March 25, 2019

NAIC Financial Reporting & Analysis Data Validation Notification

Thomas Happensack
Safe Auto Ins Co
4 Easton Oval
Columbus, OH 43219

Re: NAIC Cocode: 25405 Group Code: 4940
2018 Annual Statement filing

The second (and subsequent) pages of this notice detail discrepancies in the above filing. We request that you review each category very closely and provide the appropriate response within ten working days from receipt of this letter. Please also follow the instructions on the checklist below.

Provide the following with every response.

- ❑ Company code
- ❑ Company name
- ❑ Current contact name and phone number, if contact has changed
- ❑ Date of NAIC letter
- ❑ Name of NAIC contact on the letter
- ❑ Address every failure, unless the letter states that no correction or response is needed for a specified failure

Provide the following with Annual Statement corrections.

- ❑ Jurat Page
- ❑ Electronic amended Annual Statement filing via the NAIC internet filing site including all applicable PDF files
- ❑ Completed Amended Explanation Page

Provide the following with RBC corrections.

- ❑ Electronic complete amended RBC filing via the NAIC internet filing site
- ❑ Electronic Annual Statement Five-year Historical Data page

You may receive future correspondence if additional discrepancies require your assistance. Forward all of the above to your state of domicile and to the NAIC contact below at the following address.

Calvin Ferguson
Senior Insurance Reporting Analyst
NAIC - Financial Regulatory Services
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197
cferguson@naic.org
Phone: (816) 783-8424

cc: Financial Regulator(s) of the State of OH

Thank you for your timely response and assistance with this matter.

ITEMS REQUIRING ACTION:

Notes to Financial Statement:

Note 9 The PDF version of the Notes to Financial Statement does not match the Electronic Notes (s.txt file).

For 9A(1)f and 9A(1)g, the "Capital" and "Total" Columns for 2017 and Change entries do not match the PDF. See screen print of data received below.

09A01F	Deferred tax liabilities	3,955,249	2,612,997	6,568,246	3,595,251	2,340,425	5,935,676	359,998	272,572	632,570
09A01G	Net admitted deferred tax asset/(net deferred tax liability) (1e - 1f)	6,989,908	-2,400,107	4,589,801	5,988,862	-2,127,529	3,861,333	1,001,046	-272,578	728,468

For 9C(3)b3, 9C(3)b99, 9C(3)c and 9C(4), the "2017" and "Change" Columns entries do not match the PDF. See screen print of data received below.

09C3B3	Other (including items less than 5 percent of total capital tax liabilities) (capital) (deferred tax liabilities)										2,612,997	2,340,425	272,572
09C3B99	Subtotal (capital) (deferred tax liabilities)										2,612,997	2,340,425	272,572
09C3C	Deferred tax liabilities (3A99 + 3B99)										6,568,246	5,935,676	632,570
09C4	Net deferred tax assets/liabilities (2I - 3C)										4,589,801	3,861,333	728,468

Note 20 The PDF version of the Notes to Financial Statement does not match the Electronic Notes (s.txt file).

For 20A(2)a the Ending Balance Column for the "Foreign Governments" and "Total Assets" entries do not match the PDF. See screen print of data received below.

20A2A01		Bond								0	0	0	0	0	0	0	0	0	0
20A2A02		Foreign Governments								700,000	0	0	0	0	0	0	700,000	0	1,400,000
20A2A03		Other ABS								536,784	0	0	0	-2,148	0	0	0	0	534,636
20A2A99	Total assets (FV measurement in Level 3 of the FV hierarchy)									1,236,784	0	0	0	-2,148	0	0	700,000	0	1,934,636

Note 24 For the note there is a disclosure, 24F, regarding the ACA. There is a specific question, 24F(1), that should be provided with a Yes or No answer to indicate where the user should expect amounts for 24F(2) through 24F(5). If a company answers No then "None" can be indicated for 24F(2) through 24F(5) and the tables illustrated do not need to be provided. If the answer is Yes then the tables for 24F(2) through 24F(5) are expected to be provided even I the amounts are zero for all lines.

ITEMS FOR YOUR INFORMATION:

DATA VALIDATION FAILURES NOTED:
The following data validations failed but do not require a response for this filing. The NAIC analyst either noted a valid explanation for the failure or considered the issue immaterial to the filing (note, the item could be material in a future filing). Please review these items and attempt to resolve the discrepancies for future filings.

1. **Rule Name:** PXASU900138 **Description:** (NAIC crosscheck) Schedule DB, Part A, Verification Between Years, Column 2, Line 1 did not equal to Prior Year Schedule DB, Part A, Verification Between Years, Column 2, Line 9
   0 - -68135 = 68135

A change was made to the electronic footnotes - Note 9

9C(3)b3 for 2017. The amount was changed from 2,340,425 to 2,639,787. This change was made because the software did not properly roll forward the prior year electronic data into the footnote. This change impacted changes in the following lines as stated below:

Electronic Footnote		After				Before			
		2017		Change		2017		Change	
Line#	Line Description	Capital	Total (Col 4+5)	Capital	Total (Col 4+5)	Capital	Total (Col 4+5)	Capital	Total (Col 4+5)
9.A.(1)(f)	Deferred tax liabilities	2,639,787	6,235,038	(26,790)	333,208	2,340,425	5,935,676	272,572	632,570
9.A.(1)(g)	Net admitted deferred tax asset/(net deferred tax liability)	(2,426,891)	3,561,971	26,784	1,027,830	(2,127,529)	3,861,333	(272,578)	728,468
			Prior	Change			Prior	Change	
9C3b3	Other (including items for both <=5% and >=5% of total capital tax liabilities (items >5% listed seperately)		2,639,787	(26,790)			2,340,425	272,572	
9C3b99	Subtotal		2,639,787	(26,790)			2,340,425	272,572	
9C3c	Deferred tax liabilities (3a99 + 3b99)		6,235,038	333,208			5,935,676	632,570	
9C4	Net deferred tax assets/liabilities (2i - 3c)		3,561,971	1,027,830			3,861,333	728,468	

9.A.2.b.2 footnote was updated. An error was found in the calculation. The amount previously reported was based on 2017 Surplus amount instead of 2018.

		After	Before			After	Before
		2018	2018			Change	Change
		Col (3) Total	Col (3) Total			Col (9) Total	Col (9) Total
9.A.2.b.2	Adjusted gross deferred tax assets allowed per limitation threshold	15,402,273	19,971,492			(8,354,974)	(3,785,755)

The incorrect lines from the RBC calculation were reported on lines 9.A.3.a and 9.A.3.b in the original filing.

		After	Before
		2018	2018
9.A.3.a	Ratio percentage used to determine recovery period and threshold limitation amount	306.000%	320.000%
9.A.3.b	Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	104,016,075	108,605,878

A change was made to Note 20A(2) -Fair value measurements in Level 3 of the fair value hierarchy

Changed the sales amount from 700,000 to (700,000) for both electronic and PDF footnotes, this change was made because the software required sales to be entered as a negative amount.

Description	Ending Balance at 12/31/2017	Transfers Into Level 3	Transfers Out of Level 3	Total Gains and (Losses) Included in Net Income	Total Gains and (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2018
a. Assets										
Bond	$	$	$	$	$	$	$	$	$	$
Foreign Governments	700,000	-	-	-	-	-	-	(700,000)	-	-
Other ABS	536,784	-	-	-	(2,148)	-	-	-	-	534,636
Total assets	$ 1,236,784	$ -	$ -	$ -	$ (2,148)	$ -	$ -	$ (700,000)	$ -	$ 534,636
b. Liabilities										
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

A change was made to PDF Note 24- Retrospectively Rated Contracts & Contracts Subject to Redetermination

2018 Annual Statement Amendment #2

The change was made because question 24F(1) is required to answer.

F. Risk-Sharing Provisions of the Affordable Care Act (ACA)

(1) Accident and health insurance premium subject to the Affordable Care Act risk-sharing provisions

Did the reporting entity write accident and health insurance premium which is subject to the Affordable Care Act risk sharing provisions? NO

Marked 24F(2)-(5) None

(2) Impact of Risk-Sharing Provisions of the Affordable Care Act on admitted assets, liabilities and revenue for the current year - None

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance - None

(4) Roll-forward of risk corridors asset and liability balances by program benefit year - None

(5) ACA risk corridors receivable as of reporting date - None

These changes have no impact on RBC calculation.

* 2 5 4 0 5 2 0 1 8 2 0 1 0 0 1 0 0 *

ANNUAL STATEMENT

For the Year Ended December 31, 2018

of the Condition and Affairs of the

Safe Auto Insurance Company

NAIC Group Code..... 0, 0 (Current Period) (Prior Period)   NAIC Company Code..... 25405   Employer's ID Number..... 31-1379882

Organized under the Laws of OH   State of Domicile or Port of Entry OH   Country of Domicile US

Incorporated/Organized..... May 28, 1993   Commenced Business..... August 25, 1993

Statutory Home Office	4 Easton Oval .. Columbus .. OH .. .. 43219 *(Street and Number) (City or Town, State, Country and Zip Code)*	
Main Administrative Office	4 Easton Oval .. Columbus .. OH .. .. 43219 *(Street and Number) (City or Town, State, Country and Zip Code)*	614-231-0200 *(Area Code) (Telephone Number)*
Mail Address	4 Easton Oval .. Columbus .. OH .. .. 43219 *(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)*	
Primary Location of Books and Records	4 Easton Oval .. Columbus .. OH .. .. 43219 *(Street and Number) (City or Town, State, Country and Zip Code)*	614-231-0200 *(Area Code) (Telephone Number)*
Internet Web Site Address	www.safeauto.com	
Statutory Statement Contact	Thomas Happensack *(Name)*	614-944-7680 *(Area Code) (Telephone Number) (Extension)*
	thomas.happensack@safeauto.com *(E-Mail Address)*	614-559-5357 *(Fax Number)*

OFFICERS

Name	Title	Name	Title
1. Ronald H Davies	Chief Executive Officer & President	2. Kelly A Armstrong	Chief Legal Officer & Secretary
3. Gregory A Sutton	Chief Financial Officer & Treasurer	4. Thomas J Happensack	Controller

OTHER

Mark LeMaster	Claims Leader	Evan McKee	Product Leader
Partha Srinivasa	Chief Information Officer	Charles Kordes	Customer Demand & Experience Leader

DIRECTORS OR TRUSTEES

Ronald Davies	Ari Deshe	Elie Deshe	Jon Diamond
Gabriel Gliksberg	William Graves	Oded Gur-Arie	Karen Morrison #

State of........ Ohio
County of..... Franklin

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Ronald H Davies	Kelly A Armstrong	Gregory A Sutton
1. (Printed Name)	2. (Printed Name)	3. (Printed Name)
Chief Executive Officer & President	Chief Legal Officer & Secretary	Chief Financial Officer & Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me
This 13th day of May 2019

a. Is this an original filing?		Yes [ ] No [X]
b. If no	1. State the amendment number	2
	2. Date filed	3/27/19
	3. Number of pages attached	Elect Footnotes only 9, 20 & 24

Notes to the Financial Statements

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The accompanying financial statements of Safe Auto Insurance Company ("the Company") have been prepared on the basis of accounting practices prescribed or permitted by the Insurance Department of the State of Ohio. The Insurance Department of the State of Ohio recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the State of Ohio.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the state of Ohio is shown below.

	SSAP #	F/S Page	F/S Line #	2018	2017
Net Income					
(1) State basis (Page 4, Line 20, Columns 1 & 2)	XXX	XXX	XXX	$ 22,547,948	$ 33,822,902
(2) State prescribed practices that are an increase / (decrease) from NAIC SAP:					
(3) State permitted practices that are an increase / (decrease) from NAIC SAP:					
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	$ 22,547,948	$ 33,822,902
Surplus					
(5) State basis (Page 3, Line 37, Columns 1 & 2)	XXX	XXX	XXX	$ 108,605,878	$ 136,705,251
(6) State prescribed practices that are an increase / (decrease) from NAIC SAP:					
(7) State permitted practices that are an increase / (decrease) from NAIC SAP:					
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	$ 108,605,878	$ 136,705,251

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts in these financial statements and notes. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

Premiums written are deferred and earned pro rata over the terms of the related insurance policies. Depending on the state, policy fees are either recognized in premiums earned on the effective date of the respective insurance policy or over the term of the policy.

Unearned premium reserves represent the portion of premiums written that are applicable to the unexpired terms of the policies in-force, and are determined on a daily pro rata basis.

Expenses incurred in connection with acquiring new insurance business, including such acquisition costs as advertising, premium taxes and sales commissions, are charged to operations as incurred. The Company has not modified its capitalization policy from the prior period.

Net investment income earned consists primarily of interest, dividends and rental income less investment related expenses. Interest is recognized on an accrual basis and dividends are recognized on an ex-dividend basis. Rental income includes an imputed rent for the Company's occupancy of its own buildings. Net realized capital gains (losses) are recognized on a specific identification basis when securities are sold, redeemed or otherwise disposed, and include write-downs for impairments considered to be other-than-temporary.

In addition, the company uses the following accounting policies:

(1) Short-term investments are reported at amortized cost.

(2) Bonds not backed by other loans that are designated highest-quality and high-quality (NAIC designations 1 and 2, respectively) are reported at amortized cost, using the interest method. All other bonds (NAIC designations 3 to 6) are reported at the lower of amortized cost or fair value.

(3) Unaffiliated common stocks are stated at fair value.

(4) The company's preferred stock is stated at fair value.

(5) Mortgage loans - None

(6) Loan-backed securities are reported at either amortized cost using the interest method or, if non-investment grade, at the lower of amortized cost, fair value or at the present value of future cash flows. The retrospective adjustment method is used to value all securities, except for interest only securities, where the yield had become negative, that are valued using the prospective method.

(7) Subsidiaries are stated at their underlying audited GAAP equity.

(8) Other invested assets are stated at lower of cost or fair value, except for investments in limited partnerships (LPs) or limited liability companies (LLCs). Investments in LPs and LLCs are stated at the underlying audited GAAP equity of the investee, unless ownership is less than 3% or the investee invests in market priced funds. Investments in LPs and LLCs that invest in market priced funds are stated at the underlying audited GAAP equity of the investee. Otherwise, investments in LPs and LLCs, where ownership is less than 3% are stated at cost. Investments are non-admitted if no audit of the investee is completed.

(9) The Company owned derivatives are stated at fair value.

(10) The Company does utilize anticipated investment income as a factor in the premium deficiency calculation.

Notes to the Financial Statements

1. **Summary of Significant Accounting Policies and Going Concern (Continued)**

(11) Unpaid losses and loss adjustment expenses ("LAE") include an amount determined from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

(12) The Company did not change its capitalization policy in 2018.

(13) Pharmaceutical rebate receivables - None

D. Going Concern - None

2. **Accounting Changes and Corrections of Errors**

The Company did not have any material changes in accounting principles and/or corrections of errors in 2018 or 2017.

3. **Business Combinations and Goodwill** - None

4. **Discontinued Operations** - None

5. **Investments**

A. Mortgage Loans, including Mezzanine Real Estate Loans - None

B. Debt Restructuring - None

C. Reverse Mortgages - None

D. Loan-Backed Securities

(1) Prepayment assumptions for Agency Mortgage-Backed Securities and Collateralized Mortgage Obligations were generated using a third-party prepayment model. The multi-factor model captures house price change trends, housing turnover, borrower default, and refinance incentive, among other factors. On an ongoing basis, we monitor the rate of prepayment and calibrate the model to reflect actual experience, market factors, and viewpoint.

(2) Loan-backed and structured securities with a recognized other-than-temporary impairment - None

(3) Securities held that were other-than-temporarily impaired due to the present value of cash flows expected to be collected was less than the amortized cost of securities - None

(4) All impaired securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss

	Amount
a. The aggregate amount of unrealized losses:	
1. Less than 12 months	$ 581,977
2. 12 months or longer	$ 1,365,054
b. The aggregate related fair value of securities with unrealized losses:	
1. Less than 12 months	$ 46,980,211
2. 12 months or longer	$ 41,408,614

(5) Recommendations for potential impairments are based on periodic analytical reviews and/or Company specified OTTI requirements. Analysis relies on actual collateral performance measurements including, but not limited to prepayment rates, default rates, delinquencies and loss severity sourced through third party data providers.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions - None

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing - None

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing - None

H. Repurchase Agreements Transactions Accounted for as a Sale - None

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale - None

J. Real Estate

The company recognized an impairment loss of its KY facility in Oct 2018.

(1) The facility that recognized an impairment loss is a company owned building located at Pulaski County in the state of Kentucky. The impairment is due to the appraisal of the building market value. The impairment loss is $1,097,947. Fair value was determined by appraisal using sales comparison and income approach. The loss was recognized on income statement as a realized loss on sale of property and equipment.

(2) Real estate sold or classified held for sale - None

(3) Changes to a plan of sale for an investment in real estate - None

(4) Retail land sales operations - None

(5) Participating mortgage loan features - None

K. Low-Income Housing Tax Credits (LIHTC) - None

Notes to the Financial Statements

5. Investments (Continued)

L. Restricted Assets

(1) Restricted assets (including pledged)

The Company's restricted assets are displayed in the table below.

	Gross (Admitted & Nonadmitted) Restricted							Current Year			
	Current Year										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Restricted Asset Category	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity	Total (1 + 3)	Total From Prior Year	Increase / (Decrease) (5 - 6)	Total Nonadmitted Restricted	Total Admitted Restricted (5-8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets, %	Admitted Restricted to Total Admitted Assets, %
a. Subject to contractual obligation for which liability is not shown	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	–%	–%
b. Collateral held under security lending agreements	–	–	–	–	–	–	–	–	–	–	–
c. Subject to repurchase agreements	–	–	–	–	–	–	–	–	–	–	–
d. Subject to reverse repurchase agreements	–	–	–	–	–	–	–	–	–	–	–
e. Subject to dollar repurchase agreements	–	–	–	–	–	–	–	–	–	–	–
f. Subject to dollar reverse repurchase agreements	–	–	–	–	–	–	–	–	–	–	–
g. Placed under option contracts	–	–	–	–	–	–	–	–	–	–	–
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	–	–	–	–	–	–	–	–	–	–	–
i. FHLB capital stock	689,500	–	–	–	689,500	689,500	–	–	689,500	0.181	0.184
j. On deposit with states	2,661,314	–	–	–	2,661,314	2,608,317	52,997	–	2,661,314	0.700	0.709
k. On deposit with other regulatory bodies	–	–	–	–	–	–	–	–	–	–	–
l. Pledged as collateral to FHLB (including assets backing funding agreements)	–	–	–	–	–	–	–	–	–	–	–
m. Pledged as collateral not captured in other categories	926,243	–	–	–	926,243	921,510	4,733	–	926,243	0.240	0.250
n. Other restricted assets								–	–		
o. Total restricted assets	$ 4,277,057	$ –	$ –	$ –	$ 4,277,057	$ 4,219,327	$ 57,730	$ –	$ 4,277,057	1.121%	1.143%

(2) Detail of assets pledged as collateral not captured in other categories (contracts that share similar characteristics, such as reinsurance and derivatives, are reported in the aggregate)

The company has set aside cash assets in a bank account to collateralize a letter of credit.

	Gross (Admitted & Nonadmitted) Restricted								Percentage	
	Current Year									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Description of Assets	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity	Total (1 + 3)	Total From Prior Year	Increase/ (Decrease) (5 - 6)	Total Current Year Admitted Restricted	Gross (Admitted & Nonadmitted) Restricted to Total Assets, %	Admitted Restricted to Total Admitted Assets, %
Assets pledged as collateral	$ 926,243	$ –	$ –	$ –	$ 926,243	$ 921,510	$ 4,733	$ 926,243	0.240%	0.250%
Total	$ 926,243	$ –	$ –	$ –	$ 926,243	$ 921,510	$ 4,733	$ 926,243	0.240%	0.250%

(3) Detail of other restricted assets (contracts that share similar characteristics, such as reinsurance and derivatives, are reported in the aggregate) - None

(4) Collateral received and reflected as assets within the reporting entity's financial statements - None

M. Working Capital Finance Investments - None

N. Offsetting and Netting of Assets and Liabilities - None

Notes to the Financial Statements

5. Investments (Continued)

O. Structured Notes

CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage Referenced Security (Yes/No)
30711XC28	$ 667,629	$ 666,752	$ 667,629	YES
30711XJS4	294,764	294,991	294,764	YES
30711XNS9	233,099	232,756	233,099	YES
30711XQS6	497,978	497,485	497,978	YES
30711XX25	960,715	957,267	960,715	YES
Total	$ 2,654,185	$ 2,649,251	$ 2,654,185	

P. 5GI Securities - None

Q. Short Sales - None

R. Prepayment Penalty and Acceleration Fees

	General Account	Protected Cell
(1) Number of CUSIPs	10	
(2) Aggregate Amount of Investment Income	$ 51,252	$

6. Joint Ventures, Partnerships and Limited Liability Companies

A. Investments in Joint Ventures, Partnerships or Limited Liability Companies that Exceed 10% of Admitted Assets

The Company has no investments in Joint Ventures, Partnerships, or Limited Liability Companies that exceed 10% percent of its admitted assets.

B. Impaired Investments in Joint Ventures, Partnerships and Limited Liability Companies

None

7. Investment Income

A. Due and Accrued Income Excluded from Surplus

The Company does not admit investment income due and accrued if amounts are over 90 days past due.

B. Total Amount Excluded - None

8. Derivative Instruments

A. The Company is exposed to market risks, primarily security price volatility, related to derivative financial instruments.

B. The Company takes positions from time to time in certain derivative financial instruments to increase investment returns. Financial instruments are used for such purposes include call options.

C. The Company writes call options on certain common stocks it owns to enhance returns to the extent of the premium received. The premium received for a written option is recorded as a “write-in liability” until the option is exercised, expires or is otherwise terminated. The liability is marked to market at each statement date. On exercise, premiums received are recognized immediately by combining them with the gains (losses) on the covering asset. Upon expiration or other closing transaction, gains (losses) are recognized immediately as a component of realized gains (losses). The Company did not own any derivative instruments in 2018. The Company recognized net realized gains of $0 in 2018. The Company recognized net realized gains of $82,382 in 2017.

D. Derivative Contracts with Financing Premiums - None

E. The Company had no net unrealized gains on open call options and no total “write in” value as of December 31, 2018 and December 2017.

F. Net Gain or Loss Recognized from Derivatives No Longer Qualifying for Hedge Accounting - None

G. Derivatives Accounted for as Cash Flow Hedges of a Forecasted Transaction - None

H. Premium Cost for Derivative Contracts - None

Notes to the Financial Statements

9. Income Taxes

A. Components of the Net Deferred Tax Asset/(Liability)

(1) Change between years by tax character

	2018			2017			Change		
	(1) Ordinary	(2) Capital	(3) Total (Col 1+2)	(4) Ordinary	(5) Capital	(6) Total (Col 4+5)	(7) Ordinary (Col 1-4)	(8) Capital (Col 2-5)	(9) Total (Col 7+8)
(a) Gross deferred tax assets	$ 10,945,157	$ 212,890	$ 11,158,047	$ 9,584,113	$ 212,896	$ 9,797,009	$ 1,361,044	$ (6)	$ 1,361,038
(b) Statutory valuation allowance adjustments	–	–	–				–	–	–
(c) Adjusted gross deferred tax assets (1a - 1b)	10,945,157	212,890	11,158,047	9,584,113	212,896	9,797,009	1,361,044	(6)	1,361,038
(d) Deferred tax assets nonadmitted	–	–	–				–	–	–
(e) Subtotal net admitted deferred tax asset (1c - 1d)	$ 10,945,157	$ 212,890	$ 11,158,047	$ 9,584,113	$ 212,896	$ 9,797,009	$ 1,361,044	$ (6)	$ 1,361,038
(f) Deferred tax liabilities	3,955,249	2,612,997	6,568,246	3,595,251	2,639,787	6,235,038	359,998	(26,790)	333,208
(g) Net admitted deferred tax asset/(net deferred tax liability) (1e - 1f)	$ 6,989,908	$ (2,400,107)	$ 4,589,801	$ 5,988,862	$ (2,426,891)	$ 3,561,971	$ 1,001,046	$ 26,784	$ 1,027,830

(2) Admission calculation components SSAP No. 101

	2018			2017			Change		
	(1) Ordinary	(2) Capital	(3) Total (Col 1+2)	(4) Ordinary	(5) Capital	(6) Total (Col 4+5)	(7) Ordinary (Col 1-4)	(8) Capital (Col 2-5)	(9) Total (Col 7+8)
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	$ 6,701,896	$ 95,799	$ 6,797,695	$	$ 95,802	$ 95,802	$ 6,701,896	$ (3)	$ 6,701,893
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation (lesser of 2(b)1 and 2(b)2 below)	328,438	–	328,438	5,948,471		5,948,471	(5,620,033)	–	(5,620,033)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	328,438	–	328,438	5,948,471		5,948,471	(5,620,033)	–	(5,620,033)
2. Adjusted gross deferred tax assets allowed per limitation threshold	XXX	XXX	15,402,273	XXX	XXX	23,757,247	XXX	XXX	(8,354,974)
(c) Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	3,914,823	117,091	4,031,914	3,635,642	117,093	3,752,735	279,181	(2)	279,179
(d) Deferred tax assets admitted as the result of application of SSAP No. 101. Total (2(a) + 2(b) + 2(c))	$ 10,945,157	$ 212,890	$ 11,158,047	$ 9,584,113	$ 212,895	$ 9,797,008	$ 1,361,044	$ (5)	$ 1,361,039

(3) Other admissibility criteria

	2018	2017
(a) Ratio percentage used to determine recovery period and threshold limitation amount	306.000%	482.000%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	$ 104,016,075	$ 136,705,251

(4) Impact of tax-planning strategies

(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character

	2018		2017		Change	
	(1) Ordinary	(2) Capital	(3) Ordinary	(4) Capital	(5) Ordinary (Col. 1-3)	(6) Capital (Col. 2-4)
1. Adjusted gross DTAs amount from Note 9A1(c)	$ 10,945,157	$ 212,890	$ 9,584,113	$ 212,896	$ 1,361,044	$ (6)
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	6.600%	1.900%	9.800%	2.200%	-3.200%	-0.300%
3. Net admitted adjusted gross DTAs amount from Note 9A1(e)	$ 10,945,157	$ 212,890	$ 9,584,113	$ 212,896	$ 1,361,044	$ (6)
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	16.200%	4.600%	27.100%	6.000%	-10.900%	-1.400%

(b) Use of reinsurance-related tax-planning strategies

Does the company's tax-planning strategies include the use of reinsurance? NO

B. Regarding Deferred Tax Liabilities That Are Not Recognized - None

Notes to the Financial Statements

9. Income Taxes (Continued)

C. Major Components of Current Income Taxes Incurred

Current income taxes incurred consist of the following major components:	(1) 2018	(2) 2017	(3) Change (1-2)
1. Current Income Tax			
(a) Federal	$ 8,208,436	$ 5,029,431	$ 3,179,005
(b) Foreign			
(c) Subtotal	$ 8,208,436	$ 5,029,431	$ 3,179,005
(d) Federal income tax on net capital gains	(157,821)	3,755,136	(3,912,957)
(e) Utilization of capital loss carry-forwards			
(f) Other	(342,343)	5,394	(347,737)
(g) Federal and foreign income taxes incurred	$ 7,708,272	$ 8,789,961	$ (1,081,689)
2. Deferred Tax Assets			
(a) Ordinary			
(1) Discounting of unpaid losses	$ 1,284,338	$ 500,755	$ 783,583
(2) Unearned premium reserve	3,950,579	3,867,604	82,975
(3) Policyholder reserves			
(4) Investments			
(5) Deferred acquisition costs			
(6) Policyholder dividends accrual			
(7) Fixed assets	1,650,422	1,264,652	385,770
(8) Compensation and benefits accrual	2,114,035	1,793,690	320,345
(9) Pension accrual			
(10) Receivables - nonadmitted	1,063,418	1,281,683	(218,265)
(11) Net operating loss carry-forward			
(12) Tax credit carry-forward			
(13) Other (including items less than 5% of total ordinary tax assets)	882,365	875,729	6,636
(99) Subtotal	$ 10,945,157	$ 9,584,113	$ 1,361,044
(b) Statutory valuation allowance adjustment			
(c) Nonadmitted			
(d) Admitted ordinary deferred tax assets (2a99 - 2b - 2c)	$ 10,945,157	$ 9,584,113	$ 1,361,044
(e) Capital			
(1) Investments	$ 212,890	$ 212,896	$ (6)
(2) Net capital loss carry-forward			
(3) Real estate			
(4) Other (including items <5% of total capital tax assets)			
(99) Subtotal	$ 212,890	$ 212,896	$ (6)
(f) Statutory valuation allowance adjustment			
(g) Nonadmitted			
(h) Admitted capital deferred tax assets (2e99 - 2f - 2g)	212,890	212,896	(6)
(i) Admitted deferred tax assets (2d + 2h)	$ 11,158,047	$ 9,797,009	$ 1,361,038
3. Deferred Tax Liabilities			
(a) Ordinary			
(1) Investments	$ 13,447	$ 14,617	$ (1,170)
(2) Fixed assets			
(3) Deferred and uncollected premium			
(4) Policyholder reserves	46,932	26,453	20,479
(5) Other (including items <5% of total ordinary tax liabilities)	3,894,870	3,554,181	340,689
(99) Subtotal	$ 3,955,249	$ 3,595,251	$ 359,998
(b) Capital			
(1) Investments	$	$	$
(2) Real estate			
(3) Other (including items <5% of total capital tax liabilities)	2,612,997	2,639,787	(26,790)
(99) Subtotal	$ 2,612,997	$ 2,639,787	$ (26,790)
(c) Deferred tax liabilities (3a99 + 3b99)	$ 6,568,246	$ 6,235,038	$ 333,208
4. Net deferred tax assets/liabilities (2i - 3c)	$ 4,589,801	$ 3,561,971	$ 1,027,830

Included in line 3.(a)(5)Deferred tax liabilities Ordinary Other are the following amounts that are greater than 5% of total ordinary tax liabilities:

	Current Year	Prior Year
Other (Capitalized Software)	2,948,293	3,033,107
Other (separately disclose items >5%)	297,061	521,074
Loss Reserves - 1/1/18 Tax Reform Reset	649,516	0
(5) Other	3,894,870	3,554,181

Notes to the Financial Statements

9. Income Taxes (Continued)

Included in line 3.(b)(3)Deferred tax liabilities Capital Other are the following amounts that are greater than 5% of total ordinary tax liabilities:

	Current Year	Prior Year
Other (separately disclose items >5%)	2,080,881	2,340,425
Unrealized capital gains	532,116	299,362
(3) Other	2,612,997	2,639,787

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of non-admitted assets as the Change in Non-admitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

	December 31, 2018	December 31, 2017	Change
Current income tax expense	7,708,271	8,789,961	
Total deferred tax assets	11,158,047	9,797,009	1,361,038
Total deferred tax liabilities	(6,568,246)	(6,235,038)	(333,208)
Net deferred tax assets/liabilities	4,589,801	3,561,971	1,027,830
Statutory valuation allowance adjustment (*see explanation	0	0	0
Net deferred tax assets/liabilities after SVA	4,589,801	3,561,971	1,027,830
Tax effect of unrealized gains/(losses)	532,116	299,362	232,754
Deferred tax assets/liabilities, excluding taxes on unrealized	5,121,917	3,861,333	1,260,584
Prior period deferred true-up adjustment			0
Change in net deferred income tax [(charge)/benefit]			1,260,584

On December 22, 2017, the United States enacted tax reform legislation through the Tax Cuts and Jobs Act (TCJA), which significantly changed the existing U.S. tax laws, including a reduction in the corporate tax rate from 35% to 21%, as well as other changes. As a result of enactment of the legislation, the Company incurred an additional one time surplus increase during the 4th quarter of 2018, primarily related to the re-measurement of certain deferred tax assets and liabilities. The surplus increase as a result of tax reform was $123,754 as of December 31, 2018 and a surplus decrease of $2,374,647 as of December 31, 2017.

The TCJA provided for a change in the methodology employed to calculated reserves for tax purposes. Beginning January 1, 2018, a higher interest rate assumption and longer payout patterns are used to discount these reserves. In addition, companies are no longer able to elect to use their own experience to discount reserves, but instead are required to use the industry-based tables published by the IRS annually. During 2017, the Company could not reasonably estimate the provisional tax impacts related to the change in methodology. During 2018, the IRS published the discount factor tables and the Company calculated the tax impact of the methodology change and recorded an additional deferred tax asset and offsetting deferred tax liability of $742,304 at December 31, 2018. The deferred tax liability was amortized into income in the amount of $92,788 during 2018 per the 8-year inclusion described in the TCJA.

D. Among the More Significant Book to Tax Adjustments

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference are as follows:

	December 31, 2018	Effective Tax Rate
Provision computed at statutory rate	$ 6,533,806	21.000%
Tax-exempt interest	(553,649)	-1.800
Dividends received deduction	(4,254)	–
Proration	139,475	0.500
Non deductible expenses	450,758	1.500
Statutory valuation allowance adjustment		
Deferred taxes on non-admitted assets	218,265	0.700
Other, Including Prior Year True-Up	(156,713)	-0.500
Revaluation of DTA for tax reform	–	–
Total	6,447,689	21.300
Federal income taxes incurred [expense/(benefit)]	7,866,095	26.000
Tax on capital gains/(losses)	(157,821)	-0.500
Change in net deferred income tax [charge/(benefit)]	(1,260,584)	4.200
Total statutory income taxes	$ 6,447,689	21.300%

9. Income Taxes (Continued)

	December 31, 2017	Effective Tax Rate
Provision computed at statutory rate	$ 14,914,504	35.000%
Tax-exempt interest	(931,323)	-2.200
Dividends received deduction	(60,622)	-0.100
Proration	148,792	0.300
Non deductible expenses	(1,907,346)	-4.500
Statutory valuation allowance adjustment		
Deferred taxes on non-admitted assets	583,326	1.400
Other, Including Prior Year True-Up	11,046	–
Revaluation of DTA for tax reform	2,574,223	6.000
Total	15,332,599	36.000
Federal income taxed incurred [expense/(benefit)]	5,034,825	11.800
Tax on capital gains/(losses)	3,755,136	8.800
Change in net deferred income tax [change/(benefit)]	6,542,638	15.400
Total statutory income taxes	$ 15,332,599	36.000%

E. Operating Loss and Tax Credit Carryforwards

(1) At December 31, 2018 the Company had no net operating loss carryforwards, capital loss carryforwards, or AMT credit carryforwards. The following is income tax expense for 2016, 2017 and 2018 that is available for recoupment in the event of future net losses.

(2) Income tax expense available for recoupment

	Ordinary	Capital	Total
2016	$	$ –	$ –
2017	8,065,446	376,779	8,442,225
2018	7,941,508	109,107	8,050,615

(3) Deposits admitted under IRC Section 6603 - None

F. Consolidated Federal Income Tax Return

(1) The Company's federal income tax return is consolidated with the following entities: Safe Auto Insurance Group, Inc., Safe Auto Group Agency, Inc., Safe Auto Capital, LLC, SafeAuto Realty, LLC, AutoTex MGA, Inc., SafeAuto Services, LLC, Safe Auto Choice Insurance Company and Safe Auto Value Insurance Company.

(2) The Company has a tax sharing agreement with its parent whereby federal income tax expense is determined as if the Company filed a separate federal income tax return and payments for this liability are made to the parent and included with balances reports as Payable to parent, subsidiaries and affiliates.

G. Federal or Foreign Income Tax Loss Contingencies - None

H. Repatriation Transition Tax (RTT)

None

I. Alternative Minimum Tax (AMT) Credit

None

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. Nature of Relationships

1. The Company is a wholly owned subsidiary of Safe Auto Insurance Group, Inc. (Parent), a privately held company incorporated in Ohio.
2. As of December 31, 2018 the Company has contributed $5,724,045 to SafeAuto Capital, LLC, which invests in private equity funds. The Company owns 100% of SafeAuto Capital, LLC.

B. Detail of Transactions Greater than ½% of Admitted Assets

1. The Company participates in a cash sweep program with Safe Auto Group Agency. Within terms of the program the companies may commingle cash balances in a bank account owned by the Company.
2. Safe Auto Group Agency negotiates, manages, and purchases certain advertising for Safe Auto Insurance Company and sells and services certain insurance policies on behalf of Safe Auto Insurance Company. Safe Auto Insurance Company reimburses Safe Auto Group Agency 100% of all costs incurred to provide such services (see Note 10-F).
3. The Company paid dividends to the Parent of $53,822,902 and $50,573,853 during 2018 and 2017, respectively.
4. No other transactions exceeding the 1/2% limit occurred in 2018 or 2017.

C. Amount of Transactions & Effects of Change in Terms of Intercompany Arrangements - None

D. Amounts Due to or From Related Parties

Notes to the Financial Statements

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties (Continued)

1. The Company had receivables from Safe Auto Group Agency of $5,377,728 and $0 as of December 31, 2018 and 2017, respectively. The Company also had payables to Safe Auto Group Agency of $8,623,765 and $1,505,971 as of December 31, 2018 and 2017, respectively.
2. The Company had receivables from SAGI Realty Ltd. (SAGI) of $4,264 and $3,433 as of December 31, 2018 and 2017, respectively.
3. The Company had receivables from Parent of $909,646 and $104,543 as of December 31, 2018 and 2017, respectively. The Company also had payables to Parent of $5,100,675 and $595,708 as of December 31, 2018 and 2017, respectively.
4. The Company had a payable due to SafeAuto Capital of $1,483,852 and $125,571 as of December 31, 2018 and 2017, respectively.
5. The Company had receivables from Safe Auto Realty of $16,255 and $25,311 as of December 31, 2018 and 2017, respectively.
6. The Company had receivables from AutoTex MGA, Inc. of $70,574 and $0 as of December, 31, 2018 and 2017, respectively. The Company also had payables to AutoTex, MGA, Inc. of $0 and $22,981 as of December 31, 2018 and 2017, respectively.
7. The Company had a receivable from SafeAuto Services, LLC. of $559,509 and $298,399 as of December 31, 2018 and 2017, respectively.

E. Guarantees or Contingencies - None

F. Management, Service Contracts, Cost Sharing Arrangements

1. Safe Auto Insurance Company and Safe Auto Group Agency are parties of an agency contract. Safe Auto Group Agency provides agency services for Safe Auto Insurance Company by employing certain agents, customer service, and related management personnel while also exclusively providing all advertising and marketing efforts. Safe Auto Insurance Company paid Safe Auto Group Agency $49,995,360 in 2018 and $37,088,748 in 2017.
2. In August 2012, the Company and its parent entered into an agreement whereby Company provides services to the parent and its subsidiaries. This agreement was approved by the Ohio Department of Insurance. Affiliates paid the Company $274,204 and $1,628,015 for these services in 2018 and 2017, respectively.
3. All such management, service contracts, and cost sharing agreements mentioned are transacted at cost and provide no profit provision to the service provider.

G. Nature of Relationships that Could Affect Operations

All outstanding shares of the Company are owned by Parent.

H. Amount Deducted for Investment in Upstream Company - None

I. Detail of Investments in Affiliates Greater Than 10% of Admitted Assets - None

J. Write-Down for Impairments of Investments in Subsidiary Controlled or Affiliated Companies - None

K. Foreign Subsidiary Value Using CARVM - None

L. Downstream Holding Company Value Using Look-Through Method - None

M. All SCA Investments - None

N. Investment in Insurance SCAs - None

O. SCA Loss Tracking - None

11. Debt

A. Debt, Including Capital Notes - None

B. FHLB (Federal Home Loan Bank) Agreements

(1) The Company is a member of the Federal Home Loan Bank (FHLBC) of Cincinnati. Through its membership, the Company may conduct business activity (borrowings) with the FHLB. It is part of the Company’s strategy to utilize these funds as backup liquidity. The Company’s borrowing capacity is $10,000,000.

Notes to the Financial Statements

11. Debt (Continued)

(2) FHLB capital stock

(a) Aggregate totals

	(1) Total (2+3)	(2) General Account	3 Protected Cell Accounts
1. Current Year			
(a) Membership stock - Class A	$ –	$ –	$ –
(b) Membership stock - Class B	550,947	550,947	–
(c) Activity stock	–	–	–
(d) Excess stock	138,553	138,553	–
(e) Aggregate total (a+b+c+d)	$ 689,500	$ 689,500	$ –
(f) Actual or estimated borrowing capacity as determined by the insurer	$ 10,000,000		
2. Prior Year-End			
(a) Member stock - Class A	$	$	$
(b) Membership stock - Class B	550,947	550,947	
(c) Activity stock			
(d) Excess stock	138,553	138,553	
(e) Aggregate total (a+b+c+d)	$ 689,500	$ 689,500	$
(f) Actual or estimated borrowing capacity as determined by the insurer	$ 10,000,000		

(b) Membership stock (class A and B) eligible and not eligible for redemption

			Eligible for Redemption			
	(1)	(2)	(3)	(4)	(5)	(6)
Membership Stock	Current Year Total (2+3+4+5+6)	Not Eligible for Redemption	Less Than 6 Months	6 Months to Less Than 1 Year	1 to Less Than 3 Years	3 to 5 Years
1. Class A	$ –	$ –	$ –	$ –	$ –	$ –
2. Class B	$ 550,947	$ 550,947	$ –	$ –	$ –	$ –

(3) Collateral pledged to FHLB - None

(4) Borrowing from FHLB - None

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan - None

B. Pension Plan Asset Information - None

C. Fair Value of Each Class of Plan Assets - None

D. Expected Long-Term Rate of Return for the Plan Assets - None

E. Defined Contribution Plans

The Company sponsors a defined contribution 401(k) Employee Savings and Profit Sharing Plan which allows eligible employees to contribute a percentage of their salaries, wages, and bonuses, subject to certain restrictions and limitations, to an individual 401(k) retirement savings account. The Company makes matching contributions equal to 50% of the employee contributions, up to 8% of total employee compensation, and may make periodic discretionary contributions. The Company's contributions to this Plan were $849,875 and $880,234 for the years ended December 31, 2018 and 2017, respectively.

The Company also sponsors a non-qualified deferred compensation arrangement for certain executives and directors of the Company. Participating executives and directors may contribute a percentage of their salaries, wages, and bonuses, subject to certain restrictions and limitations. The Company makes matching contributions equal to 50% of the employee contribution up to 8% of total executive compensation when coordinated with the executives' contributions to the 401(k) plan. There are no matching contributions for directors.

F. Multiemployer Plans - None

G. Consolidated/Holding Company Plans - None

H. Postemployment Benefits and Compensated Absences - None

I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17) - None

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

1. Outstanding Shares

   The Company has 750 shares of $25,000 par value common stock authorized and 100 shares issued and outstanding. The Company has no preferred stock authorized, issued, or outstanding.

2. Dividend Rate of Preferred Stock - None

3. Under the insurance regulations of Ohio, the maximum amount of ordinary dividends that the Company may pay to shareholders in a 12 month period is limited to the greater of 10% of the most recent year-end policyholders' surplus or the net income for that same year-end. Accordingly, the maximum amount of ordinary dividends that the Company may pay in 2018 is $22,547,948. Dividends above this amount would be deemed extraordinary and may not be paid unless:

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations (Continued)

1. not disapproved by the Commissioner of Insurance of Ohio within 30 days of receiving notice of the declaration thereof or
2. approved within that 30 day period.

4. Dividend Payments
On July 23, 2018 the board approved an ordinary dividend of $20,000,000 to be paid on or after September 29, 2018. The Company paid the dividend on October 1, 2018.

On November 26, 2018 the board approved an ordinary dividend of $13,822,902 to be paid on or after December 28, 2018. The Company paid the dividend in installment payments between December 11, 2018 and December 14, 2018..

On November 26, 2018 the board approved an extraordinary dividend of $20,000,000 to be paid on or after December 28, 2018. The Company paid the dividend on December 31, 2018. The Company obtained approval to declare and pay the entire extraordinary dividend by the Ohio Department of Insurance.

On March 2, 2017, the board approved an ordinary dividend of $1,000,000 to be paid to the Parent, on or after March 2, 2017. The Company paid the dividend on March 28, 2017.

On June 6, 2017, the board approved an ordinary dividend of $4,573,853 to be paid to the Parent, on or after June 21, 2017. The Company paid the dividend on October 11, 2017.

On June 23, 2017, the board approved an extraordinary dividend, comprised of a combination of cash and securities, in an amount up to $45,000,000 to be paid to the Parent, on or after July 10, 2017. The Company paid the dividend in installment payments between September 28, 2017 and October 11, 2017. The Company obtained approval to declare and pay the entire extraordinary dividend by the Ohio Department of Insurance.

5. Ordinary Dividends

Within the limitations noted in note 13.3 above, there are no other restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.

6. Restrictions on Surplus

There were no restrictions placed on the Company's surplus, including for whom the surplus is being held.

7. Surplus Advances - None
8. Stock Held for Special Purposes - None
9. Changes in Special Surplus Funds - None
10. Unassigned funds (surplus)
The portion of unassigned funds (surplus) represented by an increase in cumulative unrealized gains is $2,001,770
11. Company-Issued Surplus Debentures or Similar Obligations - None
12. Impact of Any Restatement Due to Prior Quasi-Reorganizations - None
13. Effective Date(s) of Quasi-Reorganizations in the Prior 10 Years - None

14. Liabilities, Contingencies and Assessments

A. Contingent Commitments - None

B. Assessments

(1) The Company is subject to guaranty fund and other assessments by the states in which it writes business. Guaranty fund assessments should be accrued at the time of insolvencies. Other assessments should be accrued either at the time of assessment or in the case of premium based assessments, at the time the premiums were written, or in the case of loss based assessments, at the time the losses are incurred.

(2) Assets (Liabilities) recognized from paid and accrued premium tax offsets and policy surcharges - None

(3) Guaranty fund liabilities and assets related to long-term care insolvencies - None

C. Gain Contingencies - None

D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits
The Company is named, from time to time and in the ordinary course of business, as a defendant in legal actions arising principally from claims made under its insurance contracts, including those seeking extra-contractual damages beyond policy limits. The Company is presently defending two such matters. In accordance with applicable accounting principles, the Company establishes reserves for those matters as to which it has determined that it is probable a loss has been incurred and a reasonable estimate of the Company’s potential exposure can be established. Such legal actions are considered by the Company in estimating the loss and LAE reserves. At December 31, 2018, there is a $50,000 reserve established with respect to such exposures.

At this time, the Company does not believe that any other legal action necessitates recognition of losses or disclosure, or that the resolution of such action would have a material adverse effect on the Company’s financial position or results of operations.

During 2018 and 2017, the Company paid $4,135,000 and $11,000, respectively. These payments encompass reimbursements relating to less than 25 extra-contractual or bad faith claims.

The claim count information is disclosed on a per claim basis.

Notes to the Financial Statements

14. Liabilities, Contingencies and Assessments (Continued)

	Direct
Claims-related ECO and bad faith losses paid during the reporting period	$ 4,135,000

Number of claims where amounts were paid to settle claims related extra contractual obligations or bad faith claims resulting from lawsuits during the reporting period.

(a)	(b)	(c)	(d)	(e)
0-25 Claims	26-50 Claims	51-100 Claims	101-500 Claims	More than 500 Claims
X				

Method used to disclose claim count information:

(f) Per Claim [X]   (g) Per Claimant [ ]

E. Product Warranties - None

F. Joint and Several Liabilities - None

G. All Other Contingencies

The Company is also, from time to time and in the ordinary course of business, faced with class action lawsuits, regulatory proceedings, and individual lawsuits that are not directly related to its insurance contracts. Such matters presently include a pending California Market Conduct Exam, a Texas rate enforcement action and two similar putative class action lawsuits both alleging the Company improperly charged premium to certain insureds. In accordance with applicable accounting principles, the Company establishes reserves for those matters as to which it has determined that it is probable a loss has been incurred and a reasonable estimate of the Company's potential exposure can be established. Likewise, the Company does not establish reserves for those matters where the loss is not probable and/or it currently is unable to estimate the Company's potential exposure. If either or both of the existing class action suits result in a judgment against, or settlement by, the Company in an amount significantly in excess of the reserve established for that matter, if any, the resulting liability could have a material effect on the Company's financial condition, cash flows, and results of operations. The Company continues to vigorously defend its position in the aforementioned matters and assess its legal positions. At December 31, 2018, there is a $200,000 reserve established with respect to such exposures.

15. Leases

A. Lessee Operating Lease

(1) Leasing arrangements

(a) The Company leases equipment and a facility under multiple non-cancelable operating lease agreements that expire July 2019. Rental expense for 2018 and 2017 was $334,043 and $404,337, respectively.

(2) For leases having initial or remaining noncancelable lease terms in excess of one year

(a) Minimum aggregate rental commitments at period end

	Year Ending December 31	Operating Leases
1.	2019	$ 201,912
2.	2020	
3.	2021	
4.	2022	
5.	2023	
6.	Total	$ 201,912

(b) Sublease minimum rentals to be received - None

(3) For sale-leaseback transactions - None

B. Lessor Leases - None

16. Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk - None

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities - None

18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans - None

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

The Company uses a general agent (GA) to write and administer private passenger automobile insurance products in the State of California. The general agent writes direct premiums greater than 5% of policyholder surplus. The terms of the GA contract give the GA authority for premium collection. The Company sets pricing and underwriting guideline authority for all policies issued under this agreement. In the third quarter of 2015 the contract was terminated for new business.

The Parent owns AutoTex MGA, Inc. a managing general agent (MGA). The Company did not write any new business through AutoTex in 2018 and has not had any polices in force since September 2017.

Name and Address of Managing General Agent or Third Party Administrator	FEIN Number	Exclusive Contract	Types of Business Written	Type of Authority Granted	Total Direct Premium Written / Produced By
Bridger Insurance Services (formerly SCJ Insurance Services) 7180 Koll Center Parkway #100, Pleasanton, CA 94566	94-2297460	YES	Private Passenger Automobile	P	$ 7,099,558
Total					$ 7,099,558

20. Fair Value Measurements

A. Fair Value Measurement

Inputs Used for Assets and Liabilities Measured at Fair Value

The Company's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by ASC 820 *Fair Value Measurements and Disclosures.* The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are defined as follows:

- Level 1 – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

(1) Fair value measurements at reporting date

Assets recorded on the financial statements at fair value measurements by accounting hierarchy levels 1, 2 and 3. The Company has categorized its assets that are measured at fair value into the three-level fair value hierarchy as reflected in the following table. The Company had no liabilities recorded at fair value.

	Description for each class of asset or liability	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
a.	Assets at fair value					
	Bonds	$	$	$	$	$
	Industrial and Misc	–	496,875	–	–	496,875
	Common Stock	–	–	–	–	–
	Industrial and Misc	–	689,500	–	–	689,500
	Cash Equivalents	–	–	–		–
	Other Money Market Mutual Funds		–	–	–	–
	Total assets measured at fair value	$ –	$ 1,186,375	$ –	$ –	$ 1,186,375
b.	Liabilities at fair value					
		$ –	$ –	$ –	$ –	$ –
	Total liabilities measured at fair value	$ –	$ –	$ –	$ –	$ –

Re-classifications impacting Level 3 financial instruments are reported as transfers in (out) of the Level 3 category as of the beginning of the quarter in which the transfer occurs; gains and losses in income only reflect activity for the period the instrument was classified in Level 3. The same policy is followed when a transfer between Level 1 and Level 2 occurs.

There were no transfers between Level 1 and Level 2 assets during the current period.

(2) Fair value measurements in Level 3 of the fair value hierarchy

Roll forward of Level 3 items

	Description	Ending Balance at 12/31/2017	Transfers Into Level 3	Transfers Out of Level 3	Total Gains and (Losses) Included in Net Income	Total Gains and (Losses) Included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2018
a.	Assets										
	Bond	$	$	$	$	$	$	$	$	$	$
	Foreign Governments	700,000	–	–	–	–	–	–	(700,000)	–	–
	Other ABS	536,784	–	–	–	(2,148)	–	–	–	–	534,636
	Total assets	$ 1,236,784	$ –	$ –	$ –	$ (2,148)	$ –	$ –	$ (700,000)	$ –	$ 534,636
b.	Liabilities										
		$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
	Total liabilities	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –

(3) At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3. During the current year, no transfers into or out of Level 3 were required.

(4) Fair value measurements for fixed income and equity securities are based on values either published by the NAIC's Security Valuation Office (SVO) or from an independent pricing service vendor. Under certain circumstances, if neither an SVO price nor a Vendor price is available, a price may be obtained from a broker. Short term securities and cash equivalents are valued at amortized cost.

When published prices from the SVO are not available, the Company relies predominately on independent pricing service vendors that have been evaluated and approved by our investment management company's internal pricing policy committee. Generally, pricing service vendors use a pricing methodology involving the market approach, including pricing models, which use prices and relevant market information regarding a particular security or securities with similar characteristics to establish a valuation.

Certain investments are carried at fair value, while others may periodically be carried at fair value based on certain factors such as the NAIC's lower of cost or market rule or an impairment. Assets recorded at fair value are categorized based on an evaluation of the various inputs used to measure the fair value. Supporting documentation received from pricing vendors detailing the inputs, models and processes used in the vendor's evaluation process is used by the Company to determine the appropriate fair value hierarchy. Documentation from each pricing vendor is reviewed and monitored periodically to ensure they are consistent with the Company's pricing policy. Market Information obtained from brokers with respect to security valuations is also considered in the pricing hierarchy.

Notes to the Financial Statements

20. Fair Value Measurements (Continued)

(5) Derivatives - None

B. Other Fair Value Disclosures - None

C. Fair Values for All Financial Instruments by Level 1, 2 and 3

The table below reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments, excluding those accounted for under the equity method (subsidiaries, limited liability companies, etc.). The fair values are also categorized into the three-level hierarchy as described above in Note 20A.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Financial instruments - assets	$	$	$	$	$	$	$
Bonds	219,252,971	219,709,563	2,664,961	216,053,374	534,636	–	–
Common Stocks	689,500	689,500	–	689,500	–	–	–
Cash, Cash equivalents and short-term investments	11,270,360	11,270,360	11,270,360	–	–	–	–
Total Assets	231,212,831	231,669,424	13,935,321	216,742,874	534,636	–	–
Total Liabilities	–	–	–	–	–	–	–

D. Not Practicable to Estimate Fair Value - None

E. Nature and Risk of Investments Reported at NAV - None

21. Other Items

A. Unusual or Infrequent Items

2017 included in Aggregate write-ins for miscellaneous income on the Statement of Income is the receipt of a $4,000,000 death benefit on company owned life insurance on a former officer of the company.

B. Troubled Debt Restructuring - None

C. Other Disclosures - None

D. Business Interruption Insurance Recoveries - None

E. State Transferable and Non-Transferable Tax Credits - None

F. Subprime-Mortgage-Related Risk Exposure

(1) Subprime Mortgage Exposures

The Company has invested in collateralized fixed income securities, such as residential mortgage-backed securities (“MBS”) and collateralized debt obligations (“CDO”). Through certain investments, the Company is subject to additional default risk exposure as these securitizations were collateralized by mortgages that have characteristics of subprime lending. Such characteristics include, but are not limited to, an interest rate above prime to borrowers who do not qualify for prime rate loans, borrowers with low credit ratings, unconventionally high initial loan-to-value ratios, low initial payments based on a fixed introductory rate that expires after a short initial period, and borrowers with less than conventional documentation of their income or net assets.

While inherently subject to realized losses resulting from rising defaults or foreclosures, the Company’s conservative investment practices of only investing in MBS and CDO’s which carry the highest or higher credit ratings (AA or better) and actively monitoring the underlying collateral performance should limit such losses. As such, the Company currently believes that its exposure to unrealized losses from declines in asset values, as the market adjusts to risk aversion and liquidity issues, is greater than its exposure to realized losses resulting from receiving less than anticipated cash flows. The Company intends to hold these fixed income investments until maturity or recovery, and does not anticipate sale of assets to meet future cash flow requirements.

(2) Direct exposure through investments in subprime mortgage loans - None

(3) Direct exposure through other investments

The Company has invested in residential mortgage-backed securities and collateralized debt obligations. While the fair value of these fixed income investments may fluctuate, the Company reviewed its MBS and CDO portfolio as of December 31, 2018.

The following is a summary of the Company’s other investments with subprime exposure.

	Actual Cost	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
a. Residential mortgage-backed securities	$ 41,110	$ 41,112	$ 42,352	$ 101
b. Commercial mortgage-backed securities	–	–	–	–
c. Collateralized debt obligations	–	–	–	–
d. Structured securities	–	–	–	–
e. Equity investment in SCAs*	–	–	–	–
f. Other assets	–	–	–	–
g. Total	$ 41,110	$ 41,112	$ 42,352	$ 101

(4) Underwriting exposure to subprime mortgage risk through Mortgage Guaranty or Financial Guaranty insurance coverage - None

G. Insurance-Linked Securities (ILS) Contracts - None

Notes to the Financial Statements

22. Events Subsequent

There were no material subsequent events that occurred after December 31, 2018 and before the release of the financial statements.

The Company did not write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act.

		Current Year	Prior Year
A.	Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act?	NO	
B.	ACA fee assessment payable for the upcoming year	$	$
C.	ACA fee assessment paid	$	$
D.	Premium written subject to ACA 9010 assessment	$	$
E.	Total adjusted capital before surplus adjustment	$	
F.	Total adjusted capital after surplus adjustment	$	
G.	Authorized control level	$	
H.	Would reporting the ACA assessment as of Dec 31 have triggered an RBC action level?		

23. Reinsurance

A. Unsecured Reinsurance Recoverables - None

B. Reinsurance Recoverable in Dispute - None

C. Reinsurance Assumed and Ceded

(1) Maximum amount of return commission that would have been due reinsurers if all of the company's reinsurance was canceled or if the company's insurance assumed was canceled

The Company is a party in a prospective personal automobile physical damage catastrophe agreement of reinsurance with General Reinsurance Corporation. This reinsurance agreement covers a portion of aggregated losses arising from catastrophic events that exceed a specified retention stated in the agreement. Ceded premiums are calculated primarily based on a percentage of comprehensive premiums earned. Ceded premiums were $54,875 for the year ended December 31, 2018.

(2) The additional or return commission, predicated on loss experience or on any other form of profit sharing arrangements in this statement as a result of existing contractual arrangements is accrued as follows:

The Company previously assumed business written by AutoTex MGA's independent agents on two non-affiliated insurance carriers. The business assumed through this agreement has run off. For the year 2018 total assumed premium and the related commissions payable were $0.

(3) Risks attributed to each of the company's protected cells - None

D. Uncollectible Reinsurance - None

E. Commutation of Ceded Reinsurance - None

F. Retroactive Reinsurance - None

G. Reinsurance Accounted for as a Deposit - None

H. Disclosures for the Transfer of Property and Casualty Run-Off Agreements - None

I. Certified Reinsurer Rating Downgraded or Status Subject to Revocation - None

J. Reinsurance Agreements Qualifying for Reinsurer Aggregation - None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

A. Method Used to Estimate - None

B. Method Used to Record - None

C. Amount and Percent of Net Retrospective Premiums - None

D. Medical Loss Ratio Rebates Required Pursuant to the Public Health Service Act - None

E. Calculation of Nonadmitted Retrospective Premium - None

F. Risk-Sharing Provisions of the Affordable Care Act (ACA)

(1) Accident and health insurance premium subject to the Affordable Care Act risk-sharing provisions

Did the reporting entity write accident and health insurance premium which is subject to the Affordable Care Act risk sharing provisions? NO

(2) Impact of Risk-Sharing Provisions of the Affordable Care Act on admitted assets, liabilities and revenue for the current year - None

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance - None

(4) Roll-forward of risk corridors asset and liability balances by program benefit year - None

(5) ACA risk corridors receivable as of reporting date - None

Notes to the Financial Statements

25. Changes in Incurred Losses and Loss Adjustment Expenses

A. Reasons for Changes in the Provision for Incurred Loss and Loss Adjustment Expenses Attributable to Insured Events of Prior Years

Current year changes in estimates of costs of prior year losses and loss adjustment expenses (LAE) affect the current year Statement of Income. Increases in those estimates increase current year expense and are referred to as unfavorable development. Decreases in those estimates decrease current year expense and are referred to as favorable development. Current year losses and LAE of $252,106,277 were lower by $1,853,470 because of favorable development of prior year estimates. This favorable development was approximately 1.5% of the prior years' reserves for unpaid losses and LAE.

The decrease in prior years estimates is a result of ongoing analysis of recent loss and expense trends. The decrease in prior years estimated LAE of $3,621,559 is primarily a result lower than expected claim adjustment costs for accident years 2017 and 2016. This was offset by an increase in estimated losses for prior years of $1,768,089, which is primarily a result of greater than expected severity on Bodily Injury for accident years 2017 and 2016.

B. Significant Changes in Methodologies and Assumptions Used in Calculating the Liability for Unpaid Losses and Loss Adjustment Expenses

The Company experienced no prior year claim development on retrospectively rated policies because the Company does not issue retrospectively rated policies.

26. Intercompany Pooling Arrangements - None

27. Structured Settlements - None

28. Health Care Receivables - None

29. Participating Policies - None

30. Premium Deficiency Reserves

The Company has evaluated for the existence of any premium deficiencies as of December 31, 2018, and it was determined that there were none. Anticipated investment income was taken into account in the calculation.

1.	Liability carried for premium deficiency reserves:	$—
2.	Date of the most recent evaluation of this liability:	12/31/2018
3.	Was anticipated investment income utilized in the calculation?	YES

31. High Deductibles - None

32. Discounting of Liabilities by Withdrawal Characteristics For Unpaid Losses or Unpaid Loss Adjustment Expenses - None

33. Asbestos/Environmental Reserves - None

34. Subscriber Savings Accounts - None

35. Multiple Peril Crop Insurance - None

36. Financial Guaranty Insurance - None