

Report of the Examination of  
Unitrin Safeguard Insurance Company  
Chicago, Illinois  
As of December 31, 2023

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Wisconsin Office of the  
**COMMISSIONER OF INSURANCE**  
**FINANCIAL REGULATION**

Tony Evers, Governor of Wisconsin  
Nathan Houdek, Commissioner of Insurance

May 28, 2025

Honorable Nathan D. Houdek  
Commissioner of Insurance  
State of Wisconsin  
101 East Wilson Street  
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs  
and financial condition of:

UNITRIN SAFEGUARD INSURANCE COMPANY  
Chicago, Illinois

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Unitrin Safeguard Insurance Company (the company or Unitrin Safeguard) was conducted in 2019 as of December 31, 2018. The current examination covered the intervening period ending December 31, 2023, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of the Kemper Group. The Illinois Department of Insurance acted in the capacity as the lead state for the coordinated examinations. Work performed by the Illinois Department of Insurance was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with statutory accounting principles, annual statement instructions, and Wisconsin laws and regulations. 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 at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for completing this examination were performed. The examination work papers contain documentation concerning the alternative or additional examination steps performed during the examination.

#### **Independent Actuary's Review**

An independent actuarial firm was engaged under a contract with the Office of the Commissioner of Insurance. The actuary reviewed the adequacy of the company's loss and loss adjustment expense reserves. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

## II. HISTORY AND PLAN OF OPERATION

The company was organized in 1982 as a Wisconsin-domiciled insurer licensed under ch. 611, Wis. Stat. Below is an abbreviated timeline of the company since inception:

Date	Event
1982	The company was incorporated on January 25, 1982, as Milwaukee Safeguard Insurance Company ("Milwaukee Safeguard"), a member of the Milwaukee Insurance Group ("MIG").
1995	Effective 10/2/95, Trinity Universal Insurance Company (Trinity Universal), a wholly-owned subsidiary of Unitrin, Inc. (now known as the Kemper Corporation) acquired all of the capital stock of MIG.
2001	MIG was dissolved and its assets and liabilities were merged into Trinity Universal. Upon the dissolution of MIG, the company became a direct subsidiary of Trinity Universal.
2008	The company amended its articles and bylaws to change its name to Unitrin Safeguard Insurance Company ("Unitrin Safeguard").

In 2023, the company wrote direct premium in the following states:

New York	\$45,461,293	32.36%
North Carolina	17,721,293	12.61
Pennsylvania	10,923,095	7.78
All others	<u>66,380,687</u>	<u>47.25</u>
Total	<u>\$140,486,368</u>	<u>100.00%</u>

The company is licensed in 39 states and the District of Columbia. The states that Unitrin Safeguard is licensed in include: Alabama, Arizona, Arkansas, Colorado, Delaware, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming.

The company primarily writes auto insurance products, which are marketed through independent agents. The company cedes 100% of its net insurance risks to Trinity Universal Insurance Company and does not retain any policy-related risks net of reinsurance.

The following table is a summary of the net insurance premiums written by the company in 2023. The growth of the company is discussed in the “Financial Data” section of this report.

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Homeowners multiple peril	\$57,066,666	\$0	\$57,066,666	\$0
Inland marine	787,383		787,383	0
Earthquake	44,715		44,715	0
Other liability – occurrence	1,682,646		1,682,646	0
Private passenger auto no-fault (personal injury)	5,553,013		5,553,013	0
Other private passenger auto liability	42,755,972		42,755,972	0
Private passenger auto physical damage	<u>32,595,973</u>	<u>—</u>	<u>32,595,973</u>	<u>0</u>
Total All Lines	<u>\$140,486,368</u>	<u>\$0</u>	<u>\$140,486,368</u>	<u>\$0</u>

Unitrin Safeguard operates within Kemper's Specialty Property and Casualty segment, which includes over 30 affiliates, domiciled in Illinois, Indiana, New York, Ohio, Oregon, Texas, and Wisconsin. The segment provides personal auto and homeowners insurance. The segment's products are primarily distributed through independent agents and brokers (with a small portion distributed through direct to consumer and captive channels).

The company does not have any employees. Kemper affiliates conduct all of Unitrin Safeguard's business operations, including insurance underwriting, marketing, policy issuance, claims administration and adjudication, investment management, and accounting and financial reporting, pursuant to intercompany agreements. Further discussion of Unitrin Safeguard's significant affiliates is included in the section of this report captioned “Affiliated Companies.”

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The Unitrin Safeguard board of directors consists of five members. Each director is elected annually by the company's sole shareholder to serve a one-year term. Each director of Unitrin Safeguard is a senior executive officer of Kemper Corporation. As executive employees of the holding company system, the directors receive no compensation specific to their service on the Unitrin board.

Currently, the board of directors consists of the following persons:

<b>Name</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Bernard Ebrahimi	Senior Vice President, Product and Analytics, Kemper Auto Kemper Corporation	2025
John M. Boschelli	Executive Vice President, Chief Investment Officer Kemper Corporation	2025
James A. Alexander	Senior Vice President, Chief Accounting Officer Kemper Corporation	2025
Christopher L. Moses	Vice President, Treasury Kemper Corporation	2025
Maxwell T. Mindak	Senior Vice President, Treasurer and Chief Risk Officer Kemper Corporation	2025

#### Officers of the Company

The executive officers of the company are elected by the Unitrin board of directors at the board's annual meeting and serve a one-year term of office. Each senior officer of the company also serves as a senior officer of other companies within the holding company organization. The officers serving at the time of this examination are as follows:

<b>Name</b>	<b>Office</b>
Bernard Ebrahimi	Chairman of the Board & President
Christopher D. Dell Isola	Vice President & Secretary
John M Boschelli	Vice President
Ryan E. Erickson	Treasurer

## **Committees of the Board**

The company's bylaws allow for the formation of certain committees by the board of directors. Kemper Corporation is a SOX-Compliant Entity, as defined in s. Ins 50.01 (7t), Wis. Adm. Code. Unitrin Safeguard has elected to allow Trinity Universal's audit committee to perform the duties of Unitrin Safeguard's audit committee. The committees at the time of the examination are listed below:

### **Executive Committee**

John M. Boschelli, Chair  
Bernard Ebrahimi  
Maxwell T. Mindak

### **Audit Committee**

John M. Boschelli, Chair  
James A. Alexander  
Maxwell T. Mindak

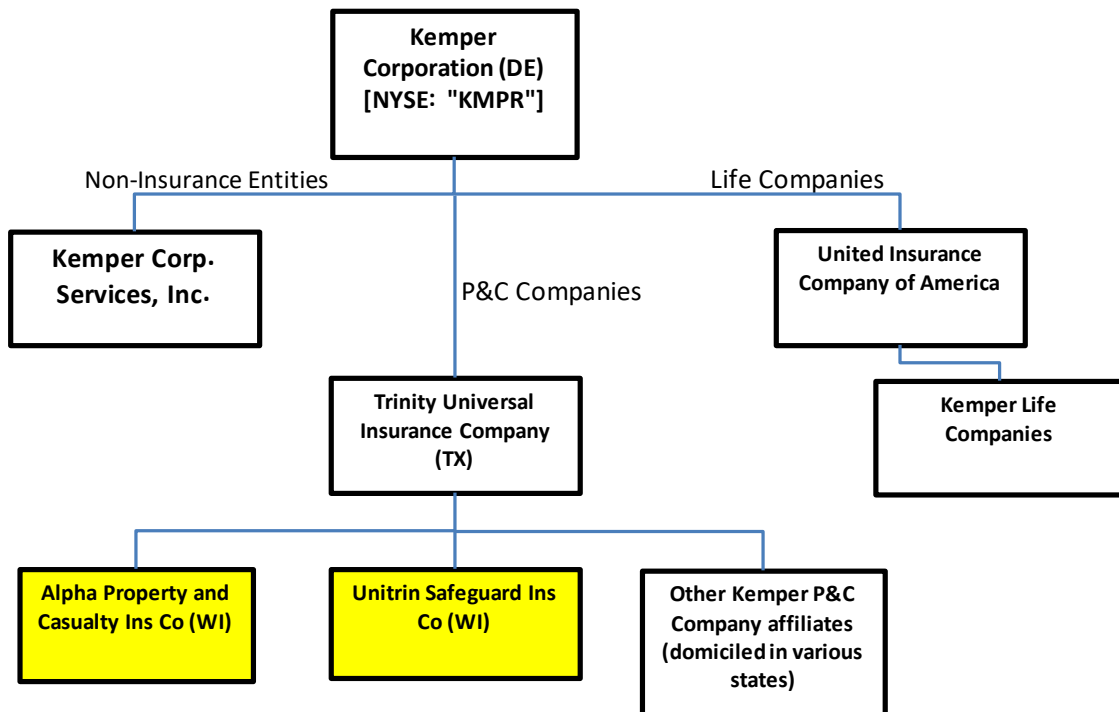
### **Investment Committee**

John M. Boschelli, Chair  
Christopher L. Moses  
Maxwell T. Mindak

#### IV. AFFILIATED COMPANIES

Unitrin Safeguard is a member of a holding company system. Below is an abbreviated organizational chart showing the company's key affiliates, followed by a brief description of significant Kemper affiliates.

**Organizational Chart (Abbreviated)  
As of December 31, 2023**



#### **Kemper Corporation**

Kemper Corporation (Kemper), headquartered in Chicago, IL, is a publicly traded insurance holding company whose operations are conducted solely in the United States. Kemper conducts its operations through two segments: Specialty Property & Casualty Insurance and Life Insurance. The Specialty Property & Casualty Insurance segment primarily offers specialty personal and commercial auto insurance through independent agents and brokers. The Life

Insurance segment primarily provides individual life, accident, supplemental health and property insurance.

As of December 31, 2023, Kemper Corporation's GAAP basis, consolidated, audited financial statements reported total assets of \$12,742,700,000, total liabilities of \$10,237,700,000, and total shareholders' equity of \$2,505,000,000.

#### **Merastar Insurance Company and infinity Insurance company**

Through a General Services Agreement, Merastar Insurance Company (Merastar) and Infinity Insurance Company (Infinity) provide various general services to all of the operating companies within the Kemper Group, including executive management, investment management, accounting and other administrative services. The costs of the executive services provided by Merastar and Infinity are allocated to the respective affiliates in accordance with the terms of the General Services Agreement between Merastar and Infinity and the various Kemper property and casualty affiliates, including Unitrin Safeguard.

#### **Trinity Universal Insurance Company**

Trinity Universal Insurance Company (Trinity Universal), Kemper Corporation's largest property and casualty insurer, is a multi-line insurance company.

As of December 31, 2023, Trinity Universal's statutory basis audited financial statements reported total admitted assets of \$5,211,304,544, total liabilities of \$3,780,217,069, and surplus as regards policyholders of \$1,431,087,475.

#### **Merastar Insurance Company**

Merastar Insurance Company (Merastar) is an Illinois-domiciled property and casualty insurance company and a subsidiary of Trinity Universal Insurance Company. Merastar is one of Kemper Corporation's main payroll companies.

As of December 31, 2023, Merastar's statutory basis audited financial statements reported total admitted assets of \$89,837,452, total liabilities of \$62,004,755, and surplus as regards policyholders of \$27,832,697.

## Agreements with Affiliates

Below is a summary of the company's significant affiliated agreements in effect at the time of the examination.

1. **Federal Income Tax Allocation Agreement:** In 1995, a federal income tax allocation agreement was established between Unitrin, Inc. (now the Kemper Corporation) and various affiliates, including Unitrin Safeguard for tax years ending on or after December 31, 1995. The agreement provides the basis for the method of settlement of federal income tax payments and refunds within the group.
2. **General Services Agreement:** Effective January 1, 2019, Unitrin Safeguard, along with other property and casualty affiliate companies, entered into a General Services Agreement with Merastar and Infinity. Under the terms of the agreement, Merastar and Infinity provide general corporate services, policy and claims administrative services, and computer information technology services to Unitrin Safeguard and other affiliates.
3. **100% Quota Share Reinsurance Agreement:** Effective December 1, 2009, Trinity Universal and Unitrin Safeguard entered into a 100% Quota Share Reinsurance Agreement (which replaced a 100% Quota Share Reinsurance Agreement that was entered into on January 1, 1997). Pursuant to this agreement, Unitrin Safeguard cedes, and Trinity Universal assumes, a 100% quota share participation in the ultimate net loss of Unitrin Safeguard with respect to its existing and new business.

## **V. REINSURANCE**

The company has only one treaty, an affiliated ceded reinsurance contract described below. The contract contained proper insolvency provisions.

### **Affiliated Ceded Reinsurance**

Effective January 1, 2009, Trinity Universal and Unitrin Safeguard entered into a 100% Quota Share Reinsurance Agreement (which replaced a 100% Quota Share Reinsurance Agreement that was entered into on January 1, 1997). Pursuant to this agreement, Unitrin Safeguard cedes, and Trinity Universal assumes a 100% quota share participation in the ultimate net loss of Unitrin Safeguard with respect to its existing and new business. In return, Trinity Universal is entitled to the full net premiums on the reinsured policies written on and after January 1, 2009, and payment equal to the gross reserves assumed by Trinity Universal on the existing business written before January 1, 2009. The agreement also provides for the administration of the business by Trinity Universal, unless Trinity Universal assigns all or part of its administrative responsibilities to one or more of its affiliates.

## **VI. FINANCIAL DATA**

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2023, annual statement.

Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

**Unitrin Safeguard Insurance Company**  
**Assets**  
**As of December 31, 2023**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$12,994,066	\$	\$12,994,066
Stocks:			
Common stocks	41,724		41,724
Cash, cash equivalents, and short-term investments	2,417,390		2,417,390
Investment income due and accrued	83,110		83,110
Premiums and Considerations:			
Uncollected premiums and agents' balances in course of collection	3,061,425	454,384	2,607,041
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	13,217,411		13,217,411
Reinsurance:			
Amounts recoverable from reinsurers	107,928		107,928
Other amounts receivable under reinsurance contracts	3,641,359		3,641,359
Net deferred tax asset	132,854		132,854
Guaranty funds receivable or on deposit	229,717		229,717
Receivable from parent, subsidiaries, and affiliates	2,595		2,595
Write-ins for other than invested assets:			
Premium tax receivable	931,324		931,324
Prepaid assets	164,338	164,338	
Other assets	309		309
Total Assets	<u>\$37,025,550</u>	<u>\$618,722</u>	<u>\$36,406,828</u>

**Unitrin Safeguard Insurance Company**  
**Liabilities, Surplus, and Other Funds**  
**As of December 31, 2023**

Reinsurance payable on paid loss and loss adjustment expenses		\$594,784
Commissions payable, contingent commissions, and other similar charges		68,477
Taxes, licenses, and fees (excluding federal and foreign income taxes)		109,815
Current federal and foreign income taxes		84,020
Advance premium		928,708
Ceded reinsurance premiums payable (net of ceding commissions)		16,339,454
Remittances and items not allocated		54,279
Payable to parent, subsidiaries, and affiliates		8,565,022
Write-ins for liabilities:		
Other liabilities		17,393
Total Liabilities		26,761,952
Common capital stock	\$3,000,000	
Gross paid in and contributed surplus	6,721,267	
Unassigned funds (surplus)	<u>(76,391)</u>	
Surplus as Regards Policyholders		<u>9,644,876</u>
Total Liabilities and Surplus		<u>\$36,406,828</u>

**Unitrin Safeguard Insurance Company**  
**Summary of Operations**  
**For the Year 2023**

**Investment Income**

Net investment income earned	<u>\$432,560</u>	
Net investment gain (loss)		\$432,560
Net income (loss) before dividends to policyholders and before federal and foreign income taxes		432,560
Net income (loss) after dividends to policyholders but before federal and foreign income taxes		432,560
Federal and foreign income taxes incurred		<u>124,553</u>
Net Income (Loss)		<u>\$308,007</u>

**Unitrin Safeguard Insurance Company**  
**Cash Flow**  
**For the Year 2023**

Premiums collected net of reinsurance		\$(523,395)
Net investment income		549,238
Miscellaneous income		<u>(3,641,359)</u>
Total		(3,615,517)
Benefit- and loss-related payments	\$ (43,839)	
Commissions, expenses paid, and aggregate write-ins for deductions	2,074,546	
Federal and foreign income taxes paid (recovered)	<u>122,129</u>	
Total deductions		<u>2,152,836</u>
Net cash from operations		(5,768,353)
Proceeds from investments sold, matured, or repaid:		
Total investment proceeds	2,987,455	
Cost of investments acquired (long-term only):		
Bonds	<u>280,361</u>	
Net cash from investments		2,707,094
Cash from financing and miscellaneous sources:		
Other cash provided (applied)	5,483,725	
Net cash from financing and miscellaneous sources		<u>5,483,725</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		2,422,466
Beginning of year		<u>(5,076)</u>
End of Year		<u>\$2,417,390</u>

**Unitrin Safeguard Insurance Company  
Compulsory and Security Surplus Calculation  
December 31, 2023**

Assets			\$36,406,828
Less liabilities			<u>26,761,952</u>
Adjusted surplus			9,644,876
Annual premium:			
Lines other than health and medical malpractice	\$	0	
Factor		<u>20%</u>	<u>(2,000,000)</u>
Compulsory Surplus Excess (Deficit)			<u>\$7,644,876</u>
Adjusted surplus (from above)			\$9,644,876
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)			<u>(2,800,000)</u>
Security Surplus Excess (Deficit)			<u>\$6,844,876</u>

**Unitrin Safeguard Insurance Company  
Analysis of Surplus  
For the 5-Year Period Ending December 31, 2023**

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Surplus, beginning of year	\$9,471,62	\$9,326,784	\$8,987,052	\$8,517,485	\$8,073,273
Net income	308,007	382,050	474,506	374,870	387,365
Change in net unrealized capital gains/losses	(18,106)	(22,899)	8,728	19,172	4,160
Change in net deferred income tax	108,307	6,610	29,341	(977)	6,663
Change in non-admitted assets	<u>(224,957)</u>	<u>(220,920)</u>	<u>(172,844)</u>	<u>76,503</u>	<u>46,024</u>
Surplus, End of Year	<u>\$9,644,876</u>	<u>\$9,471,625</u>	<u>\$9,326,784</u>	<u>\$8,987,052</u>	<u>\$8,517,485</u>

### Growth of Unitrin Safeguard Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2023	\$36,406,828	\$26,761,952	\$9,644,876	\$308,007
2022	49,071,772	39,600,147	9,471,625	382,050
2021	72,471,900	63,145,116	9,326,784	474,506
2020	73,025,825	64,038,773	8,987,052	374,870
2019	71,418,042	62,900,556	8,517,485	387,365
2018	49,385,406	41,312,133	8,073,273	384,448

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2023	\$140,486,368	\$0	\$0	0.0%	0.0%	0.0%
2022	182,963,019	0	0	0.0	0.0	0.0
2021	239,563,089	0	0	0.0	0.0	0.0
2020	224,001,627	0	0	0.0	0.0	0.0
2019	205,223,883	0	0	0.0	0.0	0.0
2018	134,062,646	0	0	0.0	0.0	0.0

Surplus increased 19% over the five-year examination period, due to investment income. The company cedes 100% of its net insurance risks to Trinity Universal Insurance Company and does not retain any policy-related risks net of reinsurance. Therefore, the company has no significant underwriting results, and its income is derived from investment income. Unitrin Safeguard did not pay any dividends to Trinity Universal during the exam period.

**Reconciliation of Surplus per Examination**

No adjustments were made to the surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2023, is accepted

## **VII. SUMMARY OF EXAMINATION RESULTS**

### **Compliance with Prior Examination Report Recommendations**

There was one specific comment and recommendation in the previous examination report. The comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Annual Statement Reporting - It is again recommended that the company report the reinsurance balances of the intercompany quota share arrangement in the appropriate lines of the annual statement in accordance with SSAP No. 62R and the NAIC Annual statement Instructions – Property/Casualty.

Action—Compliance.

**Summary of Current Examination Results**

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination workpapers.

## **VIII. CONCLUSION**

Unitrin Safeguard Insurance Company is a Wisconsin-domiciled stock property and casualty insurance company that was organized in 1982. The company operates within Kemper's Specialty Property and Casualty segment.

During the period under examination, the company's surplus increased by 19%. The increase was driven by investment income (as the company cedes 100% of its underwriting results to an affiliate, Trinity Universal, through a 100% quota share reinsurance agreement).

The current examination resulted in no recommendations. No adjustments were made to the company's reported surplus. The amount of surplus reported by the company as of December 31, 2023, is accepted.

## **IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

The current examination resulted in no recommendations. There were no adjustments or reclassifications to the balance sheet amounts as a result of this examination.

## **X. ACKNOWLEDGMENT**

The courtesy and cooperation extended by the officers and employees of the company during the course of the examination are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

<b>Name</b>	<b>Title</b>
Junji Nartatez, CISA, AES	IT Specialist
Kongmeng Yang, CFE	Quality Control Specialist

Respectfully submitted,



Yi Xu  
Examiner-in-Charge