

**REPORT ON EXAMINATION AS TO THE CONDITION OF
PALISADES SAFETY AND INSURANCE ASSOCIATION**

WOODBIDGE, NJ 07095

AS OF DECEMBER 31, 2024

NAIC GROUP CODE 1227

NAIC COMPANY CODE 22050

FILED

MAY 27 2026

**COMMISSIONER
NJ DEPT OF BANKING & INSURANCE**

Table of Contents

Page

SALUTATION 1
SCOPE OF EXAMINATION..... 2
COMPLIANCE WITH PRIOR REPORT ON EXAMINATION RECOMMENDATIONS 2
HISTORY 2
TERRITORY AND PLAN OF OPERATIONS..... 4
REINSURANCE..... 4
CORPORATE RECORDS..... 6
MANAGEMENT AND CONTROL 6
REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS 8
INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS..... 8
POLICY ON CONFLICT OF INTEREST10
ACCOUNTS AND RECORDS11
CONTINUITY OF OPERATIONS11
FINANCIAL STATEMENT EXHIBITS12
 Exhibit A - Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 202413
 Exhibit B - Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2024.....14
 Exhibit C - Capital and Surplus Account for the Five-Year Period Ending December 31, 2024.....15
NOTES TO THE FINANCIAL STATEMENTS16
SUMMARY OF EXAMINATION RECOMMENDATIONS17
SUBSEQUENT EVENTS17
CONCLUSION.....18
AFFIDAVIT.....19



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
OFFICE OF SOLVENCY REGULATION
PO Box 325
TRENTON, NJ 08625-0325

MIKIE SHERRILL
Governor

DR. DALE G. CALDWELL
Lt. Governor

SUSAN OCHS
Acting Commissioner

TEL (609) 292-7272
FAX (609) 292-6765

May 19, 2026

Honorable Susan Ochs
Acting Commissioner
Department of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625-0325

Acting Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, a financial examination has been made of the financial condition and affairs of:

PALISADES SAFETY AND INSURANCE ASSOCIATION
581 MAIN STREET, SUITE 400
WOODBRIIDGE, NJ 07095
NAIC GROUP CODE 1227
NAIC COMPANY CODE 22050

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey and hereinafter referred to in this report as the "Association" or "PSIA."

SCOPE OF EXAMINATION

This risk-focused examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (“Department”) pursuant to the authority granted by N.J.S.A. Section 17:23-22.

The examination was made as of December 31, 2024, and addressed the five-year period from January 1, 2020, to December 31, 2024, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination. During this period, the Association reported admitted assets increased by \$117,350,197 to \$1,714,616,394 from \$1,597,266,197, liabilities increased by \$167,102,108 to \$1,121,683,453 from \$954,581,345, and surplus decreased by \$49,751,911 to \$592,932,941 from \$642,684,852.

The examination was conducted in accordance with the standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) and prescribed by the current NAIC *Financial Condition Examiners Handbook* (the “Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Association 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 Association were considered in accordance with the risk-focused examination process as defined in the Handbook. This included assessing significant estimates made by management and evaluating management’s compliance with Statements of Statutory Accounting Principles (“SSAP”). The examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Association.

The Certified Public Accounting firm of PricewaterhouseCoopers, LLP (“PwC”) provided an unqualified audit opinion on the fair presentation of the Association’s year-end financial statements based on Statutory Accounting Principles for the reporting year period ending December 31, 2024. Relevant work performed by PwC during its annual audit of the Association was reviewed during the examination and incorporated into the examination work papers whenever feasible to facilitate efficiencies. Certain PwC work papers were utilized in determining the scope and areas of emphasis in conducting the examination.

COMPLIANCE WITH PRIOR REPORT ON EXAMINATION RECOMMENDATIONS

There were no comments and recommendations in the Association’s prior report on examination as of December 31, 2019.

HISTORY

The Association is domiciled in the State of New Jersey as a Reciprocal Exchange, which was formed on May 15, 1992, and began writing private passenger automobile business in November of that year. On January 4, 1994, PSIA filed an amended Certificate of Authority to issue homeowners multiple peril policies. The Association’s current Certificate of Authority is a license to operate in the State of New Jersey for purposes of providing private passenger automobile, homeowners multiple peril, commercial automobile, aircraft, umbrella, earthquake and flood insurance.

The Association was conceived from the withdrawal of the American Employers' Insurance Company, Commercial Union Insurance Company ("Commercial") and Employees First Insurance Company from the New Jersey private passenger auto insurance market. Commercial contributed \$16,000,000 in cash in forming the Palisades Safety and Insurance Management Corporation ("PSIMC") to act as the Attorney-in-Fact for the newly formed Association. Commercial sold its stock in PSIMC to Palisades Management Company, Inc., which is a wholly owned subsidiary of SRB Corporation ("SRB"), a wholly owned subsidiary of The Plymouth Rock Company Incorporated ("PRC"). The preceding transactions were approved by the Department per Order Numbers A91-307, A92-168 and A92-172.

PRC, as the ultimate parent of PSIMC, is headquartered in Massachusetts, and leads the Plymouth Rock Companies ("PRC Group") which writes over \$1.1 billion in private passenger and commercial auto and homeowner's insurance throughout the Northeast and Mid-Atlantic. Although the Association and the PRC Group operate under shared management, services and control, they are regulated separately as two distinct holding companies. While accounting rules require the Association to be consolidated within the PRC Group, the Association is not owned by the PRC Group.

The Association was initially capitalized by issuing two subordinated surplus notes to PSIMC in the amounts of \$2,000,000 and \$14,000,000. In 1996 and 1997, two additional subordinated surplus notes were issued to PSIMC in the amount of \$1,200,000 and \$1,100,000, respectively. None of the surplus notes issued have maturity dates, and although the notes bear interest at one percent above the prime rate, principal and interest payments are not accrued and cannot be made without the prior approval of the Department.

On November 19, 1996, Palisades Insurance Company ("PIC") was formed and capitalized by PSIA through an issuance of \$1,500,000 of common stock consisting of one million five hundred thousand (1,500,000) shares of Class A Common Stock with a par value of one dollar (\$1.00) per share.

On October 31, 2003, PSIA acquired 100% of the common stock of The Prudential Property and Casualty Insurance Company of New Jersey and its two wholly owned subsidiaries, The Prudential General Insurance Company of New Jersey and The Prudential Commercial Insurance Company of New Jersey. The companies were subsequently renamed High Point Preferred Insurance Company ("HPP"), High Point Property and Casualty Insurance Company ("HPC"), and High Point Safety and Insurance Company ("HPS"), respectively.

On October 25, 2005, Twin Lights Insurance Company ("TLI") was incorporated as a stock insurance company, as a wholly owned subsidiary of HPP.

On January 1, 2007, HPP, PSIA's wholly owned subsidiary, acquired Lancer Casualty Company, which was renamed Teachers Auto Insurance Company of New Jersey ("TAI").

On August 1, 2008, PSIA acquired 100% of the outstanding stock of National Atlantic Holdings Corporation ("National Atlantic"), the parent company of New Jersey-domiciled Proformance Insurance Company, which was concurrently renamed Palisades Property and Casualty Insurance Company ("PPC"). PPC was capitalized by PSIA through the issuance of \$2,200,000 of common stock consisting of 440 shares having par value of \$5,000. As a result of the acquisition, National Atlantic and two of its non-insurance subsidiaries, Riverview Professional Services, Inc. and National Atlantic Financial Corporation, were dissolved. National Atlantic Insurance Agency, Inc. ("NAIA") was distributed to PSIA. PSIA later sold NAIA, to its Attorney-in-Fact, PSIMC, effective March 22, 2010. On May 18, 2023, NAIA was dissolved. Niagara Atlantic Holdings Corporation ("Niagara"), a New York domiciled noninsurance company, and Mayfair Reinsurance Company Limited ("Mayfair"), a dormant Bermuda domiciled company, both subsidiaries of National Atlantic, were distributed to PPC. On January 19, 2016, PPC sold Mayfair to PRC and on October 5, 2023, Niagara was dissolved.

Effective January 1, 2011, the entities were reorganized resulting in PSIA contributing 100% of the issued and

outstanding stock of HPP to HPC, and HPC becoming a wholly owned subsidiary of PSIA. In corresponding moves, ownership of HPS, TAI, and TLI were distributed from HPP to HPC.

Effective April 20, 2011, PSIA's Attorney-in-Fact, PSIMC, changed its name to Plymouth Rock Management Company of New Jersey ("PRNJ").

On July 1, 2011, PSIA contributed ownership of PPC to HPP. As a result of the 2011 restructuring moves, the Palisades Auto Group, an operating and reporting subgroup, was formed and comprised of PSIA, PIC, HPC, HPS, TAI and TLI. The Palisades Auto Group's operations are automobile insurance focused.

On August 1, 2018, HPP acquired 21st Century Security Insurance Company, which was renamed to AtHome Insurance Company ("AtHome"). HPP, PPC and AtHome collectively comprise the High Point Home Group, an operating and reporting subgroup. The High Point Home Group's operations are homeowners insurance focused.

On October 17, 2019, PSIA purchased all of the issued and outstanding shares of stock of Rider Insurance Company ("Rider") and Rider Insurance Agency, Inc ("RIA"). Rider became the seventh company in the Palisades Auto Group. On August 3, 2023, RIA was dissolved.

As a Reciprocal Exchange, the Association is an unincorporated organization that does not hold capital stock.

TERRITORY AND PLAN OF OPERATIONS

The Association primarily writes private passenger automobile business sold through independent agents located throughout the State of New Jersey. In addition to the direct business written, the Association assumes automobile business written from affiliated companies under a 100% Quota Share Reinsurance Agreement, except for business written by PIC in New York and Connecticut, which are assumed at 80%. The business assumed consists primarily of private passenger automobile business, as well as a small amount of commercial automobile and other liability business.

The Association and its subsidiaries do not have any employees. The Association's Attorney-in-Fact, PRNJ, provides underwriting, marketing, product management and other administrative services on behalf of the Association, as discussed in the "Inter-company Agreements" section of this report. Investment services are contractually provided by SRB, an affiliate of PRNJ. Custodial investment services are provided by The Northern Trust Company. Information technology services are provided by Shared Technology Services Group LLC, an affiliate of PRNJ.

The Association maintains its statutory home office and main administrative office where it conducts its business operations from at 581 Main Street, Suite 400, Woodbridge, NJ 07095-1144. This location furthermore serves as the primary location of the Association's accounting books and records. The registered agent upon whom process may be served is the Association and may be contacted at 581 Main Street, Suite 400, Woodbridge, NJ 07095-1144. The Association also has claim offices located in Parsippany, NJ, Mount Laurel, NJ, and Fort Washington, PA.

REINSURANCE

As of December 31, 2024, the Association had the following reinsurance in effect:

Homeowner and Misc Property (excludes HPP New Jersey Business)

Per Risk Excess of Loss

Policy Limit: \$4 million

Treaty Retention: \$3 million

Treaty Limit: 100% of \$1 million excess of \$3 million per risk with maximum of \$2 million per occurrence and \$4 million per year (NJ & New England combined)

Homeowner and Misc Property (Home excludes HPP New Jersey Business)

Facultative Per Risk Excess of Loss

Policy Limit: Maximum limit offered

Treaty Retention: \$4 million

Treaty Limit: 100% of coverage A, B, C, D at a maximum of \$4 million in excess of \$4 million

Homeowner and Misc Property (HPP New Jersey Business)

Facultative Per Risk Excess of Loss

Policy Limit: Maximum limit offered

Treaty Retention: \$2 million

Treaty Limit: 100% of coverage A, B, C, D in excess of \$2 million

Auto, Homeowner, and Misc Property

Catastrophe Excess of Loss - Internal Layer 1

Treaty Retention: \$5 million per each group – Palisades Auto Group and High Point Home Group, as well as for insurance company affiliate groups of PRNJ

Treaty Retention, effective January 1, 2025: \$10 million per group

Treaty Limit: \$40 million less applicable retentions; PSIA assumed 45% of any loss in this layer as of December 31, 2024

Catastrophe Excess of Loss - Internal Layer 2

Treaty Retention: \$40 million

Treaty Limit: \$53 million excess of \$40 million; PSIA assumed 38.75% of any loss in this layer as of December 31, 2024

Catastrophe Excess of Loss – Upper Layers

Treaty Retention: \$93 million

Treaty Limit: \$847 million excess of \$93 million

Personal Umbrella

Quota Share

Policy Limit: Maximum limit offered - \$5 million

Treaty Retention: Either 10% of first \$1 million or 20% of entire loss

Treaty Limit: Either 90% of the first \$1 million and 100% of the excess up to \$5 million or 80% of entire loss

Commercial Auto Facultative Program

Excess of Loss on Individual Ceded Risks

Policy Limit: \$1.5 million

Treaty Retention: \$500,000 up to \$1,000,000, varies by risk

Treaty Limit: up to \$1 million excess of \$500,000 per risk

Intercompany Reinsurance

Under the terms of a Quota Share Reinsurance Agreement, as amended, PSIA assumes 100% of the direct business, net of external reinsurance that inures to the benefit of the contract and involuntary pools and associations, written by PPC, PIC, HPC, HPP, TAI, TLI, and Rider, with the exception of: (i) PIC, wherein PSIA assumes 80% of PIC's direct business written in the states of Connecticut and New York, net of external reinsurance that inures to the benefit of the contract and involuntary pools and associations; and (ii) homeowners business written by PPC and homeowners and personal umbrella business written by HPP. The Association guarantees the collection of all

external reinsurance.

Under a separate treaty, the Association assumes 100% of the business written by HPS. The terms of the treaty are the same as those described above.

The Association cedes its written renters insurance business to HPP under a 100% Quota Share Reinsurance Agreement.

CORPORATE RECORDS

The bylaws of PRNJ, the Attorney-in-Fact, stipulate that the annual meeting of the stockholders will be held on the second Tuesday in May of each year. The Board of Directors shall consist of not less than three or more than twenty-five Directors. The Board meetings may be held without call or notice immediately after the annual meeting of the stockholders. Special meetings of the Directors may be held at any time or any place designated in the call of the meeting.

A review of the minutes of the Board meetings noted that all meetings were well attended. The Board minutes also indicated that the Association's overall transactions and events were adequately supported and approved.

MANAGEMENT AND CONTROL

The business, property and affairs of the Association are managed by the President and the delegated officers of PRNJ, as Attorney-in-Fact of the Association, under the guidance and direction of the PRNJ Board.

The following were the Directors of PRNJ, as Attorney-in-Fact of the Association, as of December 31, 2024:

<u>Name</u>	<u>Principal Occupation</u>
Harold R. Belodoff	Director of The Plymouth Rock Company Incorporated
Donald I. Bryan	Retired
Neil N. Jasey	Retired
Andrew A. McElwee, Jr.	President, CEO and Director of The Plymouth Rock Company Incorporated
Norman L. Rosenthal	President of Normal L. Rosenthal & Associates, Inc.
Adam E. Van Loon	Interim President and Interim CEO of PRNJ

Effective February 17, 2025, Stephen G. Kalinsky replaced Adam E. Van Loon on the Board of Directors, and effective July 10, 2025, Anthony J. DeSantis was elected to the Board of Directors and Audit Committee of PRNJ.

The Association is required to comply with the provisions of N.J.S.A. 17:27A-4d(3), which states that "not less than one-third of the directors of a domestic insurer shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity."

The Association was determined to be in compliance with the provisions of N.J.S.A. 17:27A-4d(3) as of the examination date, as the Board of Directors consists of six members, of which three are considered outside directors.

Committees

The Audit Committee (the "Committee") Charter indicates that members of the Committee shall be directors of PRNJ and/or PRC, appointed by the Board from time to time, and the size of the Committee shall consist of at least three directors, all of whom shall be "independent" of the management of PRNJ and PRC. Each member of the

Committee shall have experience in financial matters or legal and regulatory matters or shall develop such expertise within a reasonable period after being appointed. The Committee shall meet at least four times per year, and shall meet periodically with management, the internal auditors and the independent auditor. The Committee shall report directly and regularly to the Board and review any issues that arise with respect to the quality or integrity of the Association’s financial statements; the Association’s compliance with legal or regulatory requirements; and of the appointment, compensation, retention, and oversight of the independent auditors.

The following Audit Committee Members were appointed and serving at December 31, 2024:

<u>Name</u>	<u>Position</u>
Donald I. Bryan	Independent Director (<i>Chairman</i>)
Neil N. Jasey	Independent Director
Norman L. Rosenthal	Independent Director

The Association is required to comply with the provisions of N.J.S.A. 17:27A-4d(4), which states that “the board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer of any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer’s financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation, including bonuses or other special payments, of the principal officers.”

The Association was determined to be in compliance with the provisions of N.J.S.A. 17:27A- 4d(4) as of the examination date, as the Committee is comprised solely of three independent, outside directors who performed the functions indicated in this statute.

Officers

The officers of PRNJ, as Attorney-in-Fact of the Association, perform duties as designated by PRNJ’s bylaws with respect to the offices they hold, or as otherwise indicated by the Board of Directors. The president, treasurer, and secretary shall be elected annually by the directors at their first meeting following the annual meeting of the stockholders. Other officers, if any, may be elected by the Board of Directors at this meeting or at any other time. Any two or more offices may be held by the same person, but no officer shall execute, acknowledge, or verify any instrument in more than one capacity if such instrument is required by law or by the bylaws to be executed, acknowledged, or verified by two or more officers. Any officer may be required by the directors to give bond for the faithful performance of his duties to the corporation in such amount and with such sureties as the directors may determine.

The following officers of PRNJ were elected and serving the Association at December 31, 2024:

<u>Name</u>	<u>Title</u>
Andrew A. McElwee, Jr.	Chairman of the Board
Adam E. Van Loon	Interim President and Interim Chief Executive Officer
Richard F. Adam	Vice President and Chief Claims Officer
David L. Pearlmutter	Vice President and Chief Product Officer
Andrew T. DeCicco	Vice President, Finance and Administration
Robert H. Easton	Vice President, General Counsel and Secretary
Richard J. Jaros	Vice President and Chief Direct Response Officer
Andrew J. Leeds	Vice President, Property

Richard J. Mariani
 Louis C. Palomeque
 Adam E. Van Loon
 Vito A. Nigro
 Assistant Secretary
 Assistant Secretary

Vice President, Claims
 Vice President, Claims
 Vice President, Strategic Partnerships
 Treasurer
 Bonnie Banahan
 Zahra Mian

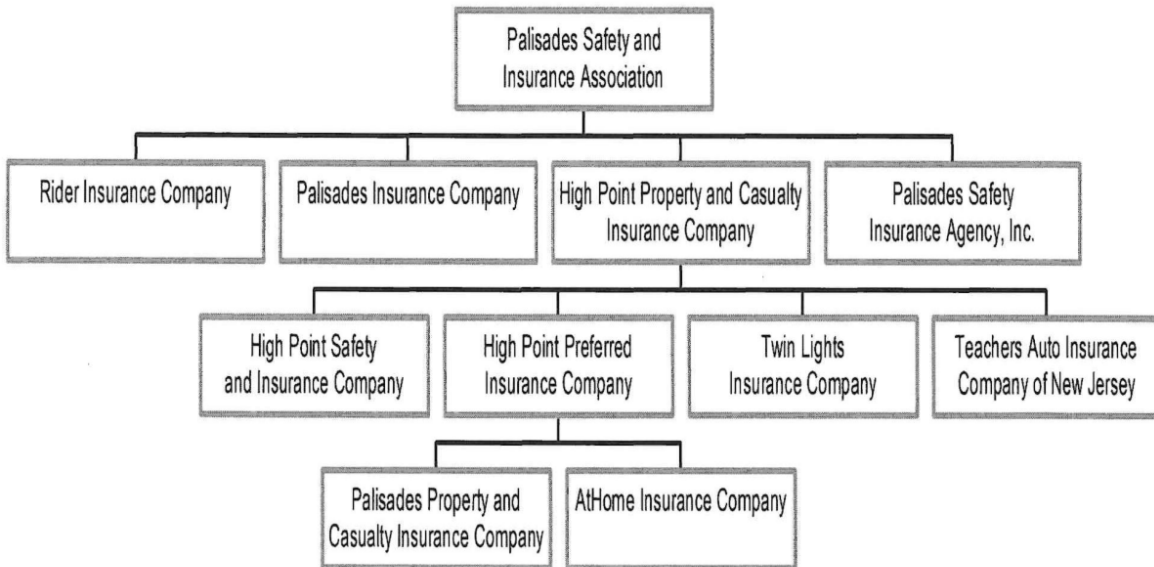
Effective February 17, 2025, Stephen G. Kalinsky replaced Adam E. Van Loon as President and Chief Executive Officer.

N.J.S.A. 17:27A-4d(5) states, “The provisions of paragraphs (3) and (4) of this subsection d. shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs.”

The Association satisfies the requirements of N.J.S.A. 17:27A-4d(5).

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Association is subject to Insurance Holding Company Systems Act and is a member of an insurance holding company system as defined by N.J.S.A. 17:27A-1. A review of the holding company registration statement indicated that the Association was in compliance with N.J.S.A. 17:27A-3, Sections a-j, requiring registration of those insurers that qualify as determined by N.J.S.A. 17:27A-1. A holding company system organizational chart as of December 31, 2024 follows:



INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS

Inter-Company Agreements

The Association was a named party to the following affiliated agreements at the examination date:

Consolidated Federal Income Tax Liability Allocation Agreement:

Effective November 9, 1999, PSIA and affiliates entered into a consolidated tax agreement. Under the terms of

this agreement, the amount of federal income taxes payable by each party to the agreement shall be equal to the amount of tax liability allocable to it as determined in accordance with the provisions of Treasury Regulation 1.1552-1(a)(2). The method of allocation among companies is subject to a written agreement effective November 1, 2003, which has been approved by the Department. Taxes are allocated based on the separate return calculations of each company, with current credit for net losses utilized as part of the consolidated return. Inter-company tax balances are settled quarterly through the payable to or receivable from accounts after the tax filing is made in October of each year.

Services Agreement:

PSIA entered into a services agreement with PRNJ on November 1, 2003. Under the terms of this agreement, PRNJ provides various administrative services to the Association in exchange for a management fee equal to 12.5% of written premium authorized by its subscribers. The services provided include payroll, accounting and tax preparation, human resources, voucher processing and bill payment, appointment and termination of general servicing agents, investigation and defense of claims, policy issuance and administration, marketing development, and other services associated with the production and administration of policies of insurance. The fees paid by the Association to PRNJ are subject to SSAP No. 25 and are required to be paid on an arm's-length basis, and be fair and reasonable to the Association and its subscribers.

Operating Services Agreement:

Effective January 1, 2009, PSIA entered into an operating services agreement with affiliates. The operating services to be provided by PSIA on behalf of its affiliates include the following:

- Payment of claims arising from any of the affiliates' policies of insurance. The affiliates shall retain the ultimate responsibility for all adjustments and claims payments made on their behalf.
- Collection of premiums and payment of premium refunds on behalf of the affiliates, provided such premiums shall be held in a fiduciary capacity, and further provided that all such net premiums shall be accounted for, pursuant to accounting procedures approved by the affiliates.
- Payment of commissions, fees, assessments, governmental examination expenses, and other general and administrative expenses on behalf of the affiliates.
- Payment and collection of external reinsurance amounts on behalf of the affiliates, provided such amounts shall be held in fiduciary capacity, and further provided that all such amounts shall be accounted for, pursuant to accounting procedures approved by the affiliates.

There is no fee charged to any party subject to this Agreement. The affiliates must reimburse PSIA for actual costs and expenses paid by PSIA on behalf of the affiliates, and reimbursement must be within 45 days of the close of each quarter.

Agency Agreement:

Effective November 1, 1997, PSIA appointed Palisades Safety Insurance Agency, Inc. ("the Agency") to be its insurance agent to solicit, accept and bind risks in accordance with PSIA's instructions. The Agency must promptly notify PSIA in writing of all risks that have been written or bound and notify PSIA if the Agency receives notice of any claims, suits or losses on these policies. PSIA directly bills and collect premiums, and also sends notices of cancellation, nonrenewal or changes in coverage. If PSIA does not directly bill, the Agency will perform these duties. Also, the Agency must keep records and accounts of all insurance transactions current, and all transactions must be readily identifiable and accessible for examination by PSIA. Commissions are based on the commission rate in effect on the effective date of the policy, and commission refunds are at the same rate originally paid. Also, the Agency is eligible for profit sharing compensation upon executing a separate agreement.

This Agency agreement will automatically terminate if the Agency is dissolved, insolvent, bankrupt, or reorganized; has misappropriation of funds; is convicted of a dishonest act; has substantially changed the ownership or management of the Agency, or if its license is revoked. The Agency may also terminate without

cause upon giving PSIA written notice of at least 180 days before the date of termination.

100% Quota Share Reinsurance Agreement (Special Treaty):

Effective May 1, 2012, a 100% Quota Share Reinsurance Agreement (Special Treaty), as amended, was entered into by and between PSIA, as reinsurer, and PPC, PIC, HPC, HPP, TAI, and TLI. Rider was subsequently added to the agreement in 2019. Please see “Reinsurance” section of this report for additional details. Under a separate Special Treaty, dated January 1, 2011, as amended, PSIA assumes 100% of the business written by HPS. The terms of the treaty are the same as those described above.

Investment Services Agreement:

The Association entered into an investment management agreement with SRB, an affiliate of PRNJ, to provide a broad spectrum of investment services, including development of investment objectives, development of investment policies and guidelines, selection of investment managers, investment and management of assets, measurement and evaluation of investment performance, accounting oversight, cash management of banking relationships, creation and management of a custodial relationship, administrative support, and investment advice.

Amended and Restated Intercompany Cash Management Agreement:

Effective July 1, 2021, PRNJ entered into an amended and restated intercompany cash management agreement by and among the Plymouth Rock Group of Companies it is affiliated with, which amended and restated in its entirety the May 4, 2020 intercompany cash management agreement entered into. Amendment No. 1, dated January 1, 2022, to the amended and restated intercompany cash management agreement added PSIA and its subsidiaries, as approved by the Department on December 6, 2021. Under the terms of the agreement, each participating entity is permitted to borrow cash from SRB to cover short-term cash shortfalls or for other purposes and to lend certain excess cash to SRB for the purpose of earning interest.

Catastrophe Reinsurance (Affiliated):

Effective July 1, 2024, the Association entered into a retention layer catastrophe reinsurance agreement between affiliated companies and their subsidiaries. Please see “Reinsurance” section of this report for additional details.

Additional Related Party Transactions

Effective May 17, 2019, PSIA made a real estate loan to 711 Atlantic Avenue Company, LLC in the amount of \$25,000,000 with a 10-year term and an interest rate of 4.54%, which was secured by the real estate at 711 Atlantic Avenue in Boston, MA. A balloon payment of \$11.4 million is due on May 17, 2029.

In 2020, the Association made a \$3,500,000 capital contribution to Rider.

Effective December 3, 2020, PSIA made a real estate loan to 581 Main Street, LLC in the amount of \$30,750,000 with a 10-year term and an interest rate of 4.50%, which was secured by the real estate at 581 Main Street, Woodbridge, NJ. A balloon payment of \$22.7 million is due on December 3, 2030.

In 2023, the Association made a \$40,000,000 capital contribution to PIC. Additionally, the Association received dividends from HPC and Rider in the amounts of \$102,600,000 and \$5,800,000, respectively. The Department approved these transactions on September 19, 2023.

POLICY ON CONFLICT OF INTEREST

On an annual basis, the officers and directors of PRNJ, as Attorney-in-Fact of the Association, attest to an affirmation of ethical standards and a disclosure of possible activities which could construe as a possible conflict of interest.

The examination team reviewed all Conflict of Interest statements executed by officers and directors for the period under examination, noting that there were no apparent or potential conflicts of interest.

ACCOUNTS AND RECORDS

The Association's general ledger and financial reporting activities are handled through a cloud-based Software-as-a-Service ("SaaS") platform.

For managing insurance premiums and policy administration, PSIA utilizes a system supporting the end-to-end lifecycle of insurance policies, including issuance, premium calculation, renewals, and customer data management.

The Association's loss and claims management function is supported by a system that facilitates the intake, adjudication, and resolution of insurance claims.

Investment activities of PSIA are managed through a SaaS-based investment and fund management platform, enabling oversight of PSIA's investment portfolio and offering tools for accounting, performance tracking, and regulatory reporting.

CONTINUITY OF OPERATIONS

The bylaws of PRNJ, as Attorney-in-Fact of the Association, provide for the election of directors and the appointment of officers to fill any vacancies caused by death, resignation, disqualification, or removal by the Board of Directors. The Association has a disaster recovery plan that was reviewed in the course of the coordinated examination IT review. No material findings were noted.

FINANCIAL STATEMENT EXHIBITS

Exhibit A: Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2024..... 13

Exhibit B: Summary of Revenue and Expenses for the Five-Year Period ending December 31, 2024 14

Exhibit C: Capital and Surplus Account for the Five-Year Period ending December 31, 2024 15

Exhibit A - Statement of Assets, Liabilities, Surplus and Other Funds at December 31, 2024

Admitted Assets	Current Examination at 12/31/2024	Balance per Company at 12/31/2024	Examination Change	Note Number
Bonds	\$ 532,838,901	\$ 532,838,901	\$ -	1
Stocks:				
Preferred stocks	2,630,800	2,630,800	-	
Common stocks	940,072,662	940,072,662	-	
Mortgage loans on real estate:				
First liens	43,863,189	43,863,189	-	
Cash, cash equivalents and short-term investments	(1,786,136)	(1,786,136)	-	
Other invested assets	2,247,325	2,247,325	-	
Investment income due and accrued	6,759,144	6,759,144	-	
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	748,273	748,273	-	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	166,843,677	166,843,677	-	
Reinsurance:				
Amounts recoverable from reinsurers	602,083	602,083	-	
Current federal and foreign income tax recoverable and interest thereon	9,052,139	9,052,139	-	
Receivables from parent, subsidiaries and affiliates	108,809	108,809	-	
Aggregate write-ins for other than invested assets	10,635,529	10,635,529	-	
Total net admitted assets	\$ 1,714,616,394	\$ 1,714,616,394	\$ -	
Liabilities				
Losses	\$ 624,487,102	\$ 624,487,102	\$ -	2
Reinsurance payable on paid losses and loss adjustment expenses	(21,406,390)	(21,406,390)	-	
Loss adjustment expenses	84,349,011	84,349,011	-	2
Commissions payable, contingent commissions and other similar charges	9,050,310	9,050,310	-	
Other expenses	8,218,996	8,218,996	-	
Taxes, licenses and fees	1,676,280	1,676,280	-	
Net deferred tax liability	32,880,781	32,880,781	-	
Unearned premiums	311,816,882	311,816,882	-	
Advance premium	2,773,167	2,773,167	-	
Ceded reinsurance premiums payable	311,469	311,469	-	
Payable to parent, subsidiaries and affiliates	53,448,295	53,448,295	-	
Aggregate write-ins for liabilities	14,077,550	14,077,550	-	
Total liabilities	1,121,683,453	1,121,683,453	-	
Surplus and Other Funds				
Surplus notes	\$ 18,300,000	\$ 18,300,000	-	3
Unassigned funds (surplus)	574,632,941	574,632,941	-	3
Total surplus as regards policyholders	592,932,941	592,932,941	-	
Total liabilities and surplus as regards policyholders	\$ 1,714,616,394	\$ 1,714,616,394	\$ -	

Exhibit B - Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2024

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Underwriting Income:					
Premiums earned	\$ 724,681,088	\$ 710,372,778	\$ 691,297,684	\$ 728,467,775	\$ 803,207,140
Deductions:					
Losses incurred	407,919,187	476,619,409	482,270,587	511,035,230	533,602,919
Loss adjustment expenses incurred	85,947,260	84,787,758	85,323,997	88,774,953	91,713,825
Other underwriting expenses incurred	228,400,530	207,607,189	208,197,857	219,813,580	224,716,564
Total underwriting deductions	<u>722,266,977</u>	<u>769,014,356</u>	<u>775,792,441</u>	<u>819,623,763</u>	<u>850,033,308</u>
Net underwriting gain or (loss)	2,414,111	(58,641,578)	(84,494,757)	(91,155,988)	(46,826,168)
Investment Income:					
Net investment income earned	19,130,366	20,611,077	16,778,400	130,277,425	33,098,564
Net realized capital gains (losses) less capital gains tax	<u>36,305,171</u>	<u>30,386,117</u>	<u>(4,453,310)</u>	<u>68,957,804</u>	<u>(14,648,780)</u>
Net investment gain (loss)	55,435,537	50,997,194	12,325,090	199,235,229	18,449,784
Other Income:					
Net gain (loss) from agents' or premium balances charged off	(7,202,579)	(4,986,831)	(8,644,115)	(6,305,554)	(4,007,052)
Finance and service charges not included in premiums	(11,243)	(16,379)	1,614,705	2,000,373	1,939,095
Aggregate write-ins for miscellaneous income	<u>2,024,256</u>	<u>1,920,575</u>	<u>2,138,196</u>	<u>2,244,358</u>	<u>742,326</u>
Total other income	<u>(5,189,566)</u>	<u>(3,082,635)</u>	<u>(4,891,214)</u>	<u>(2,060,823)</u>	<u>(1,325,631)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	52,660,082	(10,727,019)	(77,060,881)	106,018,418	(29,702,015)
Dividends to policyholders	<u>7,238,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	45,421,743	(10,727,019)	(77,060,881)	106,018,418	(29,702,015)
Federal and foreign income taxes incurred	<u>740,605</u>	<u>(8,606,973)</u>	<u>(15,063,797)</u>	<u>(14,054,703)</u>	<u>(3,961,771)</u>
Net income (loss)	<u>\$ 44,681,138</u>	<u>\$ (2,120,046)</u>	<u>\$ (61,997,084)</u>	<u>\$ 120,073,121</u>	<u>\$ (25,740,244)</u>

Exhibit C - Capital and Surplus Account for the Five-Year Period Ending December 31, 2024

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Surplus as regards policyholders, December 31 prior year	\$ 642,684,852	\$ 638,531,335	\$ 741,393,817	\$ 546,911,372	\$ 571,618,551
Net income	44,681,138	(2,120,046)	(61,997,084)	120,073,121	(25,740,244)
Change in net unrealized capital gains or (losses) less capital gains tax	(45,692,075)	102,860,531	(135,399,241)	(95,125,559)	47,528,780
Change in net deferred income tax	(316,448)	868,646	1,012,617	1,633,552	172,154
Change in nonadmitted assets	(2,826,132)	1,253,351	1,901,263	(205,617)	(646,301)
Aggregate write-ins for gains and losses in surplus	-	-	-	(1,668,318)	-
Change in surplus as regards policyholders for the year	<u>(4,153,517)</u>	<u>102,862,482</u>	<u>(194,482,445)</u>	<u>24,707,179</u>	<u>21,314,390</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 638,531,335</u>	<u>\$ 741,393,817</u>	<u>\$ 546,911,372</u>	<u>\$ 571,618,551</u>	<u>\$ 592,932,941</u>

NOTES TO THE FINANCIAL STATEMENTS

There were no changes made to the assets, liabilities or surplus balances reported by the Association for the year ended December 31, 2024. The surplus as regards policyholders, which totaled \$592,932,941 as of the examination date, was determined to be reasonably stated and in compliance with N.J.S.A 17:17-1 et seq.

Note 1 – Bonds

At December 31, 2024, a bond reported by the Association with a book value of \$98,401 and fair value of \$96,283 was on deposit with and subject to the Department’s control, in accordance with N.J.S.A. 17:20-1c.

Note 2 - Unpaid Losses and Loss Adjustment Expenses

No adjustments to reserves or surplus were indicated as a result of the actuarial portion of the examination. The assumptions used were generally found to be appropriate. The actuarial examination was limited to providing substantive reviews of the actuarial items on page 3 of the December 31, 2024 Annual Statement.

Summarized below are the recorded estimates which were included in our review:

Losses	\$624,487,102
Loss adjustment expenses	<u>84,349,011</u>
Total	<u>\$708,836,113</u>

The loss and loss adjustment expense reserves, including Incurred but Not Reported (“IBNR”), as reported by the Association, were deemed to be reasonable in light of the liabilities they support and, as attested to in the Statement of Actuarial Opinion, materially in compliance with the Statutes of the State of New Jersey. This examination conclusion is not a guarantee that the reserves will be adequate under every scenario of future experience; the results reached in this analysis are dependent on the assumptions used. Realized results may vary as actual experience differs from the assumptions. The Property and Casualty Actuarial Division of the Department reviewed the Report on the Actuarial Examination.

Note 3 – Capital and Surplus

The Association reported total capital and surplus in the amount of \$592,932,941 at December 31, 2024, as summarized:

The Association is organized as a Reciprocal Exchange and does not have capital stock.

At December 31, 2024, the Association had unassigned funds of \$574,632,941.

At December 31, 2024, the Association had surplus notes of \$18,300,000.

The Association was determined to be in compliance with the minimum capital and surplus requirements of the State of New Jersey at December 31, 2024.

SUMMARY OF EXAMINATION RECOMMENDATIONS

There were no comments and/or recommendations deemed necessary for purposes of this examination report.

SUBSEQUENT EVENTS

Effective February 17, 2025, Stephen G. Kalinsky replaced Adam E. Van Loon as President and Chief Executive Officer and as a member of the Board of Directors.

Effective July 10, 2025, Anthony J. DeSantis was elected to the Board of Directors and Audit Committee of PRNJ.

CONCLUSION

The examination of Palisades Safety and Insurance Association as of December 31, 2024, was conducted under the supervision of the State of New Jersey, Department of Banking and Insurance, by the undersigned.

The courteous assistance and cooperation extended during the course of the examination by management of the Association and members of the staff are hereby acknowledged.

Respectfully submitted,



Andy Jennings, CFE, ARM
Examiner-In-Charge
Risk & Regulatory Consulting, LLC
Representing the New Jersey Department of Banking and Insurance

Under the Supervision of,



Nancy Lee Chice, CFE
CFE Reviewer, Supervising Examiner
New Jersey Department of Banking and Insurance

AFFIDAVIT

I, Andy Jennings, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of Palisades Safety and Insurance Association as of December 31, 2024 to the best of my information, knowledge and belief.

Respectfully submitted,



Andy Jennings, CFE, ARM
Examiner-In-Charge
Risk & Regulatory Consulting, LLC

Under the supervision of,



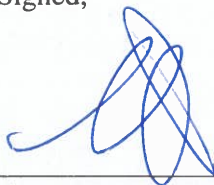
Nancy Lee Chice, CFE
CFE Reviewer, Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
On this 20th day of May, 2026



Signed,



Notary Public of the State of New Jersey
My commission expires on:

