

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

IN THE MATTER OF:)
)
Hoosier Insurance Company)
101 West Ohio Street, Suite 2000)
Indianapolis, Indiana 46250)

Examination of: **Hoosier 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 Hoosier Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Hoosier 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 13, 2019
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0533

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101 West Ohio Street, Suite 2000)
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Examination of: **Hoosier Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Hoosier Insurance Company (hereinafter “Company”) for the time period January 1, 2013 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on March 20, 2019.

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 15, 2019 and was received by the Company on May 21, 2019.

On June 7, 2019, 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, 2017.
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 13 day of June, 2019.

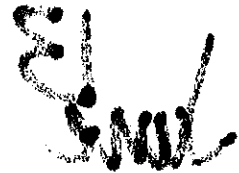

Stephen W. Robertson
Insurance Commissioner

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.

A large, stylized handwritten signature in black ink, appearing to be a name like "B. J. ...".A smaller handwritten signature in black ink, appearing to be a name like "B. J. ...".

STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

HOOSIER INSURANCE COMPANY

NAIC COMPANY CODE 27570

NAIC GROUP CODE 796

As of

December 31, 2017

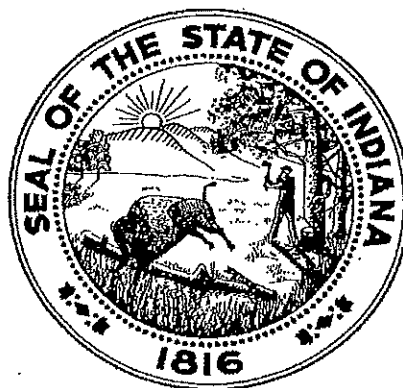


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STATE OF INDIANA

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

March 20, 2019

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 3965, an examination has been made of the affairs and financial condition of:

Hoosier Insurance Company
101 West Ohio Street, Suite 2000
Indianapolis, Indiana 46240

an Indiana domestic stock property and casualty insurance company hereinafter referred to as the "Company." The examination was conducted at the corporate offices of the Company located at One General Drive, Sun Prairie, Wisconsin 53596.

The Report of Examination, showing the status of the Company as of December 31, 2017, 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
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SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of December 31, 2012. The present risk-focused examination was conducted by The Thomas Consulting Group, Inc. (Thomas Consulting or Examiners) and covered the period from January 1, 2013 through December 31, 2017 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 coordinated for the U.S. domiciled insurance companies (Insurers) within the QBE Regional Companies (N.A.), Inc. (QBENA), NAIC Group #796, for the period of January 1, 2013 to December 31, 2017. QBENA's ultimate controlling person is QBE Insurance Group Limited (QBE Group-Sydney), an Australian holding company. The examination relates to the coordinated multi-state risk-focused examination of the Company and sixteen (16) other U.S. insurance subsidiaries of QBE Group-Sydney.

The examination was performed on a coordinated basis with the Pennsylvania Insurance Department (PID), the Wisconsin Office of the Commissioner of Insurance, the Minnesota Department of Commerce, and the North Dakota Insurance Department. The PID conducted the examination of QBENA and served as the lead state for the coordinated examination. The INDOI relied upon a portion of the coordinated examination work performed by the PID for QBENA.

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

INS Consultants, Inc. (INS) was contracted by the PID to conduct a review of the Loss and Loss Adjustment Expense (LAE) reserves as of December 31, 2017. In addition, INS conducted a pricing review as related to actuarially determined data used in the pricing of the various products of the Insurers.

In accordance with the 2017 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, the Examiners 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 December 2, 1986 as a stock property and casualty company under the laws of the State of Indiana and commenced business on December 31, 1986. The Company is a wholly owned subsidiary of General Casualty Company of Wisconsin (GCW), who acquired the Company on October 2, 1995 from Protective Insurance Company, a subsidiary of Baldwin & Lyons, Inc. GCW was a subsidiary of Winterthur U.S. Holdings, Inc., when it was acquired by QBE Holdings, Inc. (QBE), effective May 31, 2007. Winterthur U.S. Holdings, Inc. was renamed QBE Regional Companies (N.A.), Inc.

CAPITAL AND SURPLUS

Pursuant to the Articles of Incorporation, the capital stock authorized for the Company is 50,000 shares of common stock with a par value of \$100 per share. As of December 31, 2017, the Company's total capital and surplus was \$7,255,161 which included: common stock of \$2,500,000, consisting of 25,000 issued and outstanding shares; gross paid-in and contributed surplus of \$15,000,000; and unassigned funds of \$(10,244,839). All issued and outstanding shares were 100% owned by GCW as of December 31, 2017.

DISTRIBUTIONS TO STOCKHOLDERS

The Company paid an extraordinary distribution of \$13,000,000 to GCW in 2016. The Company notified the INDOI of the distribution to GCW in accordance with IC 27-1-23-1.5 and the extraordinary distribution was approved by the INDOI pursuant to IC 27-1-23-4(g).

TERRITORY AND PLAN OF OPERATION

The Company writes full coverage automobile, commercial multi-peril, general liability, homeowners, workers' compensation, and other miscellaneous coverages.

The Company is a member of the General Casualty Group (Group), which is part of the QBE Regional Companies, N.A. The Company participates in a pooling agreement and is one (1) of the sixteen (16) companies in the pool. The Group targets the mid-western and eastern states, with emphasis on the lesser catastrophe exposed mid-western states. The commercial business includes contractor/construction business and workers' compensation. The Company is licensed in Indiana and Pennsylvania.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus as Regards Policyholders</u>	<u>Premiums Earned</u>	<u>Net Income (Loss)</u>
2017	\$ 7,817,969	\$ 562,808	\$ 7,255,161	\$ 0	\$ 116,076
2016	7,747,439	386,754	7,360,685	0	489,561
2015	65,010,316	45,970,577	19,039,738	27,985,923	1,217,010
2014	72,480,861	52,209,691	20,271,170	30,440,673	(224,159)
2013	72,440,018	51,793,498	20,646,520	30,894,961	(2,546,069)

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

The decrease in assets and liabilities in 2016 was the result of the Company's pool participation percentage decreasing from 1.5% to 0%. In addition, assets and surplus as regards policyholders decreased in 2016 as a result of an extraordinary distribution of \$13,000,000 paid to its Parent. Net income in 2016 and 2017

was primarily comprised of investment income plus income tax benefits. The changes from 2013 to 2015 were consistent with the pool participation allocations.

MANAGEMENT AND CONTROL

Directors

The Company's Bylaws specify that the Board of Directors (Board) shall consist of not less than five (5) members. Board members are elected at the Annual Meeting of the Shareholder and hold office for one (1) year or until their successors are duly elected and qualified. The following is a listing of persons serving as directors as of December 31, 2017:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Harvey J. Bazaar North Caldwell, New Jersey	Retired BFK Capital, Inc.
Roger M. Droste Fishers, Indiana	Regional Vice President QBE Americas, Inc.
Kris L. Hill New York, New York	Chief Financial Officer QBE Americas, Inc.
Russell M. Johnston Fair Haven, New Jersey	Chief Executive Officer QBE Americas, Inc.
William Kronenberg III Exton, Pennsylvania	Principal Fresh Start Development Company, LLC
John G. Langione New York, New York	Chief Risk Officer QBE Americas, Inc.
Marc G. Metcalf San Francisco, California	Management Consultant Self-employed
George T. Tate New York, New York	Chief Executive Officer, North America Australia and New Zealand Banking Group Limited

Officers

The Company's Bylaws state that the officers of the Company shall, at a minimum, consist of a President, Treasurer, and Corporate Secretary. The following is a list of key officers and their respective titles as of December 31, 2017:

<u>Name</u>	<u>Title</u>
Russell M. Johnston	Chief Executive Officer
Robert V. James	President and Chief Operating Officer
Jose R. Gonzales	Corporate Secretary and Chief Legal Officer

Neil P. McDermott
Mark D. Cantin
Jeffrey S. Grange
Kathleen O. Zortman
John S. Beckman
Daniel P. Franzetti
Gregory J. Giardiello
Kris L. Hill
Sarah Krutov
John G. Langione
Shruti Patel

Treasurer
Executive Vice President
Executive Vice President
Executive Vice President
Chief Underwriting Officer
Chief Claims Officer
Chief Accounting Officer
Chief Financial Officer
Chief Actuary
Chief Risk Officer
Chief Human Resources Officer

Corporate Governance

As of December 31, 2017, the Board adopted the oversight of the committees established by QBE. The committees appointed by QBE's Board are the Audit, Investment, Remuneration, and Risk and Capital. As of December 31, 2017, the directors serving on committees were as follows:

Audit Committee

Harvey J. Bazaar Chairman
William Kronenberg III
Marc G. Metcalf
George T. Tate

Investment Committee

George T. Tate Chairman
Kris L. Hill
Russell M. Johnson
John G. Langione

Remuneration Committee

William Kronenberg III Chairman
Harvey J. Bazaar
Marc G. Metcalf
George T. Tate

Risk and Capital Committee

Marc G. Metcalf Chairman
Kris L. Hill
Russell M. Johnson
William Kronenberg III
John G. Langione

CONFLICT OF INTEREST

The Company's conflict of interest disclosure process requires directors and officers to complete a Conflict of Interest Disclosure statement on an annual basis. From a review of the officers and directors signed statements, there were no material conflicts of interest reported by any of the officers or directors.

OATH OF OFFICE

IC 27-1-7-10(i) requires 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 corporation and will not knowingly violate any of the laws applicable to such corporation. Each director serving as of December 31, 2017, signed an Oath of Office statement when elected.

CORPORATE RECORDS

Articles of Incorporation

The Company amended its Articles of Incorporation on March 25, 2014 and November 18, 2016. The amendments were due to address changes and were properly approved by the INDOI, Secretary of State, and Attorney General in compliance with IC 27-1-6-8, IC 27-1-6-9, and IC 27-1-6-10.

Bylaws

There were no amendments 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 taken during each meeting were noted. For the period under examination, the Annual Meetings of the Shareholders were held in accordance with IC 27-1-7-7(b).

Contrary to the requirements of IC 27-1-7-12, the Company did not keep a record of the attendance of the directors at the meetings of the Board showing the names of the directors, the number of meetings of the Board, the number of meetings attended, and the number of meetings from which each director was absent. Furthermore, there was no evidence that the attendance record was reported, read, and incorporated into the minutes of the Annual Meeting of the Shareholders. (Please see the "Other Significant Findings" section of this report of examination regarding this issue.)

AFFILIATED COMPANIES

Organizational Structure

The Company is a member of an insurance holding company system as defined within IC 27-1-23 and Regulation of Insurance Holding Company Systems. An Insurance Holding Company System Registration Statement was filed annually with the INDOI for each year of the examination period. The following

abbreviated organizational chart depicts the Company's relationship within the holding company system (all are 100% owned).

	NAIC Company Code	Domiciliary State
QBE Holdings, Inc.		DE
Praetorian Insurance Company	37257	PA
QBE Reinsurance Corporation	10219	PA
QBE Insurance Corporation	39217	PA
QBE Specialty Insurance Company	11515	ND
NAU Country Insurance Company	25240	MN
North Pointe Insurance Company	27740	PA
QBE Stonington Holdings, Inc.		DE
Stonington Insurance Company	10340	PA
QBE Regional Companies (N.A.), Inc.		DE
Unigard Insurance Company	25747	WI
Unigard Indemnity Company	25798	WI
General Casualty Company of Wisconsin	24414	WI
General Casualty Insurance Company	18821	WI
Hoosier Insurance Company	27570	IN
National Farmers Union Property & Casualty Company	16217	WI
Regent Insurance Company	24449	WI
Southern Fire & Casualty Company	22888	WI
Southern Pilot Insurance Company	22861	WI

Affiliated Agreements

The following significant affiliated agreements were disclosed as part of the Form B Holding Company Registration Statement and were filed with the INDOI in accordance with IC 27-1-23-4(b)(4).

Global Investment Management Agreement

Effective January 1, 2017, the Company entered into a Global Investment Services Management Agreement with QBE Group Services Pty Limited to manage its investment portfolio. This agreement replaced the previous Investment Management Agreement with QBE Management Services Pty Limited.

Intercompany Cost Allocation and Management Services Agreement

Effective January 1, 2010, the Company entered into an Intercompany Cost Allocation and Management Services Agreement with QBE Americas, Inc. (QBEAI), QBE, QBE Atlantic, LLC, QBE Investments (North America), Inc., Unigard Insurance Company (Unigard) and certain QBEAI affiliates. Under this agreement, QBEAI and Unigard provide administrative and special services to the companies and each other and provide the use of certain property, equipment, and facilities in exchange for fees payable by QBEAI and each company under the terms of this agreement.

Tax Sharing Agreement

Effective January 1, 2008, QBENA and its subsidiaries entered into a Tax Sharing Agreement with QBE Investments (North America), Inc., which replaced all previous tax agreements. Pursuant to this agreement, the group allocates taxes among its members specifically on the basis of the tax allocation method provided in Section 1552(a)(2) of the Internal Revenue Code. All intercompany tax balances are settled quarterly.

Reinsurance Contracts

Please refer to the Reinsurance section of this Report of Examination for a summary of intercompany reinsurance contracts.

FIDELITY BOND AND OTHER INSURANCE

The Company is protected by a Financial Institution Bond with an aggregate loss limit of up to \$25,000,000 with a \$1,000,000 deductible. The fidelity bond limit was adequate to meet the prescribed minimum coverage specified by the NAIC. Other various interests of the Company were protected by appropriate policies of insurance.

Contrary to the requirements of IC 27-1-7-14, the Company's Financial Institution Bond was not approved by its Board at any time during the examination period ending December 31, 2017. **(Please see the "Other Significant Findings" section of this report of examination regarding this issue.)**

STATUTORY AND SPECIAL DEPOSITS

The Company reported a statutory deposit held by the State of Indiana for the benefit of all policyholders with a book value of \$99,953 and a fair value of \$98,729 as of December 31, 2017.

REINSURANCE

Reinsurance Assumed

With the exception of the 1976 QBE North America Pooling Agreement described below, the Company did not assume any significant reinsurance during the period covered by this examination.

Reinsurance Ceded

Quota Share Reinsurance Contract

Effective January 1, 2015, the Company entered into a Quota Share Reinsurance Contract with Equator Reinsurances, Limited (Equator Re), a certified reinsurer affiliate. Under this contract, the Company cedes 40% of its Net Liability for all policies, contracts, and binders of insurance to Equator Re. As a certified reinsurer, Equator Re pledged collateral equal to 20% of all ceded reserves under this contract.

Loss Portfolio Reinsurance Agreement

Effective January 1, 2016, the Company entered into a Loss Portfolio Reinsurance Agreement with Equator Re., an unauthorized affiliate. Under this agreement, the Company ceded to Equator Re 31% of its Ultimate Net Liability, Extra Contractual Obligations, and Loss in Excess of Policy Limits incurred and recorded to the Company's financial statements as of December 31, 2015. Collateral was pledged by Equator Re for 100% of the transferred reserves.

Property/Casualty Excess of Loss Reinsurance Agreement

Effective January 1, 1988, the Company entered into a Property/Casualty Excess of Loss Reinsurance Agreement with Protective Insurance Company, an authorized non-affiliated reinsurer. Under this agreement, the reinsurer indemnifies the Company for losses of \$350,000 per risk in excess of \$150,000 per risk on Property and Casualty policies. The agreement has a \$700,000 occurrence limit.

Reinsurance Pooling Agreement

The 1976 QBE North America Pooling Agreement currently includes sixteen (16) affiliated insurance companies in which QBE Insurance Corporation serves as the lead company and assumes 100% of the net business, retroceding a portion back to participants based on participation percentage. Currently eight (8) affiliates, holding lower capital and surplus, receive a 0% share. The pool has been in place since 1976 and the number of members has changed over the years. The most recent revision was effective April 1, 2017, removing Southern Guaranty Insurance Company and Blue Ridge Indemnity Company due to their sale. The participants and participation percentages are as follows:

<u>Company/Participant</u>	<u>Percentage</u>
QBE Insurance Corporation (lead company)	36.50%
NAU Country Insurance Company	19.25%
General Casualty Company of Wisconsin	15.00%
Unigard Insurance Company	7.50%
QBE Reinsurance Corporation	7.25%
Praetorian Insurance Company	6.00%
QBE Specialty Insurance Company	6.00%
National Farmers Union P&C Company	2.50%
Regent Insurance Company	0.00%
General Casualty Insurance Company	0.00%
Hoosier Insurance Company	0.00%
Unigard Indemnity Company	0.00%
Southern Fire and Casualty Company	0.00%
Southern Pilot Insurance Company	0.00%
Stonington Insurance Company	0.00%
North Pointe Insurance Company	0.00%

The Company cedes a portion of its business to affiliated and non-affiliated reinsurers under various reinsurance agreements prior to the cession and assumption to/from QBE Insurance Corporation under the 1976 QBE North America Pooling Agreement. The other reinsurance agreements are described in the Reinsurance Ceded section of this report.

RESERVES

Sarah Krutov, FCAS, MAAA, interim Chief Actuary of the Company, is the Appointed Actuary for the Company. Ms. Krutov was appointed by the Board to render an actuarial opinion on the loss and loss adjustment expense (LAE) reserves of the Company for 2017. Leigh Oates, ACAS, MAAA, Chief Actuary of the Company, rendered an opinion on such reserves for 2016, 2015, and 2014. Andrew Doll, FCAS, Chief Actuary of the Company, rendered an opinion on such reserves for 2013.

The scope of the opinion was to examine the actuarial assumptions and methods used in determining loss and LAE reserves and related actuarial items, as shown in the Annual Statement of the Company as prepared for filing with state regulatory officials, as of December 31, 2017. In forming the opinion, information prepared by the Company was relied upon. This information was evaluated for reasonableness and consistency. In other respects, the examination included such review of the actuarial assumptions and methods used and such tests of the calculations as considered necessary.

The 2017 opinion stated the Company's December 31, 2017 statutory-basis loss and loss adjustment expense reserves identified in the opinion: 1) make a reasonable provision in the aggregate for all unpaid losses and loss adjustment expenses, gross and net as to reinsurance ceded, under the terms of the Company's contracts and agreements, 2) are consistent with estimates of unpaid losses and loss adjustment expenses computed in accordance with standards and principles established by the Actuarial Standards Board, 3) are computed on the basis of similar general methods as used at December 31, 2016, and, 4) meet the requirements of the insurance laws 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, 2017, was agreed to the Annual Statement. The Company's independent auditors issued unqualified 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, 2017, with no exceptions noted. All of the independent audit work papers were made available to the Examiners during the examination.

Overall, the Examiners 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.

HOOSIER INSURANCE COMPANY

FINANCIAL STATEMENTS

Assets

As of December 31, 2017

	<u>Per Annual Statement</u>	<u>Exam Adjustments</u>	<u>Per Examination</u>	<u>December 31, Prior Year</u>
Assets:				
Bonds	\$ 7,479,592	\$ -	\$ 7,479,592	\$ 5,788,982
Cash, cash equivalents and short-term investments	<u>28,399</u>	<u>-</u>	<u>28,399</u>	<u>1,707,728</u>
Subtotals, cash and invested assets	<u>\$ 7,507,991</u>	<u>\$ -</u>	<u>\$ 7,507,991</u>	<u>\$ 7,496,710</u>
Investment income due and accrued	\$ 44,996	\$ -	\$ 44,996	\$ 27,286
Federal income tax recoverable	-	-	-	195,470
Receivables from parent, subsidiaries and affiliates	<u>\$ 264,982</u>	<u>\$ -</u>	<u>\$ 264,982</u>	<u>\$ 27,973</u>
Total Assets	<u><u>\$ 7,817,969</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,817,969</u></u>	<u><u>\$ 7,747,439</u></u>

HOOSIER INSURANCE COMPANY

FINANCIAL STATEMENTS

Liabilities, Surplus and Other Funds

As of December 31, 2017

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Liabilities:				
Amounts withheld for account of others	\$ (12,105)	\$ -	\$ (12,105)	\$ 47,837
Provision for reinsurance	309,400	-	309,400	87,800
Payable to parent and affiliates	265,514	-	265,514	251,117
Total Liabilities	\$ 562,808	\$ -	\$ 562,808	\$ 386,754
Capital and Surplus:				
Common capital stock	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 2,500,000
Gross paid in and contributed surplus	15,000,000	-	15,000,000	15,000,000
Unassigned funds (surplus)	(10,244,839)	-	(10,244,839)	(10,139,315)
Surplus as regards policyholders	\$ 7,255,161	\$ -	\$ 7,255,161	\$ 7,360,685
Total Liabilities, Capital and Surplus	\$ 7,817,969	\$ -	\$ 7,817,969	\$ 7,747,439

HOOSIER INSURANCE COMPANY

FINANCIAL STATEMENTS

Statement of Income

As of December 31, 2017

	Per Annual Statement	Exam Adjustments	Per Examination	December 31, Prior Year
Underwriting Income:				
Premiums earned	\$ -	\$ -	\$ -	\$ -
DEDUCTIONS				
Losses incurred	-	-	-	-
Loss adjustment expenses incurred	-	-	-	-
Other underwriting expenses	-	-	-	-
Total underwriting deductions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net underwriting gain	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Investment Income:				
Net investment income earned	\$ 91,623	\$ -	\$ 91,623	\$ 197,749
Net realized capital gains (losses)	<u>\$ 23,556</u>	<u>\$ -</u>	<u>\$ 23,556</u>	<u>\$ 96,342</u>
Net investment gain	<u>\$ 115,179</u>	<u>\$ -</u>	<u>\$ 115,179</u>	<u>\$ 294,091</u>
Net income before federal income taxes	\$ 115,179	\$ -	\$ 115,179	\$ 294,091
Federal and foreign income taxes incurred	<u>\$ (897)</u>	<u>\$ -</u>	<u>\$ (897)</u>	<u>\$ (195,470)</u>
Net Income	<u>\$ 116,076</u>	<u>\$ -</u>	<u>\$ 116,076</u>	<u>\$ 489,561</u>

HOOSIER INSURANCE COMPANY

FINANCIAL STATEMENTS

Capital and Surplus Account

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Surplus as regards policyholders, December 31, prior year	\$ 7,360,685	\$ 19,039,738	\$ 20,271,170	\$ 20,646,520	\$ 23,717,965
Net income	\$ 116,076	489,561	1,217,010	(224,159)	(2,546,069)
Change in net deferred income tax	-	6,081	(5,505,317)	160,738	865,186
Change in nonadmitted assets	-	614,446	2,964,610	(324,980)	(1,399,598)
Change in provision for reinsurance	(221,600)	(12,400)	(75,400)	-	81,200
Cumulative effect of change in accounting principles	-	-	-	2,411	45,460
Surplus adjustment: paid in	-	(13,000,000)	-	-	-
Aggregate write-ins	-	223,260	167,666	10,641	(117,624)
Change in surplus as regards policyholders for the year	\$ (105,524)	\$ (11,679,053)	\$ (1,231,432)	\$ (375,350)	\$ (3,071,445)
Surplus as regards policyholders, December 31, current year	<u>\$ 7,255,161</u>	<u>\$ 7,360,685</u>	<u>\$ 19,039,738</u>	<u>\$ 20,271,170</u>	<u>\$ 20,646,520</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to surplus as of December 31, 2017, based on the results of this examination.

OTHER SIGNIFICANT FINDINGS

Record of Director Attendance

Contrary to the requirements of IC 27-1-7-12, the Company did not keep a record of the attendance of the directors at the meetings of the Board showing the names of the directors, the number of meetings of the Board, the number of meetings attended, and the number of meetings from which each director was absent. Furthermore, there was no evidence that the attendance record was reported, read, and incorporated into the minutes of the Annual Meeting of the Shareholders (See page 6).

It is recommended that the Company keep a record of the attendance of the directors at the meetings of the Board reflecting the names of the directors, the number of meetings of the Board, the number of meetings attended, and the number of meetings from which each director was absent. This record should be reported, read, and incorporated into the minutes of the Annual Meeting of the Shareholders.

Fidelity Bond

Contrary to the requirements of IC 27-1-7-14, the Company's Financial Institution Bond was not approved by its Board at any time during the five-year examination period ending December 31, 2017 (See page 8). **See the "Subsequent Events" section of this report of examination.**

SUBSEQUENT EVENTS

Fidelity Bond

Subsequent to the period covered by this examination, the Company implemented corrective action to comply with the provisions of IC 27-1-7-14. The Board approved the Company's Financial Institution Bond at the Board meeting held on August 14, 2018.

Record of Director Attendance

Subsequent to the period covered by this examination as noted in the review of the February 2019 Board of Directors Minutes, the Company took corrective action to reflect the names of the directors, the number of meetings of the board, the number of meetings attended, and the number of meetings from which each director was absent to meet the provisions of the requirements of IC 27-1-7-12.

MANAGEMENT REPRESENTATION

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

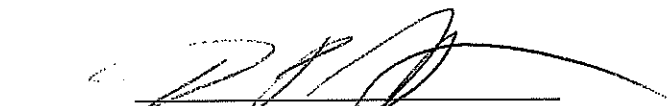
AFFIDAVIT

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 **Hoosier Insurance Company** as of **December 31, 2017**.

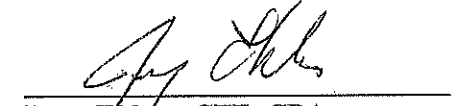
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

The examination was performed in accordance with those procedures required by the 2017 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 standard 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 the **Hoosier Insurance Company** as of **December 31, 2017**, as determined by the undersigned.



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



Jerry Ehlers, CFE, CPA
Indiana Department of Insurance

DARCY L. SHAWVER
NOTARY PUBLIC

SEAL

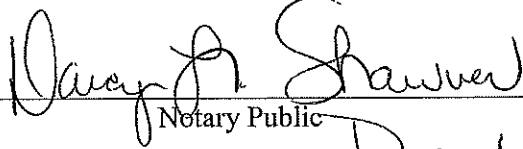
MARION COUNTY, STATE OF INDIANA
MY COMMISSION EXPIRES OCTOBER 4, 2025
COMMISSION NO 706053

State of: Indiana
County of: Marion

On this 11th day of June, 2019, 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
