, Legal, and Secretary Baldwin & Lyons, Inc.

Officers

The Bylaws state that the elected officers of the Company shall consist of a Chairman, a Chief Executive Officer, a Chief Operating Officer, a President, one (1) or more Executive Vice Presidents, one (1) or more Senior Vice Presidents, one (1) or more Vice Presidents, a Secretary, a Treasurer, and such assistant officers as the Board shall designate. Any two (2) or more offices may be held by the same person, except that the duties of the President and Secretary shall not be performed by the same person. Each officer (other than assistant officers) of the corporation shall be elected annually by the Board of Directors at its annual meeting and shall hold office for a term of one (1) year.

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

<u>Name</u>	<u>Office</u>
W. Randall Birchfield	Chairman, President and Chief Executive Officer
Michael J. Case	Executive Vice President and Chief Operating Officer
Michael B. Edwards	Chief Accounting Officer
John E. Mitchell	Chief Risk Officer
Jeremy F. Goldstein	Senior Vice President, Claims and General Counsel
William C. Reid	Executive Vice President, Programs
Tonya S. Peacock	Vice President, Human Resources
Matthew A. Thompson	Executive Vice President, Sales and Marketing
William C. Vens	Vice President, Corporate Strategy
Sally B. Wignall	Vice President, Legal, and Secretary
Ronald A. Goshen	Treasurer

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

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

PIC's Bylaws were amended in May 2014 to reflect the move of the Company's principal office. In addition, the Bylaws were amended in August 2015 to change the number of directors to as many as twelve (12), but no less than seven (7) members.

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.

The Corporation committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the Audit Committee and the Investment Committee.

AFFILIATED COMPANIES

Organizational Structure

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

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Baldwin & Lyons, Inc.		IN
B&L Insurance, Ltd.		BMU*
Protective Insurance Company	12416	IN
Sagamore Insurance Company	40460	IN
Protective Specialty Insurance Company	13149	IN
B&L Brokerage Services, Inc.		IN
Transport Specialty Insurance Agency, Inc.		MI
B&L Management, Inc.		IN

* Affiliate is licensed in Bermuda.

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Parental Guaranty Agreement

Effective January 1, 2010, PIC and PSIC have entered into a Parental Guaranty Agreement whereby PIC guarantees the financial performance of PSIC's undisputed liabilities and/or obligations and ensures funds are available for policyholders.

Agency Agreement

B&L, in its capacity as an insurance broker, places risks with PIC pursuant to an Agency Agreement executed in 2006. Commissions vary by product and are commensurate with those allowed other agents and brokers. In 2016, PIC paid B&L commissions of approximately \$25,528,080.

Expense Allocation Agreement

Under an Amended and Restated Intercompany Expense Allocation Agreement dated January 1, 2014, B&L serves as common paymaster for all companies in the group and any shared expenses paid at the holding company level are allocated to each operating company in the group. On October 23, 2015, the INDOI reviewed and non-disapproved the agreement. In 2016, PIC paid B&L \$35,939,310 under this agreement.

Building Occupancy Expense Allocation Agreement

PIC owns the home office building utilized by all members of the consolidated group. Allocations of occupancy expenses are made between PIC, SIC, PSIC and B&L in accordance with an Amended and Restated Intercompany Building Occupancy Expense Allocation Agreement dated January 1, 2014. The INDOI reviewed and non-disapproved the agreement on October 23, 2015. During 2016, B&L, SIC and PSIC reimbursed PIC \$534,702, \$187,868, and \$43,354, respectively.

Consolidated Tax Allocation Agreement

All companies in the group are parties to federal and state Consolidated Tax Sharing Agreements, under which current taxes are allocated based on the amount each company would have paid had separate returns been filed.

Reinsurance Agreements

See the "Reinsurance" section of this Report of Examination for further information regarding affiliated reinsurance agreements.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Travelers Casualty and Surety Company of America. The bond has blanket coverage of \$3,000,000 with a \$100,000 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 directors and officers liability, employment practices liability, general liability, property liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

B&L maintains a defined contribution Employee Salary Savings and Profit Sharing Plan (the 401k Plan) in which all eligible employees of B&L participate. The Company's expense allocations for contributions to the 401k Plan were \$1,465,000 and \$1,045,000 for 2016 and 2015, respectively.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following special and statutory deposits at December 31, 2016:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 2,657,956	\$ 2,625,755
All Other Special Deposits:		
Arkansas	392,949	391,152
California	54,643,259	54,239,332
Delaware	101,844	101,608
Georgia	220,548	220,548
Idaho	121,565	120,516
Massachusetts	510,664	510,480
Montana	220,793	135,936
New Mexico	517,187	510,995
North Carolina	336,261	336,242
Oregon	2,794,004	2,274,362
Tennessee	112,400	111,753
Virginia	225,549	222,377
Puerto Rico	672,758	672,759
Total Deposits	<u>\$63,527,737</u>	<u>\$62,473,815</u>

REINSURANCE

The Company has no intercompany pooling arrangements; however, the following reinsurance agreements are in place:

Under an agreement dated August 1, 1981, PIC cedes certain risks to B&L Insurance, Ltd. PIC receives ceding commissions commensurate with industry standards and associated acquisition expenses. In 2016, PIC ceded premium to B&L Insurance, Ltd. of \$133,512 and B&L Insurance, Ltd. incurred \$19,006 in losses and expenses under this agreement.

Effective October 1, 1994, B&L Insurance, Ltd. cedes certain risks to PIC. In 2016, B&L Insurance, Ltd. ceded premium to PIC of \$555,156 and PIC incurred \$0 in losses and expenses under this agreement.

Effective January 1, 1996, PIC indemnifies SIC for certain losses and expenses. In 2016, PIC reimbursed SIC \$2,882,427 under this agreement.

Effective January 15, 2003, SIC cedes certain excess of loss risks to PIC. In 2016, SIC ceded PIC premium of \$0 and PIC incurred \$1,085,937 of losses and expenses under this agreement.

Effective December 1, 2009, PIC and SIC cede certain risks to PSIC. In 2016, PIC ceded premium of \$2,909,067 to PSIC and PSIC incurred \$943,449 in losses and expenses under this agreement.

Effective October 1, 2010, PIC and SIC indemnify PSIC for certain losses and expenses. In 2016, PSIC ceded \$0 to PIC and SIC, and PIC and SIC reimbursed PSIC \$0 for losses and expenses under this agreement.

Effective January 1, 2013, PIC indemnifies PSIC for certain losses and expenses. In 2016, PIC reimbursed PSIC \$1,827,540 for losses and expenses under this agreement.

Beginning in 1992, PIC began accepting retrocessions from non-affiliated insurance and reinsurance companies. The assumed business consisted of U.S. and international property exposure, as well as limited casualty exposure related to professional liability. However, during 2012 through 2014, the group terminated all global assumed property reinsurance programs as excess capital in these markets has caused catastrophe exposures to be disproportionate to potential profitability. As of June 30, 2015, PIC has eliminated all global property exposures.

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.

PROTECTIVE INSURANCE COMPANY
Assets
As of December 31, 2016

	<u>Per Examination*</u>
Bonds	\$ 254,074,814
Stocks:	
Preferred stocks	268,529
Common stocks	305,347,441
Real estate:	
Properties occupied by the company	27,588,493
Cash, cash equivalents and short-term investments	41,017,353
Other invested assets	76,263,437
Receivables for securities	10,534,166
Aggregate write-ins for invested assets	10,100,082
Subtotals, cash and invested assets	<u>725,194,315</u>
Investment income due and accrued	2,290,040
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	45,254,844
Accrued retrospective premiums	(87,000)
Reinsurance:	
Amounts recoverable from reinsurers	1,876,774
Funds held by or deposited with reinsured companies	968,132
Guaranty funds receivable or on deposit	404,680
Electronic data processing equipment and software	1,786,091
Receivables from parent, subsidiaries and affiliates	809,278
Aggregate write-ins for other than invested assets	6,873,499
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>785,370,653</u>
Total	<u>\$ 785,370,653</u>

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

PROTECTIVE INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2016

	Per Examination*
Losses	\$ 275,754,526
Reinsurance payable on paid losses and loss adjustment expenses	1,198,897
Loss adjustment expenses	25,742,189
Commissions payable, contingent commissions and other similar charges	3,293,321
Other expenses	4,990,494
Taxes, licenses and fees	1,999,930
Current federal and foreign income taxes on realized capital gains (losses)	1,088,071
Net deferred tax liability	9,049,537
Unearned premiums	9,130,963
Ceded reinsurance premiums payable	40,099,169
Funds held by company under reinsurance treaties	1,149,267
Amounts withheld or retained by company for account of others	3,056,214
Remittances and items not allocated	212,114
Provision for reinsurance	540,000
Payable to parent, subsidiaries and affiliates	781,625
Payable for securities	8,354,993
Aggregate write-ins for liabilities	939,722
Total liabilities excluding protected cell liabilities	387,381,032
Total liabilities	387,381,032
Common capital stock	7,650,000
Gross paid in and contributed surplus	42,164,205
Unassigned funds (surplus)	348,175,416
Surplus as regards policyholders	397,989,621
Totals	\$ 785,370,653

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

PROTECTIVE INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2016

	<u>Per Examination*</u>
UNDERWRITING INCOME	
Premiums earned	\$ 257,252,050
DEDUCTIONS	
Losses incurred	146,019,292
Loss adjustment expenses incurred	23,085,897
Other underwriting expenses incurred	80,411,636
Total underwriting deductions	<u>249,516,825</u>
Net underwriting gain (loss)	7,735,225
INVESTMENT INCOME	
Net investment income earned	12,209,340
Net realized capital gains (losses) less capital gains tax	7,257,024
Net investment gain (loss)	<u>19,466,364</u>
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(56,261)
Finance and service charges not included in premiums	98,098
Aggregate write-ins for miscellaneous income	1,107,176
Total other income	<u>1,149,013</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>28,350,602</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	28,350,602
Federal and foreign income taxes incurred	5,178,706
Net income	<u>\$ 23,171,896</u>

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

PROTECTIVE INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2016	2015	2014	2013	2012
Surplus as regards policyholders, December 31 prior year	\$389,427,184	\$397,390,737	\$375,824,386	\$337,486,600	\$312,337,564
Net income	23,171,896	27,073,224	29,693,689	28,551,317	24,044,788
Change in net unrealized capital gains or (losses) less capital gains tax	5,611,801	10,019,606	4,407,074	21,761,180	15,316,304
Change in net unrealized foreign exchange capital gain (loss)	195,699	(3,591,015)	-	-	-
Change in net deferred income tax	(1,488,667)	2,426,030	22,949	1,688,780	(694,128)
Change in nonadmitted assets	1,553,708	1,030,224	2,440,639	35,509	397,072
Change in provision for reinsurance	(482,000)	(49,000)	2,000	301,000	85,000
Dividends to stockholders	(20,000,000)	(38,771,623)	(15,000,000)	(14,000,000)	(14,000,000)
Aggregate write-ins for gains and losses in surplus	-	(6,101,000)	-	-	-
Change in surplus as regards policyholders for the year	<u>8,562,437</u>	<u>(7,963,553)</u>	<u>21,566,351</u>	<u>38,337,786</u>	<u>25,149,036</u>
Surplus as regards policyholders, December 31 current year**	<u>\$397,989,621</u>	<u>\$389,427,184</u>	<u>\$397,390,737</u>	<u>\$375,824,386</u>	<u>\$337,486,600</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 significant issues as of December 31, 2016, based on the results of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc. and actuarial assistance from Merlinos & Associates, Inc., performed an examination of Protective Insurance Company, as of December 31, 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 Protective Insurance Company as of December 31, 2016, as determined by the undersigned.

Nadine Treon
Nadine Treon, CFE
Noble Consulting Services, Inc.

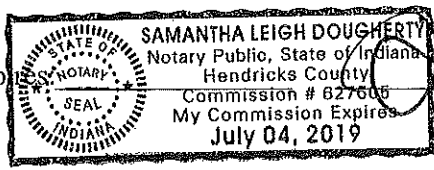
Under the supervision of,

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

State of: Indiana
County of: Marion

On this 24 day of January, 2018, before me personally appeared, Nadine Treon 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

