

EXAMINATION REPORT
OF
AUTO-OWNERS SPECIALTY INSURANCE COMPANY
AS OF
DECEMBER 31, 2024

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
AUTO-OWNERS SPECIALTY INSURANCE COMPANY
AS OF
DECEMBER 31, 2024

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is written over a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 8th day of May, 2026

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April 30, 2026

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street, Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Exam Authority No. 25.005, dated February 24, 2025, an examination has been made of the affairs, financial condition and management of

AUTO-OWNERS SPECIALTY INSURANCE COMPANY

hereinafter referred to as AOSIC or the Company. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 160 Greentree Drive, Suite 101, Dover, Delaware 19904. The administrative office of the Company is located at 400 Commerce Court, Goldsboro, North Carolina 27534.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The last examination was conducted as of December 31, 2019, by the Delaware Department of Insurance (Department). This examination covered the period of January 1, 2020 through December 31, 2024.

Our examination was performed as part of the coordinated examination of the Auto-Owners Group (Group) of regulated entities, wherein the State of Michigan is the lead state and Delaware is a participating state. The examination was conducted concurrently with that of the

Company's ultimate parent Auto-Owners Insurance Company (AOIC) and its affiliate Atlantic Casualty Insurance Company (ACIC). To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC 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 may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the *General Corporation Laws* of the State of Delaware, as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, Ernst & Young (E&Y). Certain work papers from E&Y's 2024 audit of the Company and certain work papers of its affiliates have been incorporated into the work papers of the examiners. The work papers were utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in the Company's financial statements as a result of this examination.

COMPANY HISTORY

The Company was incorporated under the laws of North Carolina on December 31, 2005, as Coastal Casualty Insurance Company. The Company was originally licensed to write automobile liability and physical damage business on an admitted basis in North Carolina. Beginning in 2006, the Company wrote non-standard personal automobile coverage throughout North Carolina until it ceased writing all business by the end of 2008. Effective February 1, 2012, the Company redomesticated to the State of Delaware and changed its name to Little River Insurance Company. The Company is now licensed to write general liability and property business in several states but has remained inactive since 2008.

Prior to the acquisition by AOIC, the Company was wholly owned by the Strickland Insurance Group, Inc. (SIG) and ultimately controlled by Robert Wyatt Strickland. Effective January 1, 2016, 100% of the outstanding shares of SIG were acquired by AOIC and the Company adopted its current name. Effective December 31, 2019 the shares owned by SIG were transferred

to Auto-Owners Insurance Company. The remaining assets of SIG were transferred to ACIC and SIG was dissolved.

Capitalization

The Company's Certificate of Incorporation authorizes the issue of 1,000,000 shares of common stock at \$3.00 par value. As of December 31, 2024, all of the company's common shares were issued and outstanding totaling \$3,000,000. All outstanding shares of the Company are owned by AOIC. As of December 31, 2024, the Company reported gross paid in and contributed surplus of \$26,000,000.

Dividends

No dividends were declared or paid during the examination period.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, the property and affairs of the Company must be managed by, or under the authority of, its Board of Directors (Board). The Company's bylaws require its Board consist of not less than three nor more than ten individuals. Directors are elected annually by the stockholder for a term of one year. Directors duly elected and serving as of December 31, 2024, were as follows:

<u>Name</u>	<u>Title</u>
Robert Wyatt Strickland	Vice Chairman of the Board Retired – President Strickland Insurance Group
William Finch Woodbury	Secretary, General Counsel Auto-Owners Specialty Insurance Company

Christopher Bret Strickland	President & CEO Auto-Owners Specialty Insurance Company
Lester Paul Aycock	Executive Vice President, Auto-Owners Specialty Insurance Company
Gregory Andrew Ricker	Executive Vice President, Auto-Owners Insurance Company
Andrea Leigh Lindemeyer	Executive Vice President, HR, Auto-Owners Insurance
Theodore William Reinbold	Senior Vice President, Actuarial, Auto-Owners Group
Sloan Kristen Banfield	Assistant Vice President, Legal, Auto-Owners Insurance
Brandi Elizabeth Holly	Senior Vice President, Underwriting Operations, Auto-Owners Insurance
Jamie Patrick Whisnant	Chairman & Chief Executive Officer, Auto-Owners Insurance
William Glenn Reynolds	Retired – Former President, Atlantic Casualty Insurance Company

Officers

Officers were elected in accordance with the bylaws during the period under examination. The bylaws require election of a Chief Executive Officer, Chief Financial Officer, President, Secretary, Treasurer, and one or more Vice-Presidents, including Executive Vice Presidents. Other officers may be appointed by or under the authority of the Board. Any two or more offices may be held by the same person. The primary officers serving as of December 31, 2024, were as follows:

<u>Name</u>	<u>Title</u>
Christopher Bret Strickland	President & Chief Executive Officer
William Finch Woodbury	Corporate Secretary
Jennifer McGowan Cunningham	Treasurer & Chief Financial Officer
Lester Paul Aycock	Executive Vice President
Christopher Travers Stratton	Senior Vice President
Angela Baker Grady	Senior Vice President
Brian Lee Schwarzbach	Chief Underwriting Officer

Corporate Records

The recorded minutes of the shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events, including approval of investment transactions as required by 18 *Del. C.* § 1304. In addition, review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination as required by 18 *Del. C.* § 4919.

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined under 18 *Del. C.* § 5001 of the Delaware Insurance Code. As of December 31, 2024, the Company is a direct wholly owned subsidiary of AOIC, which is a mutual insurance company domiciled in the State of Michigan. The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2024:

<u>Company</u>	<u>Domicile</u>
Auto-Owners Insurance Company (NAIC # 18988)	Michigan
Atlantic Casualty Insurance Company (NAIC # 42846)	North Carolina
Auto-Owners Specialty Insurance Company (NAIC # 12508)	Delaware

Agreements with Affiliates

The following is a summary of the Company's significant affiliated agreements in-force as of December 31, 2024:

Administrative Services Agreement

Effective January 1, 2016, the Company became party to an Agreement for Administrative Services between AOIC and SIG. In accordance with the agreement, AOIC provides the Company and participating affiliates research, management, financial and accounting, computer and other administrative services. The Company pays AOIC a monthly service fee for actual expenses incurred by AOIC on its behalf. Effective, December 31, 2019, the agreement was terminated and replaced by two new agreements.

Effective December 31, 2019, the Company entered into an Agreement for Administrative Services with AOIC. In accordance with the agreement, AOIC provides the Company research, management, financial and accounting, computer and other administrative services. The Company pays AOIC a monthly service fee for actual expenses incurred by AOIC on its behalf.

Effective December 31, 2019, the Company entered into an Agreement for Administrative Services with ACIC. In accordance with the agreement, ACIC provides the Company executive administration, marketing, underwriting, claim handling, accounting, computing, purchasing and other administrative and management services. The Company pays ACIC a monthly service fee

based on actual expenses incurred by ACIC on behalf of the Company and general expenses on a pro-rata basis.

Tax Allocation Agreement

Effective May 22, 2019, the Company became party to a Tax Allocation Agreement with AOIC and certain of its affiliates. In accordance with the agreement, the provisions for federal income tax are computed as if each company were filing separate income tax returns. Benefits, which arise from tax credits and net operating losses, are allocated to the company producing such results to the extent they are utilized in the consolidated income tax provisions. Intercompany tax balances are to be settled through estimated tax installments payable on or before the due date for each installment and final amounts for the fiscal year are settled within thirty days after amounts have been determined.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to underwrite general liability and property business in thirty-five states and is approved to write surplus lines in North Carolina. As of December 31, 2024, the Company was inactive with no written or assumed premium and no gross or net policyholder liabilities.

REINSURANCE

As of December 31, 2024, the Company had no gross policyholder loss related liabilities. The Company is inactive, therefore does not have a reinsurance program.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Assets as of December 31, 2024
- Liabilities, Surplus and Other Funds as of December 31, 2024
- Statement of Income for the Year Ended December 31, 2024
- Reconciliation of Capital and Surplus for the Period from the Prior Examination as of December 31, 2019 to December 31, 2024

Assets
as of December 31, 2024

	<u>Assets</u>	<u>Non admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 30,132,997	\$ -	\$ 30,132,997
Preferred Stocks		-	-
Cash and cash equivalents	589,748	-	589,748
Other invested assets		-	-
Subtotals, cash and invested assets	<u>\$ 30,722,744</u>	<u>\$ -</u>	<u>\$ 30,722,744</u>
Investment income due and accrued	280,733	-	280,733
Guaranty funds receivable or on deposit	6,970	-	6,970
Total Assets	<u><u>\$ 31,010,448</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,010,448</u></u>

**Liabilities, Surplus and Other Funds
as of December 31, 2024**

		<u>Notes</u>
Losses	\$ -	1
Loss adjustment expense	-	1
Other expenses	50	
Current federal and foreign income taxes	99,755	
Net deferred tax liability	8,024	
Payable to parent, subsidiaries and affiliates	105,563	
Payable for securities	71,884	
Total liabilities	\$ 285,276	
Common capital stock	\$ 3,000,000	
Gross paid in and contributed surplus	26,000,000	
Unassigned funds (surplus)	1,725,172	
Capital and Surplus	\$ 30,725,172	
Total liabilities, surplus and other funds	\$ 31,010,448	

**Statement of Income
for the Year Ended December 31, 2024**

Premiums earned	\$	-
 DEDUCTIONS:		
Losses incurred		
Loss adjustment expenses incurred		
Other underwriting expenses incurred		388,642
Total underwriting deductions	\$	<u>388,642</u>
 Net underwriting gains (losses)	 \$	 <u>(388,642)</u>
 INVESTMENT INCOME:		
Net investment income earned	\$	964,774
Net realized capital gains		<u>(42,010)</u>
Net investment gain	\$	<u>922,764</u>
 OTHER INCOME (EXPENSE):		
Aggregate write-ins for miscellaneous income (expense)	\$	5
Total other income (expense)	\$	<u>5</u>
 Net income after capital gains tax and before all other federal income taxes	 \$	 <u>534,127</u>
Federal income taxes incurred		<u>112,303</u>
Net income	\$	<u><u>421,824</u></u>

**Reconciliation of Capital and Surplus
for the Period from the Prior Examination
as of December 31, 2019, to December 31, 2024**

	Gross Paid In &			Total
	Common Capital Stock	Contributed Surplus	Unassigned Funds (Surplus)	
December 31, 2019	\$ 3,000,000	\$ 26,000,000	\$ 149,732	\$ 29,149,732
Net Income - 2020	-	-	145,959	145,959
Other Changes - 2020 (1)	-	-	2,503	2,503
December 31, 2020	<u>\$ 3,000,000</u>	<u>\$ 26,000,000</u>	<u>\$ 298,194</u>	<u>\$ 29,298,194</u>
Net Income - 2021	-	-	266,575	266,575
Operations - 2021	-	-	(1,022)	(1,022)
December 31, 2021	<u>\$ 3,000,000</u>	<u>\$ 26,000,000</u>	<u>\$ 563,747</u>	<u>\$ 29,563,747</u>
Net Income - 2022	-	-	321,466	321,466
Operations - 2022 (1)	-	-	(43,186)	(43,186)
December 31, 2022	<u>\$ 3,000,000</u>	<u>\$ 26,000,000</u>	<u>\$ 842,027</u>	<u>\$ 29,842,027</u>
Net Income - 2023	-	-	427,778	427,778
Other Changes - 2023 (1)	-	-	19,614	19,614
December 31, 2023	<u>\$ 3,000,000</u>	<u>\$ 26,000,000</u>	<u>\$ 1,289,419</u>	<u>\$ 30,289,419</u>
Net Income - 2024	-	-	421,824	421,824
Operations - 2024 (1)	-	-	13,929	13,929
December 31, 2024	<u>\$ 3,000,000</u>	<u>\$ 26,000,000</u>	<u>\$ 1,725,172</u>	<u>\$ 30,725,172</u>

(1) Other Changes in Unassigned Funds (Surplus) for each year may include change in net unrealized capital gains/losses, change in net deferred income taxes, change in non-admitted assets and change in the provision for reinsurance.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no changes made to the Company's Financial Statements as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$0
Loss Adjustment Expense	\$0

As of December 31, 2024, the Company had no gross or net loss related liabilities.

SUBSEQUENT EVENTS

Subsequent events were evaluated through April 30, 2026 the date that this examination report was available to be issued. There were no significant transactions deemed material for disclosure in this examination report.

SUMMARY OF RECOMMENDATIONS

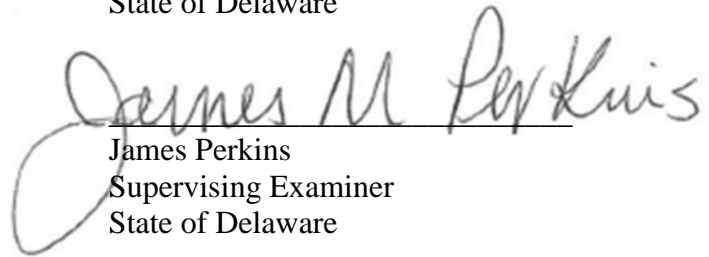
There were no recommendations as a result of this examination.

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the Company's outside audit firm, E&Y, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



Craig Jackson, CFE
Examiner In-Charge
State of Delaware



James Perkins
Supervising Examiner
State of Delaware

Auto-Owners Specialty Insurance Company

I, Craig Jackson, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Authority No. 25.005.

A handwritten signature in black ink that reads "Craig Jackson". The signature is written in a cursive, flowing style.

Craig Jackson, CPA, CFE