ORDER

After full consideration and review of the report of the financial examination of Safety Specialty Insurance Company for the period ended December 31, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings; subsequent events; company history; corporate records; management and control; fidelity bond and other insurance; pensions, stock ownership and insurance plans; territory and plan of operations; growth of company; loss experience; reinsurance; accounts and records; statutory deposits; financial statements; analysis of examination changes; comments on financial statements; and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Safety Specialty Insurance Company as of December 31, 2015 be and is hereby ADOPTED as filed and for Safety Specialty Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 1st day of June, 2017.

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions and Professional Registration
# TABLE OF CONTENTS

**SCOPE OF EXAMINATION**................................. 1  
  Period Covered ............................................. 1  
  Procedures..................................................... 1  
**SUMMARY OF SIGNIFICANT FINDINGS**.................. 2  
**SUBSEQUENT EVENTS** ..................................... 2  
**COMPANY HISTORY** ....................................... 5  
  General .......................................................... 5  
  Capital Stock and Paid-In Surplus ...................... 6  
  Dividends......................................................... 6  
  Acquisitions, Mergers and Major Corporate Events  6  
  Surplus Debentures.......................................... 6  
**CORPORATE RECORDS** .................................... 6  
**MANAGEMENT AND CONTROL** ......................... 7  
  Board of Directors......................................... 7  
  Officers .......................................................... 7  
  Committees....................................................... 8  
  Holding Company, Subsidiaries and Affiliates .... 8  
  Organization Chart......................................... 8  
  Affiliated Transactions................................... 9  
**FIDELITY BOND AND OTHER INSURANCE** .......... 9  
**PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS** ...... 9  
**TERRITORY AND PLAN OF OPERATIONS** ........ 9  
**GROWTH OF COMPANY** .................................. 10  
**LOSS EXPERIENCE** ....................................... 10  
**REINSURANCE** ............................................ 11  
  General.......................................................... 11  
  Assumed .......................................................... 11  
  Ceded ............................................................... 11  
**ACCOUNTS AND RECORDS** .............................. 11  
  General.......................................................... 11  
  Independent Auditor....................................... 11  
  Actuarial Opinion......................................... 12  
  Information Systems ....................................... 12  
**STATUTORY DEPOSITS** ................................ 12  
  Deposits with the State of Missouri.................. 12  
  Deposits with Other States .............................. 12  
**FINANCIAL STATEMENTS** ............................... 12  
  Assets ............................................................. 13  
  Liabilities, Surplus and Other Funds............... 13  
  Statement of Income..................................... 14  
  Reconciliation of Surplus.............................. 15  
**ANALYSIS OF EXAMINATION CHANGES** .......... 16  
**COMMENTS ON FINANCIAL STATEMENTS** .... 16  
**SUMMARY OF RECOMMENDATIONS** ............... 16  
**ACKNOWLEDGEMENT** .................................... 17  
**VERIFICATION** ............................................ 17  
**SUPERVISION** ............................................. 17
Director Lindley-Myers:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Safety Specialty Insurance Company

hereinafter referred to as “SSIC” or the “Company.” The Company's home office is located at 1832 Schuetz Road, St. Louis, Missouri 63146; telephone number (314) 995-5300. Examination fieldwork began on January 18, 2017, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered
We have performed a single-state examination of Safety Specialty Insurance Company. The last examination was completed as of December 31, 2010. This examination covers the period from January 1, 2011, through December 31, 2015, and also included material transactions or events occurring subsequent to December 31, 2015.

Procedures
This full-scope examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the National Association of Insurance Commissioners (NAIC), except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department or DIFP) or statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes 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 is documented separately following the Company’s financial statements.
This examination report includes significant findings of fact and general information about the Company 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.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues or material changes to the balance sheet or income statement identified during the examination.

SUBSEQUENT EVENTS

In 2016, SSIC entered into various agreements with Safety National Casualty Company (SNCC) and other affiliates. The following agreements have been entered into:

Capital Support Agreement

Parties: SNCC, SSIC and Tokio Marine & Nichido Fire Insurance Co LTD (TMNF)
Effective: May 21, 2013. The agreement was amended effective January 1, 2016, to add SSIC.
Terms: TMNF will provide SNCC and/or SSIC an amount of statutory capital and surplus necessary to maintain a level at least equal to 300% of the amount of authorized control level RBC.
Rate(s): No rate involved in this transaction, all funds transferred are considered a capital/surplus infusion from TMNF to SNCC/SSIC.

Inter-Company Service Agreement

Parties: SSIC and SNCC
Effective: January 1, 2016
Terms: SNCC will provide various services to SSIC including management, accounting, finance, taxation, actuarial, law, claims processing and data services.
Rate(s): SSIC reimburses SNCC for its allocable share of salaries paid to employees performing services for SSIC and other general and administrative expenses as calculated pursuant to the agreement.
Inter-Company Tax Allocation Agreement

Parties: Delphi Financial Group, Inc., SNCC, SSIC, and other taxable entities within the Delphi Financial Group

Effective: March 5, 1996. Most recently amended effective January 1, 2016, to add SSIC to the agreement.

Terms: Delphi Financial Group, Inc. files a consolidated federal income tax return annually on behalf of all participating members of the agreement.

Rate(s): Each participant will pay its share of the consolidated tax liability on the same basis as if it had filed its tax return on a separate and individual basis.

Cost Sharing Agreement

Parties: SSIC and Delphi Capital Management (DCM)

Effective: March 31, 2016

Terms: DCM agrees to provide SSIC with all investment advisory and administrative services necessary for the conduct of its business.

Rate(s): SSIC pays DCM its proportionate share of the costs of such services on an at-cost basis.

90% Quota Share Reinsurance Agreement

Parties: SSIC and SNCC

Effective: March 15, 2016

Terms: SSIC cedes 90% of premiums and losses to SNCC for the specific lines classified as Public Officials Liability, Educators Legal Liability and Law Enforcement Liability. Losses shall not exceed $1.8 million per claim per policy, although the contract also covers 90% of loss adjustment expenses as well as extra contractual obligations in excess of policy limits.

Rates: SSIC cedes 90% of premiums to SNCC and SSIC keeps a 27.5% ceding commission.
On January 1, 2017 SSIC began a program with Tokio Marine Kiln, Ltd. (TMK) in which SSIC writes commercial property business in the United States through program administrators. This business is ceded to TMK through a 100% reinsurance agreement. The following agreements were entered into as part of this program:

**Inter-Company Service Agreement**

**Parties:** SSIC and TMK  
**Effective:** January 1, 2017  
**Terms:** TMK provides various services to SSIC under the commercial property program including claims services, legal services, administration, actuarial, financial services and data processing.  
**Rate:** SSIC reimburses TMK for actual cost of services provided

**100% Quota Share Reinsurance Agreement**

**Parties:** SSIC and TMK  
**Effective:** January 1, 2017 to January 1, 2018  
**Terms:** SSIC cedes 100% of premiums and losses related to the commercial property coverage written by program administrators to TMK.  
**Rate:** SSIC cedes all premiums to TMK. SSIC retains a ceding commission between 1% and 5% based on the amount of gross net written premiums ceded.

**Assumption Agreement**

**Parties:** SSIC and TMK  
**Effective:** January 1, 2017  
**Terms:** TMK assumes, releases, discharges and indemnifies SSIC from any and all liabilities of SSIC arising from the commercial property insurance program.  
**Rate:** There are no costs under this agreement.
Surplus Note

Parties: SSIC and TMK
Effective: December 31, 2016 through January 15, 2037
Terms: SSIC issued a surplus note to TMK in the amount of $1 million for the purpose of funding the commercial property insurance program. The note has a maturity date of January 15, 2037. All interest and principal payments will be made only with approval of DIFP.
Rate: 3% per annum fixed rate.

TPA Agreement

Parties: SSIC and Precise Adjustments, Inc. (Precise)
Effective: January 1, 2017
Terms: Precise will provide claims handling services to SSIC relating to the commercial property insurance program.
Rate: The fees are outlined in Schedule B of the agreement.

COMPANY HISTORY

General
SSIC was previously known as SPARTA Specialty Insurance Company, a Connecticut domiciled insurer owned by SPARTA Insurance Company. In 2014, after incurring heavy losses, the Company was put in run-off status. Later in 2014, SPARTA Insurance Company was acquired by Catalina Holdings Bermuda, Ltd., which became the ultimate controlling entity.

In April of 2015, SPARTA Insurance Company entered into a Stock Purchase Agreement with Safety National Casualty Company for the sale of SPARTA Specialty Insurance Company. The sale was completed in December 2015, at which time the Company became a wholly owned subsidiary of SNCC. In conjunction with the acquisition, the Company also re-domiciled from Connecticut to Missouri, changed its name to Safety Specialty Insurance Company and became licensed as a Domestic Surplus Lines Insurer under Chapter 384 RSMo (Surplus Lines Insurance Laws).

SSIC was a shell company at the time of acquisition with no existing operations, in-force policies or outstanding claims. The transaction was accounted for as a Quasi-Reorganization in accordance with SSAP No. 72 (Surplus and Quasi-Reorganizations) and SSIC's Unassigned funds (surplus) balance was re-set to $0 upon completion of the purchase.
Effective December 31, 2015, SNCC made a $30 million capital contribution to SSIC, consisting of approximately $28.7 million of investment grade bonds and $1.3 million cash. The purpose of the contribution was to enhance SSIC’s surplus and further their ability to write surplus lines insurance on a national basis.

**Capital Stock and Paid-In Surplus**
SSIC had 6,000 shares of $1,000 par value common stock authorized, with 4,200 shares issued and outstanding as of December 31, 2015. All outstanding shares are owned by Safety National Casualty Corporation. Total paid-in surplus was $58,817,973 as of December 31, 2015. This total included a $30 million contribution from SNCC in 2015.

**Dividends**
The Company did not issue any dividends during the exam period.

**Acquisitions, Mergers and Major Corporate Events**
As detailed above, SSIC was acquired by SNCC in December 2015.

**Surplus Debentures**
SSIC did not have any outstanding surplus notes as of December 31, 2015. The Company issued a $1 million surplus note to Tokio Marine Kiln, Ltd. in 2016.

**CORPORATE RECORDS**
A review was made of the Articles of Incorporation and Bylaws of the Company. The Articles were amended in September 2015 to satisfy the requirements for the re-domestication to Missouri. They were further amended in December 2015 to change the name from SPARTA Specialty Insurance Company to Safety Specialty Insurance Company as well as changing the purpose of the company from operating as a Property & Casualty Insurer to operating as a Missouri Domestic Surplus Line Insurer. There were no changes to the Bylaws during the examination period, however they were subsequently amended in 2016 to change the name and certificate of authority as was previously done with the Articles.

We reviewed the Board of Directors minutes since the acquisition of the Company by SNCC. The minutes appear to properly document and approve corporate events and transactions.
Board of Directors

The management of the Company is vested in a board of 9 directors. The directors serving at December 31, 2015, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Principal Occupation and Business Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gus E. Aivaliotis</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Safety National Casualty Corporation</td>
</tr>
<tr>
<td>John P. Csik</td>
<td>Executive Vice President and Chief Financial Officer</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Safety National Casualty Corporation</td>
</tr>
<tr>
<td>Duane A. Hercules</td>
<td>President</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Safety National Casualty Corporation</td>
</tr>
<tr>
<td>Nicholas A. Kriegel</td>
<td>Vice President &amp; Assistant Secretary</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Safety National Casualty Corporation</td>
</tr>
<tr>
<td>Steven F. Luebbert</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Safety National Casualty Corporation</td>
</tr>
<tr>
<td>Eugene R. Maier</td>
<td>Executive Vice President and Chief Underwriting Officer</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Safety National Casualty Corporation</td>
</tr>
<tr>
<td>Jeffrey W. Otto</td>
<td>Senior Vice President and Secretary</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Safety National Casualty Corporation</td>
</tr>
<tr>
<td>Seth A. Smith</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Safety National Casualty Corporation</td>
</tr>
<tr>
<td>Mark A. Wilhelm</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>St. Louis, Missouri</td>
<td>Safety National Casualty Corporation</td>
</tr>
</tbody>
</table>

Officers

The officers of the Company at December 31, 2015, were as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark A. Wilhelm</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>Duane A. Hercules</td>
<td>President</td>
</tr>
<tr>
<td>Jeffrey W. Otto</td>
<td>Secretary</td>
</tr>
<tr>
<td>John P. Csik</td>
<td>Treasurer</td>
</tr>
<tr>
<td>Steven F. Luebbert</td>
<td>Chief Operating Officer</td>
</tr>
<tr>
<td>Nicholas A. Kriegel</td>
<td>Assistant Secretary</td>
</tr>
</tbody>
</table>
Committees
The Company has two formal committees in place: an Audit Committee and an Executive and Investment Committee. The individuals serving on each committee as of December 31, 2015, were as follows:

Audit Committee
John P. Csik
Duane A. Hercules
Steven F. Luebbert

Executive and Investment Committee
Duane A. Hercules
Steven F. Luebbert
Mark A. Wilhelm

Holding Company, Subsidiaries and Affiliates
The Company is a member of an insurance holding company system as defined by Chapter 382 RSMo (Insurance Holding Companies). Affiliations are described in the Company History section above. Tokio Marine Holdings, Inc. is the ultimate controlling entity within the holding company system.

Organization Chart
The following is an abridged organizational chart which depicts the structure of companies relating to SSIC as of December 31, 2015. All subsidiaries are wholly owned unless otherwise noted.
**Affiliated Transactions**

There were no intercompany agreements with affiliates as of December 31, 2015. SSIC has entered into numerous affiliated agreements in 2016 and 2017, which are summarized in the Subsequent Events section.

**FIDELITY BOND AND OTHER INSURANCE**

SSIC is covered on a financial institution bond held by Delphi Financial Group, Inc. that provides coverage with a limit of liability of $20,000,000. This coverage exceeds the minimum amount of fidelity insurance recommended by the NAIC.

The Company is also included on various other policies held by upstream affiliates that provide coverage such as commercial property and liability, commercial excess liability, directors and officers, errors and omissions, workers’ compensation and umbrella liability. The Company’s insurance coverage appears to be adequate.

**PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

SSIC does not have any direct employees. Services are provided by employees of SNCC pursuant to an Inter-Company Service Agreement. SNCC provides its employees with benefits typical of the industry including medical coverage, life and disability insurance, paid leave, holidays, dependent care assistance and educational assistance.

**TERRITORY AND PLAN OF OPERATIONS**

SSIC is licensed in Missouri under Chapter 384 RSMo (Surplus Lines Insurance) to write surplus lines insurance in Missouri. The Company is authorized to write surplus lines insurance in all 50 states, as well as all U.S. territories and Canada.

SSIC did not write any direct business in 2015 and very little direct business in 2014 prior to being put in run-off. The Company was acquired in 2015 to write various types of surplus lines coverage to complement the products offered by SNCC.
GROWTH OF COMPANY

The table below shows various indicators of the Company's growth during the examination period.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Written Premiums</td>
<td>$33,840,456</td>
<td>$37,718,425</td>
<td>$42,651,704</td>
<td>$3,313,402</td>
<td>$940,330</td>
</tr>
<tr>
<td>Net Written Premiums</td>
<td>33,809,962</td>
<td>37,552,766</td>
<td>42,444,776</td>
<td>3,299,108</td>
<td>940,330</td>
</tr>
<tr>
<td>Net Income</td>
<td>$(1,754,141)</td>
<td>$(54,204)</td>
<td>$(10,634,330)</td>
<td>$(10,201,453)</td>
<td>$(1,915,785)</td>
</tr>
<tr>
<td>Total Admitted Assets</td>
<td>95,540,678</td>
<td>104,689,633</td>
<td>120,223,065</td>
<td>97,297,878</td>
<td>64,092,691</td>
</tr>
<tr>
<td>Total Capital and Surplus</td>
<td>45,713,293</td>
<td>46,032,655</td>
<td>43,164,950</td>
<td>35,899,381</td>
<td>64,078,303</td>
</tr>
</tbody>
</table>

SSIC was a shell company at the time of acquisition in 2015 with no existing in-force policies or outstanding claims. The written premiums reported in 2014 and 2015 were related to premiums assumed under a reinsurance pooling agreement with SSIC's former parent company prior to the acquisition by SNCC. Capital and surplus increased in 2015 due to the $30 million capital contribution from SNCC.

LOSS EXPERIENCE

The following exhibit illustrates the Company's underwriting results during the examination period.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Underwriting Gain</td>
<td>$(4,427,999)</td>
<td>$(1,981,148)</td>
<td>$(12,251,111)</td>
<td>$(11,697,859)</td>
<td>$(3,483,429)</td>
</tr>
<tr>
<td>Net Investment Gain</td>
<td>2,202,793</td>
<td>1,956,783</td>
<td>1,288,208</td>
<td>1,465,737</td>
<td>1,574,054</td>
</tr>
<tr>
<td>Net Income</td>
<td>$(1,754,141)</td>
<td>$(54,204)</td>
<td>$(10,634,330)</td>
<td>$(10,201,453)</td>
<td>$(1,915,785)</td>
</tr>
<tr>
<td>RBC Ratio</td>
<td>918%</td>
<td>860%</td>
<td>719%</td>
<td>828%</td>
<td>8367%</td>
</tr>
</tbody>
</table>

SSIC reported net underwriting losses and overall net losses in each of the past five years. Due to the consistent losses, the Company was placed in run-off in 2014. RBC increased substantially in 2015 due to the acquisition and subsequent capital contribution by SNCC.
REINSURANCE

General
Premiums written by the Company during the examination period were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Business</td>
<td>$30,494</td>
<td>$165,659</td>
<td>$206,928</td>
<td>$14,294</td>
<td>-</td>
</tr>
<tr>
<td>Reinsurance Assumed</td>
<td>33,809,962</td>
<td>37,552,766</td>
<td>42,444,776</td>
<td>3,299,108</td>
<td>940,330</td>
</tr>
<tr>
<td>Reinsurance Ceded</td>
<td>$30,494</td>
<td>$165,659</td>
<td>$206,928</td>
<td>$14,294</td>
<td>940,330</td>
</tr>
<tr>
<td>Net Written Premiums</td>
<td>$33,809,962</td>
<td>$37,552,766</td>
<td>$42,444,776</td>
<td>$3,299,108</td>
<td>940,330</td>
</tr>
</tbody>
</table>

Assumed
Prior to the acquisition by SNCC, SSIC was party to a reinsurance pooling agreement with its former parent, SPARTA Insurance Company (SPARTA). Under this agreement the company ceded all premiums and losses to SPARTA, and then re-assumed a portion of the total premiums and losses of the pool.

The Company has not assumed any reinsurance since the acquisition by SNCC.

Ceded
SSIC entered into a 100% quota share reinsurance agreement with SPARTA Insurance Company in December 2015. The purpose of this agreement was to cede to SPARTA all business in effect prior to the effective date of the acquisition by Safety National.

Effective March 15, 2016, the Company entered into a 90% quota share reinsurance agreement with Safety National. Under this agreement the Company cedes 90% of premiums and losses, less a ceding commission, on business classified as Public Officials Liability, Educators Legal Liability and Law Enforcement Liability insurance.

Effective January 1, 2017, the Company entered into a 100% quota share reinsurance agreement with Tokio Marine Kiln, Ltd. Under this agreement the company writes commercial property insurance through program administrators in the United States, and cedes all business to TMK less a ceding commission.

ACCOUNTS AND RECORDS

General
Accounting, claims processing, policy administration and other related functions are performed by employees of SNCC under an Inter-Company Service Agreement. Investment functions are performed at the Delphi Financial level for all subsidiaries, including Safety National.

Independent Auditor
SSIC does not currently have an external auditor appointed. The company received an exemption from DIFP from filing audited financial statements for 2015 since no business was
written in 2015. The financial statements of the parent company, SNCC, are audited annually by
the accounting firm PricewaterhouseCoopers.

Actuarial Opinion
SSIC held no reserves as of December 31, 2015, and no business was written in 2015. As a
result, the Company received an exemption from DIFP from filing an actuarial opinion for 2015
and no actuarial specialist was engaged for this examination.

Information Systems
The DIFP IT Examiner evaluated the systems of SNCC during their most recent examination as
of December 31, 2014. Since SNCC provides all administrative services to SSIC, no review of
the information systems was performed for this examination.

STATUTORY DEPOSITS

Deposits with the State of Missouri
The Company had $1,200,000 in cash on deposit with the State of Missouri as of December 31,
2015. The Company is licensed as a Domestic Surplus Lines Insurer under Chapter 382 RSMo,
which does not require a deposit to be held in Missouri.

Deposits with Other States
The Company holds certain funds on deposit with other states in which it is an eligible surplus
lines carrier. The funds held in other states as of December 31, 2015 were as follows:

<table>
<thead>
<tr>
<th>State</th>
<th>Type of Security</th>
<th>Par Value</th>
<th>Market Value</th>
<th>Statement Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecticut</td>
<td>US Treasury Notes</td>
<td>$ 2,500,000</td>
<td>$ 2,504,465</td>
<td>$ 2,497,980</td>
</tr>
<tr>
<td>Kentucky</td>
<td>Cash and Special Revenue Bond</td>
<td>600,000</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>New York</td>
<td>Special Revenue Bonds</td>
<td>2,500,000</td>
<td>2,666,225</td>
<td>2,651,476</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>$ 5,600,000</td>
<td>$ 5,770,690</td>
<td>$ 5,749,456</td>
</tr>
</tbody>
</table>

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the
Company and present the financial condition of the Company for the period ending December
31, 2015. The accompanying comments on financial statements reflect any examination
adjustments to the amounts reported in the annual statement and should be considered an integral
part of the financial statements.

There may have been additional differences found in the course of this examination that are not
shown in the "Comments on Financial Statements." These differences were determined to be
immaterial in relation to the financial statements and therefore were only communicated to the
Company and noted in the workpapers for each individual annual statement item.
### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Non-Admitted Assets</th>
<th>Net Admitted Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>$32,199,870</td>
<td>$32,199,870</td>
</tr>
<tr>
<td>Cash and short-term investments</td>
<td>31,512,580</td>
<td>31,512,580</td>
</tr>
<tr>
<td>Receivables for securities</td>
<td>42,402</td>
<td>42,402</td>
</tr>
<tr>
<td>Investment income due and accrued</td>
<td>337,839</td>
<td>337,839</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$64,092,691</td>
<td>$64,092,691</td>
</tr>
</tbody>
</table>

### LIABILITIES, SURPLUS AND OTHER FUNDS

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current federal and foreign income taxes</td>
<td>$6,614</td>
</tr>
<tr>
<td>Net deferred tax liability</td>
<td>7,774</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$14,388</td>
</tr>
<tr>
<td>Common capital stock</td>
<td>4,200,000</td>
</tr>
<tr>
<td>Gross paid in and contributed surplus</td>
<td>59,817,973</td>
</tr>
<tr>
<td>Unassigned funds (surplus)</td>
<td>60,330</td>
</tr>
<tr>
<td><strong>SURPLUS AS REGARDS POLICYHOLDERS</strong></td>
<td>$64,078,303</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND SURPLUS</strong></td>
<td>$64,092,691</td>
</tr>
</tbody>
</table>
## STATEMENT OF INCOME

**Underwriting Income:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premiums earned</td>
<td>$1,375,809</td>
</tr>
<tr>
<td>Deductions:</td>
<td></td>
</tr>
<tr>
<td>Losses incurred</td>
<td>$2,818,622</td>
</tr>
<tr>
<td>Loss adjustment expenses incurred</td>
<td>423,748</td>
</tr>
<tr>
<td>Other underwriting expenses incurred</td>
<td>1,616,868</td>
</tr>
<tr>
<td>Total underwriting deductions</td>
<td>4,859,238</td>
</tr>
<tr>
<td>Net Underwriting Gain (Loss)</td>
<td>$(3,483,429)</td>
</tr>
</tbody>
</table>

**Investment Income:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment income earned</td>
<td>$1,723,530</td>
</tr>
<tr>
<td>Net realized capital gains</td>
<td>$(149,476)</td>
</tr>
<tr>
<td>Net Investment Gain (Loss)</td>
<td>$1,574,054</td>
</tr>
</tbody>
</table>

**Other Income:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net loss from agents or premium balances charged off</td>
<td>$(1,195)</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>1,399</td>
</tr>
<tr>
<td>Total Other Income</td>
<td>$204</td>
</tr>
</tbody>
</table>

**Net income before dividends and FIT**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends to policyholders</td>
<td>-</td>
</tr>
<tr>
<td>Federal income taxes incurred</td>
<td>6,614</td>
</tr>
<tr>
<td>Net income</td>
<td>$(1,915,785)</td>
</tr>
</tbody>
</table>
## RECONCILIATION OF SURPLUS

Changes from December 31, 2010 to December 31, 2015

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and surplus, PY</td>
<td>$16,061,454</td>
<td>$45,713,293</td>
<td>$46,032,656</td>
<td>$43,164,950</td>
<td>$35,899,381</td>
</tr>
<tr>
<td>Net Income</td>
<td>(1,754,141)</td>
<td>(54,204)</td>
<td>(10,634,330)</td>
<td>(10,201,453)</td>
<td>(1,915,785)</td>
</tr>
<tr>
<td>Change in U/R cap. gains</td>
<td>-</td>
<td>-</td>
<td>(65,510)</td>
<td>96,306</td>
<td>-</td>
</tr>
<tr>
<td>Change in net def. taxes</td>
<td>727,751</td>
<td>438,711</td>
<td>(2,612,721)</td>
<td>-</td>
<td>(7,774)</td>
</tr>
<tr>
<td>Change in nonadm. assets</td>
<td>(321,771)</td>
<td>(65,144)</td>
<td>379,346</td>
<td>1,394</td>
<td>6,175</td>
</tr>
<tr>
<td>Change in paid in capital</td>
<td>700,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in paid in surplus</td>
<td>30,300,000</td>
<td>-</td>
<td>10,000,000</td>
<td>3,000,000</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Change in cap. and surplus</td>
<td>29,651,839</td>
<td>319,363</td>
<td>(2,867,705)</td>
<td>(7,265,569)</td>
<td>28,178,922</td>
</tr>
<tr>
<td>Capital and surplus, CY</td>
<td>$45,713,293</td>
<td>$46,032,656</td>
<td>$43,164,950</td>
<td>$35,899,381</td>
<td>$64,078,303</td>
</tr>
</tbody>
</table>
ANALYSIS OF EXAMINATION CHANGES

No adjustments or reclassifications were made as a result of the examination.

COMMENTS ON FINANCIAL STATEMENTS

There are no comments on the financial statements.

SUMMARY OF RECOMMENDATIONS

There are no recommendations.
ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of Safety Specialty Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Mike Behrens, CFE, examiner for the Missouri Department of Insurance, Financial Institutions and Professional Registration participated in this examination.

VERIFICATION

State of Missouri )
) ss
County of St. Louis)

I, John Boczkiewicz, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

John M. Boczkiewicz, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 13 day of April
My commission expires:

Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Insurance, Financial Institutions and Professional Registration