

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

*REPORT OF EXAMINATION OF THE*  
**SAFETY PROPERTY AND CASUALTY INSURANCE COMPANY**

**Boston, Massachusetts**

**As of December 31, 2023**

**NAIC GROUP CODE 00188**

**NAIC COMPANY CODE 12808**

**EMPLOYER ID NUMBER 20-5985347**

# SAFETY PROPERTY AND CASUALTY INSURANCE COMPANY

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## **COMMONWEALTH OF MASSACHUSETTS**

**Office of Consumer Affairs and Business Regulation**

### **DIVISION OF INSURANCE**

One Federal Street, Suite 700 • Boston, MA 02110

(617) 521-7794 • Toll-free (877) 563-4467

<http://www.mass.gov/doi>

**MAURA T. HEALEY**  
GOVERNOR

**KIM DRISCOLL**  
LIEUTENANT GOVERNOR

**MICHAEL T. CALJOUW**  
COMMISSIONER OF INSURANCE

May 28, 2025

The Honorable Michael T. Caljouw  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
One Federal Street, Suite 700  
Boston, MA 02110

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 PROPERTY AND CASUALTY 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 Property and Casualty Insurance Company (“Company” or “SPC”) was last examined as of December 31, 2018 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, 2019 through December 31, 2023, 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 Insurance Company (“SIC”)  
Safety Indemnity Insurance Company (“SIIC”)  
Safety Northeast Insurance Company (“SNIC”)

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 an 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 an independent certified public accounting firm. Deloitte and Touche, LLP expressed unqualified opinions on the Company’s financial statements for calendar years 2021 through 2023. PricewaterhouseCoopers, LLP expressed unqualified opinions on the Company’s financial statement for the calendar years 2019 through 2020. 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

## Safety Property and Casualty Insurance Company

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 5, 2006, under the laws of the Commonwealth of Massachusetts, as a stock company titled "Safety Property and Casualty Insurance Company". It commenced business on January 1, 2007. 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 homeowners and commercial automobile insurance at ultra-preferred rates. It is authorized to write the following lines of insurance coverage: fire, ocean & inland marine, boiler (no inspection), accidents – 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.

SIC, its insurance affiliates, owns 100 % of the outstanding shares of the Company. SIG, the Delaware holding 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. Upon the formation of SPC, on December 2006, the Company became part of the same insurance company holding system as SIC and SIIC.

On November 13, 2020, SIC acquired 100% of the issued and outstanding shares of SNIC, a newly formed insurance company domiciled in Massachusetts. On December 1, 2022, Safety Northeast Insurance Agency, Inc. ("SNIA") was established when Safety Management Corporation ("SMC") acquired the assets and operations of Northeast Metrowest Insurance Agency, Inc. ("NMIA"), an independent insurance agency.

SPC 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.

## Safety Property and Casualty Insurance Company

### Capital Stock

In 2006, SIC purchased 175,000 no par value shares of the Company for a price of \$1.75 million and at the same time, made a capital contribution of \$7.3 million to its newly formed subsidiary. On December 4, 2014, the articles of organization were amended by unanimous consent of the Board of Directors ("Board") to change the authorized capital stock from 175,000 shares of no par value common stock to 175,000 shares of common stock with a par value of \$20.00 per share. This resulted in a change in Capital Stock from \$1,150,000 to \$3,500,000.

### Dividends

The Company paid no stockholder dividends during the examination period. There were no declared and unpaid dividends as of December 31, 2023.

## **MANAGEMENT AND CONTROL**

### Board of Directors Minutes

The minutes of meetings of the Board and its Committees for the period under examination were reviewed, 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 at meetings of the Board.

### Articles of Organization and Bylaws

The bylaws and articles of organization and amendments thereto were reviewed. The Company's bylaws were adopted on November 16, 2006. The Company complied with M.G.L. Chapter 175, Sections 50 & 50B by filing the bylaws with the Division. On December 4, 2014, the Board voted to amend the articles of organization to change the value of the 175,000 shares of common stock from no par value to \$20.00 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 Property and Casualty Insurance Company

At December 31, 2023, 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
Christopher Thomas Whitford	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
Glenn Robert Hiltbold	Vice President of Actuarial Services
Paul Jorge Narciso	Vice President of Claims
John Patrick Drago	Vice President of Marketing
Ann Marie McKeown**	Vice President of Insurance Operations

\*James David Berry retired effective July 1, 2024. Mary McConnell was appointed Vice President of Underwriting effective May 1, 2024.

\*\* Ann Marie McKeown retired effective March 1, 2024. Brian S. Lam was appointed Vice President of Insurance Operations effective March 1, 2024.

### Oversight of the SIG Board of Directors

SPC 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 six 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 SPC 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

## Safety Property and Casualty Insurance Company

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.

The officers of the Company as of December 31, 2023, were as follows:

<u>Name of Officer</u>	<u>Title</u>
George Michael Murphy	President and Chief Executive Office
Christopher Thomas Whitford	Vice President, Chief Financial Officer and Treasurer
James David Berry*	Vice President of Underwriting and Secretary
John Patrick Drago	Vice President of Marketing
Glenn Robert Hiltbold	Vice President of Actuarial Services
Ann Marie McKeown**	Vice President of Insurance Operations
Paul Jorge Narciso	Vice President of Claims
Stephen Albert Varga	Vice President of Management Information Systems

\*James David Berry retired effective July 1, 2024. Mary McConnell was appointed Vice President of Underwriting effective May 1, 2024.

\*\* Ann Marie McKeown retired effective March 1, 2024. Brian S. Lam was appointed Vice President of Insurance Operations effective March 1, 2024.

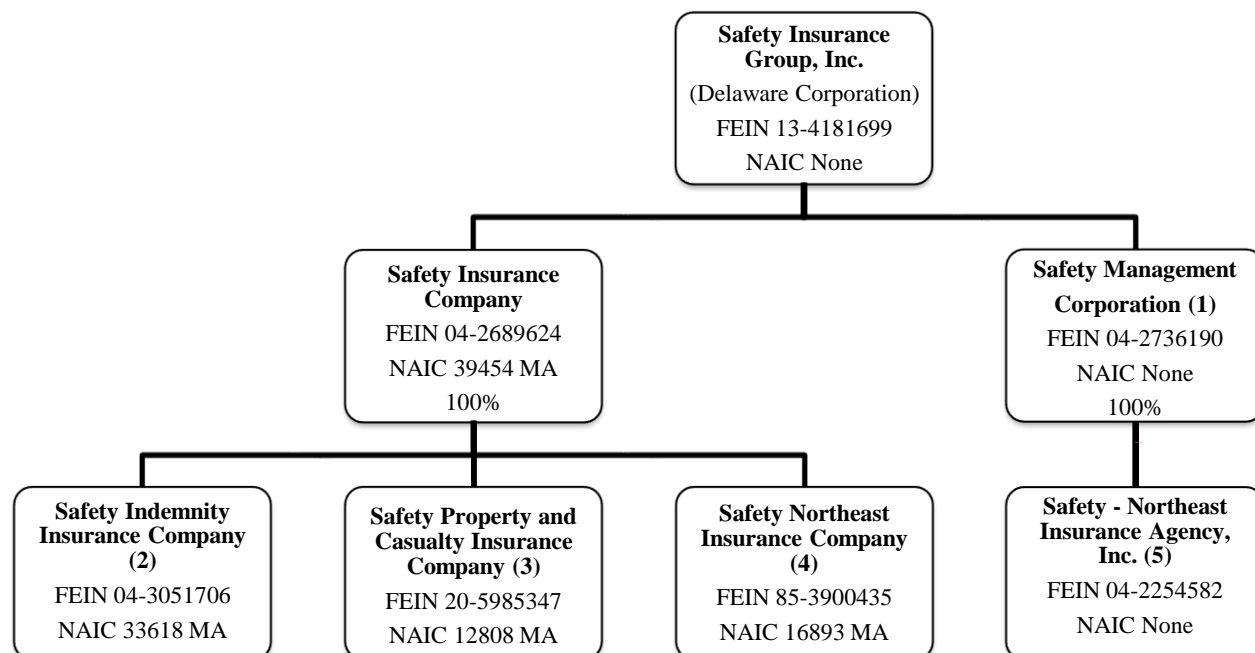
### Affiliated Companies

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, the sole business of which is ownership of the Group.

### Organization Chart

At December 31, 2023, the following reflects the organizational structure of SPC and its subsidiaries, affiliated and controlled entities:

## Safety Property and Casualty Insurance Company



### Notes:

- (1) Represents inactive non-insurance holding company subsidiary
- (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) SPC became part of the same insurance company system as SIC, upon formation of SPC, which occurred in December 2006. SIC owns 100% of the outstanding shares of SPC.
- (4) On November 13, 2020, SIC acquired 100% of the issued and outstanding shares of SNIC, a newly formed insurance company domiciled in Massachusetts.
- (5) On December 1, 2022, Safety Northeast Insurance Agency, Inc. was established when Safety Management Corporation acquired the assets and operations of Northeast Metrowest Insurance Agency, Inc., an independent insurance agency.

## Transactions and Agreements with Subsidiaries and Affiliates

### *Administrative Services Agreement*

Effective January 1, 2007, SIC and SPC entered into an Administrative Services Agreement pursuant to which SPC receives certain administrative and managerial services from SIC, as compensation for which SPC pays the actual costs and expenses incurred by SIC for providing such services.

### *Consolidated Tax Allocation Agreement*

Effective January 1, 2021, SIG, SIC, SIIC, SPC, SNIC and SMC entered into the Third Amended and Restated Tax Sharing Agreement. The agreement provides that SIG will file a consolidated federal income tax return and consolidated foreign, state and local tax returns, as applicable 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 2007, 2008 and 2016 respectively. In 2023, the Company reported direct premium(s) of \$30,474,846 in Massachusetts, \$1,010,267 in New Hampshire, and \$31,459 in Maine.

#### **Treatment of Policyholders – Market Conduct**

The Commonwealth of Massachusetts has called for a Market Conduct examination which is still underway.

### **REINSURANCE**

#### **Ceded Reinsurance**

Effective 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.

Effective January 1, 2023, the Company purchased via a reinsurance intermediary, Gallagher Re Inc., three layers of excess catastrophe reinsurance providing coverage for property losses in excess of \$75,000,000 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).

The reinsurers' co-participation was as follows:

<u>Layers</u>	<u>Co-Participation</u>	
	<u>Percentage</u>	<u>Amount</u>
First layer	75%	\$ 75,000,000
Second layer	75%	\$250,000,000
Third layer	75%	\$265,000,000

## Safety Property and Casualty Insurance Company

Effective January 1, 2023, the Company purchased via a reinsurance intermediary, Gallagher Re Inc., property excess of loss reinsurance coverage for large property losses in excess of \$2,500,000 up to a maximum of \$20,000,000 per risk per loss.

In addition to the excess of loss coverage, the Company has several quota share agreements with the Hartford Steam Boiler Inspection and Insurance Company (HSBI).

- Effective August 1, 2010, the Company began ceding 100% of its liability to HSBI for Homeowners Equipment Breakdown coverage, with limits up to \$100,000 per accident.
- Effective August 1, 2010, the Company began ceding 100% of the Company's liability as respects Service Line Failures under a Service Line coverage for homeowners, providing up to \$10,000 per policy.
- Effective November 1, 2011, the Company entered a similar arrangement with HSBO, ceding 100% of its liability for Employment Practices Liability coverage, with limits of \$250,000 per wrongful act and a \$1,000,000 annual aggregate.
- Effective November 1, 2017, the Company purchased Home Cyber Protection, ceding 100% of its liability for this coverage up to \$50,000 per policy.

### 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 CAR risks, and it does participate in an intercompany pooling arrangement.

### *Intercompany Pooling Agreement*

SIC and its wholly owned subsidiaries have a pooling agreement with the following pool participation percentages of 85% for SIC, 9% for SIIC, 3% for SPC, and 3% for SNIC. This gets applied to cover the net liabilities of the group, which include reserves for unearned premiums, losses, and loss adjustment expenses, net of salvage and subrogation, and third-party reinsurance cessions. All lines and types of business written are subject to the pooling agreement.

**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, 2023. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2023.

Statement of Income for the Year Ended December 31, 2023.

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2023.

Safety Property and Casualty Insurance Company

**Statement of Assets, Liabilities, Capital and Surplus**  
**As of December 31, 2023**

	Per Annual Statement
<b>Assets</b>	
Bonds	\$54,757,879
Cash, cash equivalents and short-term investments	1,407,992
Subtotals, cash and invested assets	<u>56,165,871</u>
Investment income due and accrued	323,973
Premiums and considerations:	
Uncollected premiums and agents' balances	172,056
Deferred premiums, agents' balances and installments booked but deferred and not yet due	3,747,274
Net deferred tax asset	724,272
Aggregate write-ins for other than invested assets	<u>676,864</u>
Total assets	<u><u>\$61,810,310</u></u>

Safety Property and Casualty Insurance Company

**Statement of Assets, Liabilities, Capital and Surplus (Continued)**  
**As of December 31, 2023**

	Per Annual Statement
<b>Liabilities</b>	
Losses	\$13,076,048
Loss adjustment expenses	1,637,713
Commissions payable, contingent commissions and other similar charges	716,287
Unearned premiums	14,874,084
Advance premiums	273,243
Total liabilities	<u>30,577,375</u>
Common Capital Stock	3,500,000
Gross paid in and contributed surplus	5,550,000
Unassigned funds (surplus)	22,182,934
Surplus as regards policyholders	31,232,934
Total liabilities, surplus and other funds	<u>\$61,810,310</u>

Safety Property and Casualty Insurance Company

**Statement of Income**  
**For the Year Ended December 31, 2023**

	Per Annual Statement
<b>Underwriting Income</b>	
Premiums earned	\$25,032,427
<b>Deductions</b>	
Losses incurred	16,998,263
Loss adjustment expenses incurred	2,270,800
Other underwriting expenses incurred	8,187,143
Total underwriting deductions	<u>27,456,206</u>
Net underwriting (loss)	<u>(2,423,779)</u>
<b>Investment Income</b>	
Net investment income earned	1,726,980
Net investment capital gains (losses) less capital gains tax of \$ (0)	1
Net investment gain	<u>1,726,980</u>
<b>Other Income</b>	
Finance and service charges not included in premiums	148,689
Total other income	<u>148,689</u>
Net loss before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(548,110)
Dividends to policyholders	<u>0</u>
Net loss, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	(548,110)
Federal and foreign income taxes incurred	5,205
<b>Net loss</b>	<u><u>(\$553,315)</u></u>

Safety Property and Casualty Insurance Company

**Reconciliation of Capital and Surplus**  
**For Each Year in the Five-Year Period Ended December 31, 2023**

	2023	2022	2021	2020	2019
Surplus as regards policyholders, December 31 prior year	\$31,660,869	\$29,892,108	\$27,385,473	\$23,861,099	\$21,844,645
Net income (loss)	(553,315)	1,775,780	2,515,873	3,534,248	1,991,584
Change in net unrealized capital gains or (losses)	0	0	0	0	2,658
Change in net deferred income tax	125,380	(7,019)	(9,238)	(9,874)	22,212
Change in surplus as regards policyholders for the year	(427,935)	1,768,761	2,506,635	3,524,374	2,016,454
Surplus as regards policyholders, December 31 current year	<u>\$31,232,934</u>	<u>\$31,660,869</u>	<u>\$29,892,108</u>	<u>\$27,385,473</u>	<u>\$23,861,099</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”)

<b>Losses</b>	<b>\$13,076,048</b>
<b>Loss Adjustment Expenses</b>	<b>\$ 1,637,713</b>

The Division engaged INS Consultants, Inc. (“INS”) to review the reasonableness of the loss and LAE reserves of the Company as of December 31, 2023. 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, 2023, on a net 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, INS noted that as of December 31, 2023 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 \$14.7 million as of December 31, 2023 are above the midpoint of the Appointed Actuary’s range of reasonable reserve estimates by approximately 5.0%. The midpoint of the Appointed Actuary’s was calculated by INS, as the Appointed Actuary provided a range of reasonable reserve estimates but did not provide an Actuarial Central Estimate (“ACE”).

INS found that the methodologies and assumptions employed by the Appointed Actuary in the Actuarial Report are reasonable. INS found the Company’s carried loss and LAE reserves as of December 31, 2023 were reasonable.

The table below shows that the net carried reserves of \$14.714 million is within the INS range of reasonable estimates from \$11.875 million to \$15.415 million. The INS Actuarial Central Estimate of the net loss and LAE reserves of \$13.607 million was lower than the SPC carried reserve of \$14.714 million by \$1.107 million, or 7.5% of reserves. The SPC gross carried loss and LAE reserves of \$18.091 million falls within the INS range of estimates of gross loss and LAE reserves of \$14.594 million to \$19.041 million. The INS ACE of \$16.761 million was lower than the SPC gross carried reserves of \$18.091 by \$1.330 million, or 7.4%

Safety Property and Casualty 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 reserve as of December 31, 2023.

Summary of Indicated Reserves (\$000s)							
	INS Estimate				Difference		
	Low	Central	High	SPC Carried	Low	Central	High
Net	11,875	13,607	15,415	14,714	(2,839)	(1,107)	701
Gross	14,594	16,761	19,041	18,091	(3,497)	(1,330)	950

**SUBSEQUENT EVENTS**

No material subsequent events occurred after December 31, 2023.

**SUMMARY OF RECOMMENDATIONS**

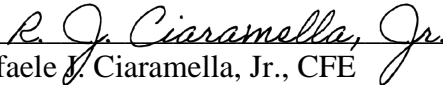
As a result of the examination, no recommendations were identified.

**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

  
\_\_\_\_\_  
Raffaele J. Ciarabella, Jr., CFE  
Supervising Examiner  
Commonwealth of Massachusetts  
Division of Insurance