



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
SAFETY INSURANCE COMPANY

Boston, Massachusetts

As of December 31, 2018

NAIC GROUP CODE 00188

NAIC COMPANY CODE 39454

EMPLOYER ID NUMBER 04-268924

SAFETY INSURANCE COMPANY

TABLE OF CONTENTS

	<u>Page</u>
SALUTATION	1
SCOPE OF EXAMINATION	2
SUMMARY OF SIGNIFICANT FINDINGS OF FACT	3
COMPANY HISTORY	3
Capital Stock.....	3
Dividends	4
MANAGEMENT AND CONTROL	4
Board of Directors Minutes	4
Articles of Organization and Bylaws	4
Board of Directors	4
Oversight of the SIG Board of Directors	5
Officers	5
Affiliated Companies	6
Organization Chart.....	7
Transactions and Agreements with Subsidiaries and Affiliates	7
TERRITORY AND PLAN OF OPERATION	8
Treatment of Policyholders – Market Conduct	8
REINSURANCE	8
Ceded Reinsurance	8
Assumed Reinsurance	9
FINANCIAL STATEMENTS	11
Statement of Assets, Liabilities, Capital and Surplus	12
Statement of Assets, Liabilities, Capital and Surplus (Continued)	13
Statement of Income	14
Reconciliation of Capital and Surplus	15
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION	16
COMMENTS ON FINANCIAL STATEMENT ITEMS	16
SUBSEQUENT EVENTS	17
SUMMARY OF RECOMMENDATIONS	17
SIGNATURE PAGE	18



COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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GARY D. ANDERSON
COMMISSIONER OF INSURANCE

May 6, 2020

The Honorable Gary D. Anderson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, and other applicable statutes, an examination has been made of the financial condition and affairs of

SAFETY INSURANCE COMPANY

at its home office located at 20 Custom House Street, Boston, MA 02110. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Safety Insurance Company (“Company” or “SIC”) was last examined as of December 31, 2013, by the Massachusetts Division of Insurance (“Division”). The current examination was also conducted by the Division and covers the five-year period from January 1, 2014 through December 31, 2018, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Concurrent with this examination, the following insurance affiliates in the Safety Insurance Group (“SIG”) were also examined and separate Reports of Examination have been issued:

Safety Indemnity Insurance Company (“SIIC”)
Safety Property and Casualty Insurance Company (“SPCIC”)

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

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 mentioned in the Massachusetts General Laws, Chapter 175, Section 4, 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.

The Company is audited annually by PricewaterhouseCoopers LLP (“PwC”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for calendar years 2014 through 2018. A review and use of the Certified Public Accountants’ work papers was made to the extent deemed appropriate and effective.

The INS Companies (“INS”) were engaged by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division’s examination staff. The assistance included a review of accounting records, information systems, investments and actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings identified during the examination.

COMPANY HISTORY

The Company was organized and incorporated on December 12, 1979, under the laws of the Commonwealth of Massachusetts, as a stock company titled "Safety Insurance Company." Founded to write motor vehicle insurance in Massachusetts through independent agents and brokers. It commenced business on January 1, 1980. As a licensed property and casualty insurer, the Company is subject to the provisions of Massachusetts General Law ("M.G.L."), Chapter 175, Section 4 and other Massachusetts insurance laws.

The Company writes private passenger automobile, commercial automobile, homeowners, business owners, personal umbrella, dwelling fire, and commercial umbrella insurance at standard rates. It is authorized to write the following lines of insurance coverage: fire, ocean & inland marine, boiler (no inspection), accident – all kinds, liability other than auto, auto liability, glass, water damage and sprinkler leakage, elevator property damage and collision, burglary, robbery, theft, repair – replacement, stock companies (extension of coverage), reinsurance except life, comprehensive motor vehicle & aircraft, and personal property floater.

SIG, a Delaware corporation, owns 100% of the issued and outstanding shares of SIC. Control of SIC was acquired by SIG as a result of a statutory merger that occurred on October 16, 2001, between Safety Merger Company, Inc. and Thomas Black Corporation ("TBC"). As a result of the 2001 merger, SIG was indirectly owned, through its wholly owned direct subsidiary, TBC. The 2001 merger was approved by the Division on October 12, 2001. On March 31, 2004, TBC merged with and into SIG with SIG being the corporation surviving the merger.

SIC is a member of the Massachusetts Insurers Insolvency Fund and is assessed a proportionate share of the obligations and expenses of the Insolvency Fund in connection with an insolvent insurer. Massachusetts law requires that insurers licensed to do business in Massachusetts participate in the Massachusetts Insurers Insolvency Fund.

Capital Stock

From the Company's incorporation in late 1979 until early 1980, the authorized capital stock of the Company had been 400,000 shares of common stock at a par value of one dollar per share. On April 7, 1980, by vote of the Company's Board of Directors ("Board") and subsequent filing duly made with the Secretary of State for the Commonwealth; The articles of organization were amended and the authorized capital stock was changed to 24,000 shares of no par value common stock. On December 4, 2014, the articles of organization were amended again to change the authorized capital stock from 24,000 shares of no-par value common stock to 24,000 shares of common stock with a par value of \$146.00 per share. This resulted in a change in Capital Stock from \$1,150,000 to \$3,504,000.

Safety Insurance Company

Dividends

The Company declared and paid the following dividends to its stockholders during the examination period:

2014	\$ 59,185,807
2015	39,439,746
2016	39,155,534
2017	41,825,928
2018	45,271,039

There were no declared but unpaid dividends as of December 31, 2018.

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board and its Committees for the period under examination were read and they indicated that all meetings were held in accordance with the Company's bylaws and the laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified by the Board.

Articles of Organization and Bylaws

The bylaws and articles of organization and amendments thereto were reviewed. The Company's bylaws were amended and restated in their entirety in 2001. On May 21, 2009, the Board approved an amendment to the bylaws. The Company complied with M.G.L. Chapter 175, Sections 50 & 50B by filing the bylaws with the Division. During the examination period, on October 4, 2014, the Board voted to amend the articles of organization to change the par value of 24,000 shares of common stock from no par value stocks to \$146.00 par value per share.

Board of Directors

According to the bylaws, the "business of the company shall be managed by the directors who may exercise all of the powers of the Company as are not by law, the articles of organization or these bylaws required to be otherwise." The Board shall consist of at least five and no more than seven members. Directors shall be elected by a plurality of the votes cast at annual meetings of the stockholders and each director so elected shall hold office until the next annual meeting of stockholders and thereafter until a successor is duly elected and qualified, or until his sooner resignation or removal. Any director may resign at any time upon notice to the Company. Directors need not be stockholders.

Safety Insurance Company

As of December 31, 2018, the Company's Board was comprised of the following directors:

<u>Name of Director</u>	<u>Title</u>
George Michael Murphy	President and Chief Executive Officer
William Joseph Begley, Jr.	Vice President, Chief Financial Officer and Treasurer
James David Berry	Vice President of Underwriting and Secretary
Steven Albert Varga	Vice President of Management Information Systems
David Ernest Krupa	Vice President of Property Claims
Paul Jorge Narciso	Vice President of Casualty Claims
John Patrick Drago	Vice President of Marketing
Ann Marie McKeown	Vice President of Insurance Operations

*William J. Begley, Jr., Vice President, CFO, and Secretary retired effective March 1, 2020. Christopher T. Whitford, Controller of the Company has been appointed as Vice President, CFO and Secretary, effective March 2, 2020.

Oversight of the SIG Board of Directors

SIC is under the oversight of the SIG Board of Directors ("SIG Board"). The SIG Board meets quarterly and upon special request as needed, to discuss Company's performance, objectives and results. The SIG Board consists of seven members and three classes, each class serves three years, with terms of office of the respective classes expiring in successive years. The SIG Board appointed various committees to assist in the oversight of its subsidiaries. They include an Audit Committee, a Compensation Committee, a Nominating & Governance Committee and an Investment Committee. Additionally, the SIC Board, is also considered SIG Board's Executive Committee, which meets on a weekly basis to review and discuss the operations of the Company.

Officers

According to the Company's bylaws, the Board shall elect the officers of the Company. The officers of the Company shall be the President, the Treasurer, the Secretary, and such other officers and agents, with duties and powers, as the Board may in its discretion determine. The President, the Treasurer, and the Secretary shall be elected annually by the directors at their first meeting following the annual meeting of stockholders; other officers may be chosen by the directors at such meeting or at any other meeting. The term of office for each officer shall be one year or until respective successors are elected and qualified or until earlier resignation or removal. An officer may but need not be a director or stockholder and no officer shall be a director solely by virtue of being an officer.

The bylaws state that the President shall be the Chief Executive Officer of the Company. Except as otherwise voted by the Board, the President shall preside at all meetings of the stockholders and of the Board at which he is present. The President shall have such duties and powers as are commonly incident to the office and such duties and powers as the Board shall from time to time designate. In addition to what is defined explicitly in the bylaws, the Company's officers shall have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board. Except as otherwise required or prohibited by law, any two or more offices may be held by the same person.

Safety Insurance Company

The officers of the Company as of December 31, 2018 were as follows:

<u>Name of Officer</u>	<u>Title</u>
George Michael Murphy	President and Chief Executive Officer
William Joseph Begley Jr.	Vice President, Chief Financial Officer and Treasurer
James David Berry	Vice President of Underwriting and Secretary
John Patrick Drago	Vice President of Marketing
David Ernest Krupa	Vice President of Property Claims
Ann Marie McKeown	Vice President of Insurance Operations
Paul Jorge Narciso	Vice President of Casualty Claims
Stephen Albert Varga	Vice President of Management Information Systems

*William J. Begley, Jr, Vice President, CFO, and Secretary retired effective March 1, 2020. Christopher T. Whitford, Controller of the Company has been appointed as Vice President, CFO and Secretary, effective March 2, 2020.

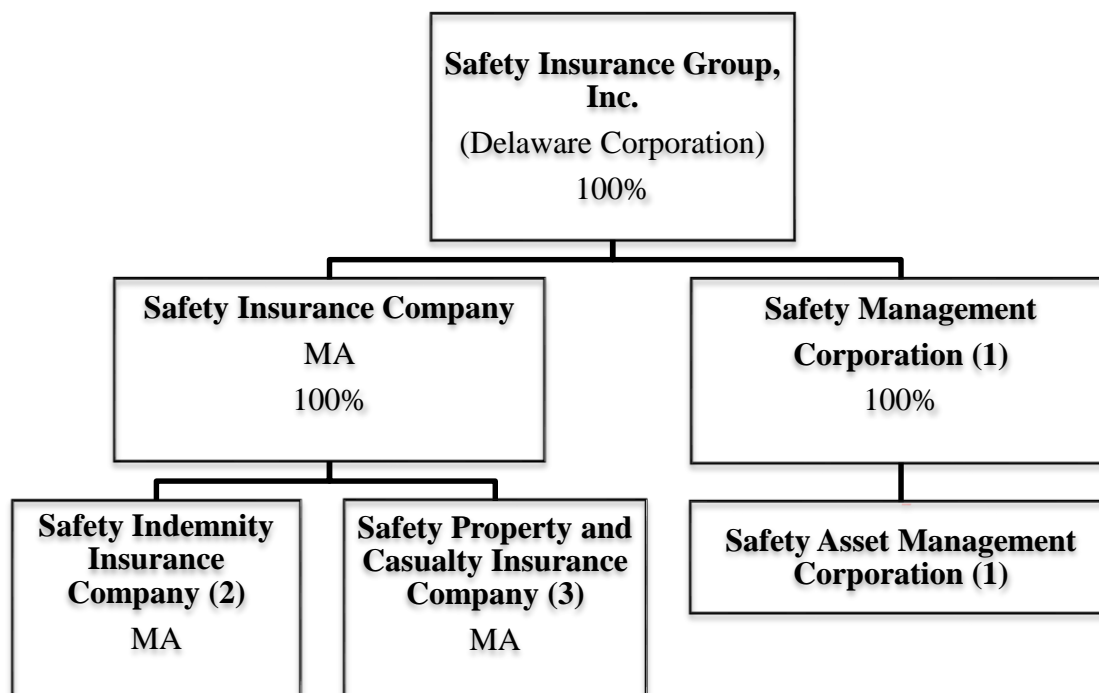
Affiliated Companies

As stated in the Insurance Holding Company System Form B and Form C as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of M.G.L., Chapter 175, Section 206C and Regulation 211 CMR 7.00. Ultimate control of the holding Company system is held by the owners of SIG, a Delaware corporation, with the sole business of which is ownership of the Group.

Safety Insurance Company

Organization Chart

At December 31, 2018, the following reflects the organizational structure of SIC and its subsidiaries, affiliated and controlled entities:



Notes:

- (1) Represents inactive non-insurance company subsidiaries
- (2) SIIC became part of the same insurance company holding system as SIC, upon the formation of SIIC, which occurred in May 1989. SIC owns 100% of the outstanding shares of SIIC.
- (3) SPCIC became part of the same insurance company system as SIC, upon formation of SPCIC, which occurred in December 2006. SIC owns 100% of the outstanding shares of SPCIC.

Transactions and Agreements with Subsidiaries and Affiliates

Administrative Services Agreement

Effective January 1, 2004, SIC and SIIC entered into an Administrative Service Agreement, pursuant to which SIIC receives certain administrative and managerial services from SIC, as compensation for which SIIC pays the actual costs and expenses incurred by SIC for providing such services.

SIC and SPCIC entered into an Administrative Service Agreement effective on January 1, 2007, pursuant to which SPCIC receives certain administrative and managerial services from SIC, as

Safety Insurance Company

compensation for which SPCIC pays the actual costs and expenses incurred by SIC for providing such services.

Consolidated Tax Allocation Agreement

A Second Amended and Restated Tax Sharing Agreement dated April 15, 2015 was executed by and among SIG, SIC, SIIC, SPCIC, Safety Management Corporation and Safety Asset Management Corporation. This amended agreement was executed based on a suggestion from the Division to update the identity of SIG and the subsidiaries, as the previous agreement did not list all subsidiaries by name. This agreement provides that SIG will file a consolidated federal income tax return and consolidated foreign, state and local tax returns, as applicable and as permitted for the parties to the agreement. Each subsidiary shall pay to SIG an amount determined as if such subsidiary had filed its own separate tax return. Each subsidiary shall pay such amount to SIG on the last date that SIG is required to make final payment of income taxes without incurring any penalties or additions.

TERRITORY AND PLAN OF OPERATION

The Company is licensed and writing business in Massachusetts, New Hampshire and Maine. The Company became licensed to write business in Massachusetts, New Hampshire and Maine in 1980, 2008 and 2016 respectively. In 2018, the Company reported direct premium(s) of \$637,403,471 in Massachusetts, \$21,632,429 in New Hampshire, and \$559,038 in Maine.

Treatment of Policyholders – Market Conduct

Commonwealth of Massachusetts has called four Market Conduct examination over the past five years. There have been no regulatory actions reported within the past five years. A statutorily required comprehensive examination was conducted as of April 25, 2014.

A statutorily required comprehensive examination was called on March 11, 2019, that has yet to begin. A limited-scope Market Conduct Annual Statement examination was called on October 29, 2019, to review complaints for the period of January 1, 2011 through December 31, 2015, and the period of January 1, 2016 through December 31, 2017. A full scope examination dated October 11, 2018 was completed on February 10, 2020. No applicable concerns or violations were found.

REINSURANCE

Ceded Reinsurance

Effective January 1, 2018, the Company purchased four layers of excess catastrophe reinsurance providing coverage for property losses in excess of \$50,000,000 up to a maximum of \$665,000,000 of ultimate net loss per loss occurrence. The lines of business covered are commercial multiple peril (Section I), allied lines, fire, homeowners multiple peril (Section I), inland marine, and automobile physical damage (excluding collision).

Safety Insurance Company

The reinsurers' co-participation was as follows:

Co-Participation		
<u>Layers</u>	<u>Percentage</u>	<u>Amount</u>
First layer	50%	\$ 50,000,000
Second layer	80%	\$ 50,000,000
Third layer	80%	\$250,000,000
Fourth layer	80%	\$265,000,000

Effective since January 1, 2015, the Company purchased from Swiss Re a casualty excess of loss reinsurance coverage for large casualty losses in automobile, homeowners, business owners, and commercial package lines of business in excess of \$2,000,000 up to \$10,000,000 per loss occurrence.

Effective January 1, 2015, the Company purchased from Swiss Re an excess of loss reinsurance coverage for large personal and commercial umbrella liability losses in excess of \$1,000,000 up to a maximum of \$10,000,000 per loss occurrence. The Company also has a retention of 5% of the loss in excess of \$1,000,000 per loss occurrence.

Through a reinsurance intermediary, the Company purchased property excess of loss reinsurance coverage via various Lloyds of London Underwriters and various United States, European and Bermuda Companies for large property losses in excess of \$2,000,000 up to a maximum of \$20,000,000 per risk per loss.

The Company has a quota share agreement with the Hartford Steam Boiler Inspection and Insurance Company effective August 1, 2010, under which it cedes 100% of the premiums and losses for equipment breakdown coverage up to \$50,000 for business owner policies and commercial package policies and a service line failure with coverage up to \$10,000.

Assumed Reinsurance

Other than mandatory pools and associations, the Company does not assume reinsurance from non-affiliated companies, but it does act as a servicing carrier for Commonwealth Automobile Reinsurers ("CAR") risks, and it does participate in an intercompany pooling arrangement.

Commonwealth Automobile Reinsurers

Under the Massachusetts Property and Casualty Insurance Market, the Company is a participant of CAR, a mandated residual market for commercial automobile where ceded business gets shared by all insurers writing commercial automobile insurance in Massachusetts. In addition, the Company also participates in the Massachusetts Fair Access to Insurance Requirements ("FAIR") Plan, which is a state-mandated program where all of homeowners business that cannot be placed in the voluntary market is shared by insurers writing homeowners insurance in Massachusetts. SIC, SIIC and SPCIC cede business to and assume business from these state established bodies.

Safety Insurance Company

Intercompany Pooling Agreement

The Company and its wholly owned subsidiaries SIIC and SPCIC entered into an Intercompany Pooling Agreement effective January 1, 2011, covering all lines of business underwritten by the companies. SIIC and SPCIC cede 100% of their direct net liability under all direct insurance business written to the Company; and the Company retrocedes the pooled results to the participants based on their percentage share of the pool. The Company retains 90% of the pooled business, SIIC assumes 7% of the pool, and SPCIC assumes 3% of the pool. SIC, SIIC and SPCIC reinsure certain risks with other insurance organizations for the purpose of limiting their exposure to catastrophic occurrences that could produce large losses, primarily in their homeowner line of business.

Safety Insurance Company

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2018. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2018.

Statement of Income for the Year Ended December 31, 2018.

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2018.

Safety Insurance Company

Statement of Assets, Liabilities, Capital and Surplus As of December 31, 2018

	Per Annual Statement
Assets	
Bonds	\$1,017,731,790
Stocks	
Preferred stocks	403,526
Common stocks	234,719,632
Cash, cash equivalents and short-term investments	9,886,238
Other invested assets	24,223,931
Receivables for securities	1,038,700
Subtotals, cash and invested assets	<u>1,288,003,816</u>
Investment income due and accrued	7,630,608
Premiums and considerations:	
Uncollected premiums and agents' balances	3,480,345
Deferred premiums, agents' balances and installments booked but deferred and not yet due	162,646,838
Reinsurance:	
Amounts recoverable from reinsurers	26,914,076
Net deferred tax asset	24,010,562
Electronic data processing equipment and software	808,014
Aggregate write-ins for other than invested assets	<u>28,341,357</u>
Total assets	<u><u>\$1,541,835,616</u></u>

Safety Insurance Company

Statement of Assets, Liabilities, Capital and Surplus (Continued)
As of December 31, 2018

Liabilities	Per Annual Statement
Losses	\$375,516,614
Loss adjustment expenses	53,172,594
Commissions payable, contingent commissions and other similar charges	20,857,396
Other expenses (excluding taxes, licenses and fees)	30,951,575
Current federal and foreign income taxes	6,173,086
Unearned premiums	361,265,099
Advance premiums	12,865,077
Ceded reinsurance premiums payable (net of ceding commissions)	26,248,047
Provision for reinsurance	17,145
Payable to parent, subsidiaries and affiliates	2,273,716
Payable to securities	5,155,677
Aggregate write-ins for liabilities	519,731
Total liabilities	<u>895,015,756</u>
Common Capital Stock	3,504,000
Gross paid in and contributed surplus	7,415,000
Unassigned funds (surplus)	<u>635,900,860</u>
Surplus as regards policyholders	<u>646,819,860</u>
Total liabilities, surplus and other funds	<u>\$1,541,835,616</u>

Safety Insurance Company

Statement of Income
For the Year Ended December 31, 2018

	Per Annual Statement
Underwriting Income:	
Premiums earned	\$703,428,241
Deductions:	
Losses incurred	379,736,598
Loss adjustment expenses incurred	57,225,160
Other underwriting expenses incurred	221,409,399
Total underwriting deductions	<u>658,371,157</u>
Net underwriting gain (loss)	<u>45,057,084</u>
Investment Income:	
Net investment income earned	45,973,021
Net investment capital gains (losses) less capital gains tax of \$ 921,345	3,238,191
Net investment gain	<u>49,211,212</u>
Other Income:	
Finance and service charges not included in premiums	15,931,908
Total other income	<u>15,931,908</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	110,200,203
Dividends to policyholders	<u>0</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	110,200,203
Federal and foreign income taxes incurred	<u>(23,466,019)</u>
Net income	<u><u>\$86,734,184</u></u>

Safety Insurance Company

Reconciliation of Capital and Surplus
For Each Year in the Five-Year Period Ended December 31, 2018

	2018	2017	2016	2015	2014
Capital and surplus, December 31 prior year	\$617,577,336	\$604,812,900	\$571,038,287	\$630,040,618	\$627,992,682
Net income (loss)	86,734,184	57,981,753	57,202,406	(12,208,861)	51,210,635
Change in net unrealized capital gains or (losses)	(9,332,542)	12,126,061	13,465,112	(6,708,837)	4,917,826
Change in net deferred income tax	3,393,777	(14,115,970)	(111,344)	736,760	1,467,965
Change in nonadmitted assets	(6,336,670)	(2,619,956)	2,225,823	(379,829)	3,330,115
Change in provision for reinsurance	54,813	1,218,476	17,788	1,308,222	0
Capital adjustments: Paid In	0	0	0	0	2,354,000
Surplus adjustments: Paid In	0	0	100,362	306,404	(2,046,798)
Dividends to stockholders	(45,271,039)	(41,825,928)	(39,155,534)	(39,439,746)	(59,185,807)
Net change in capital and surplus for the year	29,242,523	12,764,436	33,774,613	59,002,331	2,047,936
Capital and surplus, December 31 current year	<u>\$646,819,860</u>	<u>\$617,577,336</u>	<u>\$604,812,900</u>	<u>\$571,038,287</u>	<u>\$630,040,618</u>

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE
EXAMINATION**

There have been no changes made to the financial statements as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

As a result of the examination, no adverse findings, or changes to the financial statements were identified.

Note 1 - Summary of Loss and Loss Adjustment Expense Reserves (“loss and LAE Reserves”)

Losses	\$375,516,614
Loss Adjustment Expenses	\$ 53,172,594

The Division engaged INS to review the reasonableness of the loss and LAE reserves of the Company as of December 31, 2018. The review was conducted in a manner consistent with the Code of Professional Conduct and the Qualification Standards of the American Academy of Actuaries and the Standard of Practice adopted by the Actuarial Standards Board.

INS performed an analysis of the loss and LAE reserves evaluated as of December 31, 2018 on a gross and ceded basis using data included in the Appointed Actuary’s Actuarial Report. With regard to comparisons to the estimates derived by the Company’s Appointed Actuary, PwC, INS noted that as of December 31, 2018 the Company carried net loss and LAE reserves within the Appointed Actuary’s range of reasonable reserve estimates. The Company carried net loss and LAE reserves of approximately \$428.7 million as of December 31, 2018 were above the Appointed Actuary’s Actuarial Central Estimate by approximately 7.5%.

INS found that the methodologies and assumptions employed by the Appointed Actuary in the Actuarial Report were reasonable. INS found the Company’s carried loss and LAE reserves as of December 31, 2018 were reasonable.

The table below shows that the SIC net carried reserves of \$428.689 million was within the INS range of reasonable estimates from \$343.962 million to \$449.892 million. The INS Actuarial Central Estimate (“ACE”) of the net loss and LAE reserve of \$391.317 million was lower than the SIC carried reserves of \$428.689 million by \$37.372 million, or 8.7% of reserves. The SIC gross carried loss and LAE reserves of \$526.247 million falls within the INS range of estimates of gross loss and LAE reserves of \$426.708 million and \$556.363 million. The INS ACE of \$483.502 million was lower than the SIC gross carried reserves of \$42.745 million, or 8.1% of reserves.

Safety Insurance Company

The table below summarizes a comparison of INS's range of reasonable estimates for loss and LAE reserves to the Company's carried loss and LAE reserves as of December 31, 2018.

Summary of Indicated Reserves (\$000s)							
	INS Estimate				Difference		
	Low	Central	High	SIC Carried	Low	Central	High
Net	343,962	391,317	449,892	428,689	(84,727)	(37,372)	21,203
Gross	426,708	483,502	556,363	526,247	(99,539)	(42,745)	30,116

SUBSEQUENT EVENTS

Subsequent to December 31, 2018, the Company reduced its property excess of loss reinsurance coverage for large property losses in excess of \$2,000,000 from up to a maximum of \$20,000,000 per risk per loss coverage in 2018 to up to a maximum of \$10,000,000 per risk per loss coverage in 2019. The Company then added a layer of facultative reinsurance coverage providing an additional coverage of up to \$10,759,499 in excess of the \$10,000,000 per risk per loss coverage provided under the excess of loss reinsurance coverage.

In March 2020, the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there was significant uncertainty on the effect that the pandemic would have on the insurance industry, economy, and society at large. Any impact to the Company will take time to assess and will be specific to the class and mix of business they underwrite. The Division will continue to monitor how the pandemic might impact the Company.

SUMMARY OF RECOMMENDATIONS

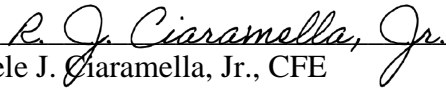
As a result of the examination, no recommendations were identified.

SIGNATURE PAGE

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by INS and the following Division examiners who participated in this examination hereby is acknowledged:

Carla Mallqui, CFE, Financial Examiner II
Steven Tsimtsos, CFE, Financial Examiner II



Raffaele J. Ciaramella, Jr., CFE
Supervising Examiner & Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance