

REPORT ON EXAMINATION AS TO THE CONDITION OF

DRIVE NEW JERSEY INSURANCE COMPANY

WEST TRENTON, NEW JERSEY 08628

AS OF DECEMBER 31, 2022

NAIC GROUP CODE 0155

NAIC COMPANY CODE 11410

FILED

June 26, 2024

COMMISSIONER

NEW JERSEY DEPARTMENT

OF

BANKING AND INSURANCE

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State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

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JUSTIN ZIMMERMAN

Acting Commissioner

May 15, 2024

Honorable Justin Zimmerman
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

**DRIVE NEW JERSEY INSURANCE COMPANY
WEST TRENTON, NEW JERSEY 08628
NAIC GROUP CODE 0155
NAIC COMPANY CODE 11410**

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, Drive New Jersey Insurance Company will be referred to in this report as the "Company" or "Drive NJ".

SCOPE OF EXAMINATION

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

The examination was made as of December 31, 2022, and addressed the five-year period from January 1, 2018, to December 31, 2022. During this five-year period under examination, the Company’s assets increased from \$186,421,425 to \$424,761,504. Liabilities increased from \$150,524,550 to \$349,940,824 and its surplus in regard to policyholders increased from \$35,896,875 to 74,820,680.

The New Jersey Department of Banking and Insurance (“NJDOBI”) conducted the examination in accordance with the 2022 edition of the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “NAIC Handbook”). The NAIC Handbook requires the NJDOBI to plan and perform the examination in order 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. To meet these objectives the NJDOBI obtained information regarding the Company’s corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated the Company’s system of internal controls and procedures used to mitigate identified risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation, management’s compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

According to the NAIC Handbook, the risk-focused surveillance process provides effective procedures to monitor and assess the solvency of insurers on a continuing basis. The risk-focused surveillance process is embedded in the planning activities and throughout each phase of the risk-focused surveillance process discussed in detail within the Handbook. The revised approach consists of a structured methodology designed to establish a forward-looking view of an insurer’s risk profile and the quality of its risk management practices. This approach permits a direct and specific focus on the areas of greatest risk to an insurer. Through this approach, state insurance regulators can be more proactive and better positioned to identify and respond to any serious threat to the stability of the insurance company from any current or emerging risks. This regulatory approach will benefit all participants in the insurance marketplace.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

HISTORY AND KIND OF BUSINESS

Before December 1, 2006, the Company was a wholly owned subsidiary of Fireman's Fund Insurance Company ("Fireman's"), which is a wholly-owned subsidiary of Allianz of America, Inc. and wrote private passenger automobile business in the State of New Jersey.

On December 1, 2006, Progressive Agency Holdings, Inc. ("PAH", formerly known as Drive Insurance Holdings, Inc.), a holding company incorporated in Delaware and a wholly-owned subsidiary of The Progressive Corporation ("TPC"), a publicly traded holding company incorporated in the state of Ohio, acquired 100% of the 35,000 issued and outstanding shares of Parkway Insurance Company ("Parkway") through a share purchase agreement from Fireman's. The acquisition was approved by the NJDOBI.

On December 19, 2006, Drive NJ, a New Jersey based insurance company and subsidiary of PAH, was merged with Parkway. Parkway is the surviving entity. Also on December 19, 2006, Parkway's name was changed to Drive NJ. In accordance with the merger, all previously issued and outstanding shares of both Parkway and Drive NJ were cancelled, and 12,000 common shares of the Company were issued. The Company received a capital contribution of \$14,950,000 from PAH in 2006. As of December 31, 2006, the Company had paid in capital of \$1,200,000 consisting of 12,000 shares of common stock with a par value of \$100 per share, and gross paid in and contributed surplus of \$16,150,000.

The Company participates in a reinsurance and assumption agreement with Fireman's. Under the terms of the agreement, the Company transferred 100% of Parkway's liabilities arising from the conduct of business prior to November 30, 2006, while under the ownership of Fireman's.

To comply with minimum statutory common stock balance requirements as directed by the NJDOBI for the various lines of business in which the Company is licensed to write in the State of New Jersey, the Company's Articles of Incorporation were amended effective August 17, 2007, to increase the par value of the Company's 12,000 authorized, issued, and outstanding common shares from a \$100 par value each to a \$292 par value each. The balance for common capital stock was increased and the balance of gross paid in and contributed surplus was decreased by \$2,304,000, resulting in an ending balance of paid in capital of \$3,504,000 consisting of 12,000 shares of common capital stock with a par value of \$292 per share. The Company was in compliance with the minimum capital and surplus requirements as stated in N.J.S.A. 17:17-6 as of December 31, 2017.

The Company's statutory home office and registered agent upon whom process may be served is designated as c/o The Corporation Trust Company, 820 Bear Tavern Road, Suite 305, West Trenton, New Jersey 08628. The Company's main administrative office is located at 6300 Wilson Mills Road, W33, Cleveland, Ohio 44143-2182.

STATUTORY DEPOSIT

As of December 31, 2022, the Company maintains a \$135,000 total par value in US Treasury Bond with the Commissioner of Banking and Insurance of the State of New Jersey for the benefit and security of all of the policyholders of Drive NJ.

TERRITORY AND PLAN OF OPERATION

Drive NJ is only licensed to operate in the State of New Jersey.

According to its Certificate of Authority, the Company is authorized to write the lines of business specified under N.J.S.A. 17:17-1b and N.J.S.A. 17:17-1e. As of December 31, 2022, the Company was writing the following lines of business: Homeowners multiple peril, Inland Marine, Other Liability – Occurrence, Private Passenger Automobile No-Fault, Other Private Passenger Auto Liability, Commercial Automobile No-Fault, Other Commercial Automobile Liability, Private Passenger Auto Physical Damage and Commercial Auto Physical Damage.

The Company generates its business through independent agency system and the direct channel, both internet and phone. At the examination date, Progressive had approximately 13,879 agents representing the Company in the State.

At the examination date, Drive NJ reported having these office locations in the State:

- 485 Route 1 South, Building A - Suite 400, Iselin, New Jersey 08830
- 1200 Howard Blvd., Suite 110, Mount Laurel, New Jersey 08054
- 103 Morgan Lane, Suite 250, Plainsboro, New Jersey 08536
- 152 West Street, Suite 150, South Plainfield, New Jersey 07080
- 1011 Zircon Drive, Toms River, New Jersey 08753
- 290 Veterans Blvd., Suite 150, Rutherford, New Jersey 07070
- 320 Veterans Blvd., Rutherford, New Jersey 07070

REINSURANCE

The Company participates in a 90% quota share reinsurance agreement with Progressive Casualty Insurance Company (“PCIC”), an affiliate domiciled in Ohio. Under the terms of the October 1, 2005 agreement, the Company cedes 90% of all premiums, losses, and loss adjustment expenses. Effective November 3, 2008, Article I – Scope of Treaty was amended to read, “This agreement shall apply to all new and renewal policies that have been issued by Company with an effective date that is during the term of the Agreement.” In consideration for the reinsurance ceded and assumed, the Company shall pay Reinsurer 90% of Net Written Premium.

The Company participates in a reinsurance and assumption agreement with Fireman’s. Under the terms of the agreement, the Company transfers 100% of Parkway’s liabilities arising from the conduct of business prior to November 30, 2006, while under the ownership of Fireman’s.

Auto Liability – Primary/Excess of Loss – Everest Reinsurance Company
Policy Limits \$2,000,000
Company retention \$1,000,000
Reinsurer limit per occurrence \$200,000
Reinsurer aggregate limit – none

Auto Liability – Primary/Excess of Loss – Swiss Reinsurance America Corporation
Policy Limits \$2,000,000
Company retention \$1,000,000
Reinsurer limit per occurrence \$700,000
Reinsurer aggregate limit – none

Auto Liability – Primary (Uninsured/Underinsured Motorist UM/UIM)/Excess of Loss – Everest Reinsurance Company
Policy Limits \$2,000,000
Company retention \$1,000,000
Reinsurer limit per occurrence \$600,000
Reinsurer Aggregate Limit - \$1,000,000

Auto Liability – Primary (Uninsured/Underinsured Motorist UM/UIM)/Excess of Loss – Swiss Reinsurance America Corporation
Policy Limits \$2,000,000
Company retention \$1,000,000
Reinsurer limit per occurrence \$2,100,000
Reinsurer aggregate limit – \$3,500,000

Other Liability – Primary (Liability)/Excess of Loss – Swiss Reinsurance America Corporation
Policy Limits \$2,000,000
Company retention \$1,000,000
Reinsurer limit per occurrence \$1,000,000
Reinsurer Aggregate Limit - none

Property – Primary (BOP) / Excess of Loss – Swiss Reinsurance America Corporation
Policy Limits \$5,000,000
Company retention \$1,000,000
Reinsurer limit per occurrence \$8,000,000
Reinsurer Aggregate Limit – \$12,000,000

MANAGEMENT AND CONTROL

In accordance with Article III, Section 1 of the by-laws, the annual meeting of shareholders shall be held on the first Tuesday in April of each year at such time and place as may be fixed by the Board of Directors and stated in the notice of the meeting, for the election of Directors, the consideration of reports to be laid before such meeting and the transaction of such other business as may properly come before the meeting. Annual meetings of the Board of Directors shall be held immediately following the annual meeting of the shareholders, or as soon thereafter as is practicable.

The number of Directors shall be five (5). The number of Directors may be fixed or changed at any annual meeting or at any special meeting called for that purpose by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the Company on such proposal, but in no event shall the number of Directors be less than five (5). Each Director of the Company shall be at least eighteen (18) years of age, with a majority of the Directors being citizens and residents of the United States.

Directors shall be elected at the annual meeting of shareholders, but when the annual meeting is not held or Directors are not elected there at, they may be elected at a special meeting called and held for that purpose. Such election shall be by ballot whenever requested by any shareholder entitled to vote at such election. But, unless such request is made, the election may be conducted in any manner approved at such meeting. At such meeting of shareholders for the election of Directors, the persons receiving the greatest number of votes shall be Directors.

The following is a list of the Board of Directors serving the Company as of December 31, 2022:

Directors

Name and Residence

Heather E. Day

John A. Curtiss, Jr.

Kanik Varma

Geoffrey T. Souser

Charles E. Conover

Occupation

Principal Business Affiliation

GM Customer Experience Strategy

National Product Development Leader

Personal Lines GM

Business Leader, CRM Onboarding

Business Leader, Agent Engagement

Officers

President – James D. Williams

Secretary - Peter J. Albert

Treasurer - Patrick S. Brennan

Assistant Secretary - Christina L. Crews

Assistant Treasurer - James L. Kusmer

Vice President – Michelle C. Cavell

Vice President – Heather E. Day

Assistant Vice President - Ann C. Strasser

Minutes of meetings held by the Board of Directors or Board Committees revealed adequate approval of the Company's transactions and events including the review and approval of the prior statutory financial examination report.

In accordance with its By-laws the Company shall establish one (1) or more committees consisting of outside Directors to perform the following functions:

- Recommending the selection of independent certified public accountants.
- Reviewing the Company's financial condition and the scope and results of independent and internal audits.
- Nominating candidates for Directors for election by shareholders.
- Evaluating the performance of officers deemed to be principal officers of the Company.

- Recommending the selection and compensation including bonuses or other special payment of the principal officers.

In accordance with Article III, Section A and 3 of the By-laws, the Board appointed the following committees:

EXECUTIVE COMMITTEE

John A. Curtiss, Jr., Chairman/Member
Charles E. Conover, Member
Geoffrey T. Souser, Member

INVESTMENT COMMITTEE

John A. Curtiss, Jr., Chairman/Member
Charles E. Conover, Member
Geoffrey T. Souser, Member

N.J.S.A. 17:27A-4d(3) which states, “Not less than one-third of the directors of a domestic insurer, and not less than one-third of the members of each committee of the board of directors of any 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. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof.”

N.J.S.A. 17:27A-4d(4) which states, “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 or 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.”

N.J.S.A. 17:27A-4d(5) which 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, such as an insurer, a mutual insurance holding company, or a publicly held corporation, is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs.” The Company satisfies the requirements of N.J.S.A. 17:27A-4d(5) by having an ultimate parent. TPC meets the requirement of this statute.

The Company’s ethics policy on its code of ethics is for the Company’s directors, officers and employees. All employees are required to disclose any outside activities or affiliations that may be present, or appear to present a potential or actual conflict of interest.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company is a member of the Progressive Corporation holding system as defined by N.J.S.A. 17:27A-1. The Company files holding company registration statements as required by N.J.S.A. 17:27A-3, Section a-j.

The Company had no subsidiaries as of December 31, 2022. The following is the Progressive Corporation holding company system chart as of December 31, 2022:

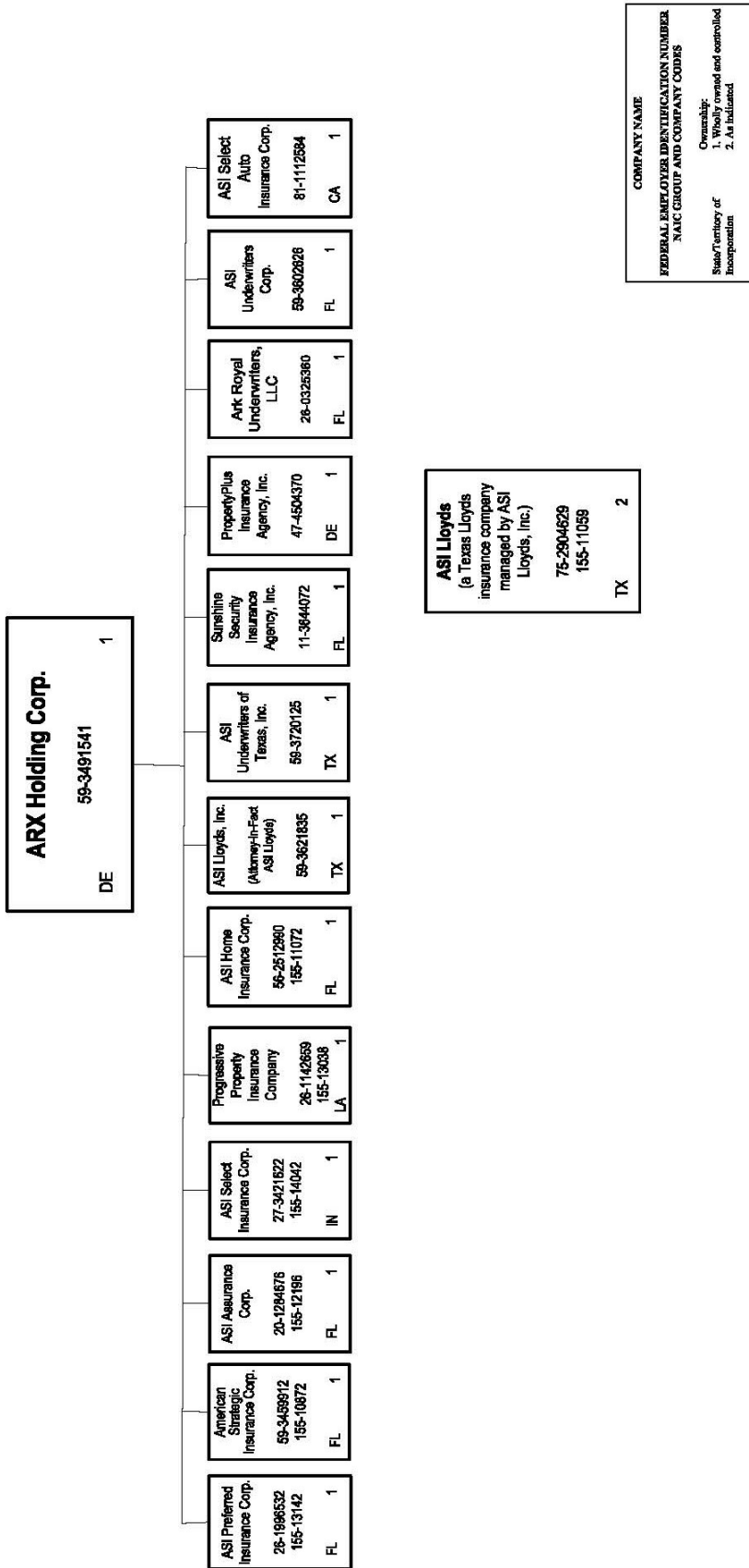


EXHIBIT A

Drive NJ is a wholly owned subsidiary of Progressive Agency Holdings, Inc. (formerly Drive Insurance Holdings, Inc.). Progressive Agency Holdings, Inc. is owned by TPC, the ultimate parent.

During the examination period, the Company received capital contributions from its parent as summarized:

2021	\$12,000,000
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During the examination period, the Company paid stockholder dividends to its parent as summarized:

2019	\$1,600,000
2020	\$7,000,000

INTERCOMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS

This examination verified that the Company was a named party to the following intercompany agreements as of December 31, 2022:

1. Management (Cost Allocation) Agreement
2. Federal Income Tax Sharing Agreement
3. Cash Management Agreement
4. General Agency Agreement
5. Guaranty Association Agreement
6. Interest Agreement
7. Investment Services Agreements
8. Licensing Agreement
9. Non-Exclusive Patent Licensing Agreement

Management Agreement

Effective December 1, 2006, the Company entered into a Management (cost allocation) Agreement with PCIC. Under this agreement, PCIC shall provide the following services: sales and marketing, underwriting, reinsurance, premium billing, appointment and cancelation of agencies, commissions, claim and other policy payments, actuarial, financial reporting, data processing, statical, accounting, internal record keeping, investment data processing, advertising, office space and furniture, and tax reporting.

The Company shall reimburse PCIC for such expenses, as well as for other expenses incurred by PCIC in its obligations under this agreement. Expenses are classified as either (1) identifiable expenses or (2) non identifiable expenses. Expenses are to be reimbursed within ninety (90) days after the close of each calendar quarter. The agreement states that PCIC is not entitled to any additional or separate management fees.

Termination of the agreement requires 30-day prior notice to the NJDOBI and the Ohio Department of Insurance. Either party may terminate the agreement by providing 90-day written notice to the other.

Federal Income Tax Sharing Agreement

Effective December 1, 2006, Drive NJ became a party as a subsidiary with TPC within the Progressive Affiliated Federal Income Tax Sharing Agreement. Under this agreement, TPC will compute an estimated consolidated tax liability on a quarterly basis. TPC will apportion the amount determined under Article (1)(a), whether as a recoverable or as a payable to each member of the Group in an amount equal to the amount of tax that would be allocated to the member in accordance with Treasury Regulation 1.1552-1(a)(2) as modified by Treasury Regulation 1.1502-33(d)(93), with the following modifications: (1) the amount of tax accounted to each member shall be based on the top marginal tax rate as set forth in Internal Revenue Code Section 11 and (2) the benefits of any reduced tax brackets or recapture thereof shall be allocated entirely to PCIC.

The tax liability allocated to any member shall not exceed the amount that such member would be liable for if it filed a separate income tax return. If a member has a net operating loss as determined on a separate return basis, the member will be reimbursed for such loss to the extent that the loss results in a reduction in the consolidated tax liability of the Group.

If TPC's consolidated tax liability includes a liability for Alternative Minimum Tax ("AMT"), such AMT shall be allocated under the principles of Treasury Regulation 1.1552-1(a)(2) to all members whose separate return tax liability would include a liability for AMT. To the extent a member is allocated a liability for AMT, that member shall also be allocated an equivalent AMT credit carry forward which shall be taken into account in future years.

Amounts calculated as federal income tax recoverable or payable by the Subsidiaries shall be construed as recoverable from or payables to TPC. Intercompany balances are to be settled within 30 days of the end of the quarter in which TPC is required to make a federal income tax estimated payment.

The Agreement may not be modified or amended except by the written consent of all the parties and the approval of the appropriate state regulatory agencies. The Agreement was amended and restated on dated June 1, 2021.

Cash Management Agreement

On October 1, 2005, the Company approved being a named participant under the affiliated Cash Management Agreement with PCIC. Under this agreement, PCIC was appointed as the Company's cash manager and provides it with cash management services.

General Agency Agreement

Effective December 1, 2006, Drive NJ and a number of Progressive affiliated insurers entered into a General Agency Agreement with Progressive Advantage Agency, Inc. ("PAAI") (f/k/a Progressive Specialty Insurance Agency, Inc. The purpose of this agreement was to appoint PAAI as their respective general agent in certain states as the parties may from time to time agree and to exercise the rights and perform specified duties.

Guaranty Association Agreement

Effective December 1, 2009, National Continental Insurance Company ("National Continental") entered into an agreement for periodic settlement of guaranty association amounts with Drive NJ, an affiliate. The agreement states that at the end of each quarter, National Continental shall, as part of an inter-company

settlement process, transfer to Drive NJ a right of recoupment equal to the amount Drive NJ has recouped from policyholders in excess of the amount paid to the Association. Any such transfer shall be applied on a dollar-for-dollar basis when settling inter-company balances between the parties. The parties shall commence the settlement within 30 days after the end of the quarter, and the parties shall use their best efforts to complete settlement within 60 days after the end of the quarter.

Interest Agreement

On October 1, 2005, the Company was granted approval to enter into an Interest Agreement with PCIC. Under this agreement, the Company agrees to pay PCIC or receive credit from PCIC for any balances owed to PCIC or owed by PCIC as a result of activity in PCIC's cashier account. The amount of these transactions shall be determined by an analysis of the average unpaid balances of these accounts. Interest will be charged at the prevailing 90-day Treasury bill rate on the last day of each month computed to the nearest quarter of a percent.

Investment Service Agreement

On October 1, 2005, the Company entered into an Investment Services Agreement with Progressive Capital Management Corp ("PCM"). Under the terms of the agreement, the Company is provided investment and capital management services in exchange for an investment management fee based on its use of services. On March 1, 2023, the agreement was amended and restated with a similar agreement.

Licensing Agreement

Effective December 1, 2006, Drive NJ entered into a Licensing Agreement with PCIC. Under this agreement, PCIC grants the Company the right to use its various proprietary marks, whether now existing or hereafter created. The term of the agreement is indefinite. Either party may terminate the agreement upon 30 days written notice to the other party.

Non-Exclusive Patent Licensing Agreement

Effective October 25, 2010, the Company entered into a Non-Exclusive Patent Licensing Agreement with PCIC. Under this agreement, PCIC grants the Company a non-exclusive right and license to develop, improve, use and exploit PCIC's various patents, identified in the agreement, whether now existing or hereafter created, whether issued or applied for through the United States Patent and Trademark Office or elsewhere. The term of the agreement is indefinite. A licensee may terminate his rights by giving 10-days' notice to the licensor.

POLICY ON CONFLICT OF INTEREST

On an annual basis, each director and officer of the Company is required to complete an on-line conflict of interest form in accordance with the Progressive Way "Code of Conduct". In accordance with the Company's code of conduct, each director and officer are required to read the conflict of interest section of the code of conduct and to complete the acknowledgements.

Each director and officer of the Company completed an on-line conflict of interest form for 2022. The Company reported no conflicts.

ACCOUNTS AND RECORDS

The Company uses the following Progressive accounting systems in the preparation of its financial statements:

1. General Ledger System
2. Claims Processing and Reserving Systems
3. Premiums Processing System

The Statutory Accounting and Reporting staff in Corporate Finance – Financial Reporting are responsible for the preparation and review of the statutory quarterly and annual statements. The Director of Statutory Accounting and Reporting and the Chief Accounting Officer have the final responsibility for the Company's statutory quarterly and annual statements.

General Ledger System

The Company uses Workday General Ledger system to prepare its monthly closing and financial reporting. The system permits both GAAP and statutory reporting. Furthermore, the Company's general ledger system interacts with a number of Progressive sub-systems critical to its financial reporting. These sub-systems include the following:

- Cashier (only for incoming cash)
- Cash Disbursements and Oracle
- Claims (ClaimStation)
- Expenses
- Investments
- ProBill (Receivables)
- ProStar (Premiums and IBNR)

The Cashier sub-system processes various transactions of which some pass through to Progressive's operational accounts receivable system, ProBill, via a batch file.

ProBill records the entry to the general ledger for the application of cash to the policy.

- Examples of ProBill transactions include lockbox payments, collection vendor payments, EBPP (electronic bill presentment and payment), and automated lookup payments.

For other transactions that remain in Cashier, Cashier will post the entry to the general ledger.

- Examples of non-ProBill payments include salvage/subrogation payments, claims deductible payments, and manual credit advice.

The Cash Disbursement sub-system is used to disburse and reconcile cash related to claims, premiums, and agent commissions. Claim payments are also initiated in ClaimStation and issued from Oracle.

The ProStar sub-system is used to calculate IBNR ("Incurred but Not Recorded") reserves and unearned premium reserves that are posted to the general ledger. It collects, organizes, and reports information in formats designed to support Progressive's actuarial functions.

Claims Processing System

ClaimStation is the application responsible for automating the claims payment processes to send payments to the vendors and/or claimants. Network Estimate Payments and medical payments are automated and sent via electronic fund transfer to the vendors. Manual payments to insureds, claimants or other parties to a claim also flow through Claimstation Payments and are issued via draft or check. The application supports the claims payment business process and is utilized to ensure that a valid payment for the appropriate amount is made to the right party in the right amount of time. Additionally, ClaimStation automatically validates that the individual has the appropriate authority to authorize the payment amount.

ClaimStation is used to provide basic claims handling functions, administrative data collection, and enable indemnity assessments and payments on losses. Other integrated applications support the following business processes: claim reporting, vehicle estimating, injury assessment, customer communication, correspondence, and overall claim investigation. All claims' applications are relied upon to manage the risks of insurance complaints, lawsuit filings, and federal/state/local statutory requirements.

Premiums Processing System

ProBill is Progressive's operational accounts receivable system. This system operates all billing and cash receivable functionality such as invoicing, applying payments, cancel processing, etc.

ProBill receives information from a number of premium processing sub-systems including the Progressive Online Transaction Enquiry Update System ("Proteus") and PolicyPro. Proteus serves as a database depository for all automobile and special lines policies. PolicyPro is a newer policy issuance system and the Company's state auto and special lines policies have been transferred to this system.

TREATMENT OF POLICYHOLDERS

N.J.S.A. 17:29B-4(10) requires all companies to maintain a complete record of all complaints that it has received since the date of its last examination. A review of Company records indicates that as of December 31, 2022, the Company does maintain a complaint register and is in compliance with this statute.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A - Balance Sheet as at December 31, 2022

Exhibit B - Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2022

Exhibit C - Capital and Surplus Account for the Five-Year Period Ending December 31, 2022

EXHIBIT A - BALANCE SHEET AS AT DECEMBER 31, 2022

EXHIBIT A

DRIVE NEW JERSEY INSURANCE COMPANY BALANCE SHEET AT DECEMBER 31, 2022

	Current Examination at 12/31/2022	Balance per Company at 12/31/2022	Examination Change	Note Number
<u>Assets</u>				
Bonds	\$232,964,426	\$232,964,426	\$0	1
Receivable for securities	\$150,000	\$150,000		
Investment income due and accrued	\$1,219,392	\$1,219,392		
Uncollected Premiums In Course of Collection	17,582,166	17,582,166	0	
Deferred Premiums Booked but Deferred and Not Yet Due	137,435,377	137,435,377	0	
Amounts Recoverable from Reinsurer	27,392,299	27,392,299		
Net Deferred Tax Asset	2,668,494	2,668,494	0	
Property Liability Insurance Guaranty Association Receivable	3,189,464	3,189,464	0	
PLIGA Unearned Surcharge Recoverable	1,373,864	1,373,864		
Indemnity Receivable	786,022	786,022	0	
Total Admitted Assets	\$424,761,504	\$424,761,504	\$0	
<u>Liabilities</u>				
Loss and Loss Adjustment Expenses	\$52,338,101	\$52,338,101	\$0	2
Commissions Payable	574,994	574,994	0	
Other Expenses	130,555	130,555	0	
Taxes, Licenses and Fees	6,313,331	6,313,331	0	
Current Federal and Foreign Income Taxes on Realized Capital Gains	274,483	274,483	0	
Unearned Premiums	24,137,799	24,137,799	0	
Advance Premium	2,663,700	2,663,700	0	
Ceded Reinsurance Premiums Payable	177,550,497	177,550,497	0	
Drafts Outstanding	21,041,314	21,041,314	0	
Payable to Parent, Subsidiaries and Affiliates	36,302,517	36,302,517	0	
State Plan Liability	20,630,702	20,630,702	0	
PLIGA Payable	3,282,238	3,282,238	0	
Premium Deposit	1,954,837	1,954,837	0	
PLIGA Unearned Surcharge Payable	1,373,864	1,373,864	0	
Expense Reimbursement Deposit	1,124,839	1,124,839		
Deferred Excess Ceding Commissions	222,929	222,929		
Escheatable Property	24,123	24,123	0	
Total Liabilities	\$349,940,823	\$349,940,823	\$0	
<u>Surplus and Other Funds</u>				
Common Capital Stock	\$3,504,000	\$3,504,000	\$0	
Gross Paid In and Contributed Surplus	39,596,000	39,596,000	0	
Unassigned Funds (Surplus)	31,720,680	31,720,680	0	
Surplus as Regards Policyholders	\$74,820,680	\$74,820,680	\$0	3
Total Liabilities, Surplus and Other Funds	\$424,761,503	\$424,761,503	\$0	

EXHIBIT B - SUMMARY OF REVENUE AND EXPENSES FOR THE FIVE-YEAR PERIOD
ENDING DECEMBER 31, 2022

EXHIBIT B

**DRIVE NEW JERSEY INSURANCE COMPANY
SUMMARY OF OPERATIONS FOR THE
FIVE-YEAR PERIOD ENDING DECEMBER 31, 2022**

<u>UNDERWRITING INCOME</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Premiums Earned	\$61,221,150	\$49,864,495	\$41,096,269	\$39,799,554	\$35,437,817
Deductions:					
Losses Incurred	\$40,243,019	\$30,551,025	\$19,193,675	\$21,971,592	\$20,367,714
Loss Adjustment Expenses Incurred	6,366,781	5,280,354	3,974,244	4,148,578	3,571,148
Other Underwriting Expenses Incurred	11,127,150	9,464,753	9,403,286	8,037,859	7,076,440
Total Underwriting Deductions	\$57,736,950	\$45,296,132	\$32,571,205	\$34,158,029	\$31,015,302
Net Underwriting Gain or (Loss)	\$3,484,200	\$4,568,363	\$8,525,064	\$5,641,525	\$4,422,515
<u>INVESTMENT INCOME</u>					
Net Investment Income Earned	\$3,667,966	\$2,566,935	\$2,966,516	\$2,887,945	\$2,158,569
Net Realized Capital Gains or (Losses)	(817,306)	590,633	3,413,014	493,533	36,492
Net Investment Gain or (Loss)	\$2,850,660	\$3,157,568	\$6,379,530	\$3,381,478	\$2,195,061
<u>OTHER INCOME</u>					
Net Gain or (Loss) from Agents' Balances Charged Off	(\$579,823)	(\$622,684)	(\$797,785)	(\$458,657)	(\$393,924)
Finance and Service Charges not Included in Premium	4,714,947	4,645,742	3,778,310	4,063,714	\$3,647,551
Aggregate Write-ins for Miscellaneous Income	(3,101,931)	(4,117,542)	(3,315,245)	(3,120,591)	(2,832,140)
Total Other Income	\$1,033,193	(\$94,484)	(\$334,720)	\$484,466	\$421,487
Net Income Before Dividends to Policyholders and before Federal & Foreign Income Taxes	\$7,368,053	\$7,631,447	\$14,569,874	\$9,507,469	\$7,039,063
Net Income Before Federal Income Taxes	\$7,368,053	\$7,631,447	\$14,569,874	\$9,507,469	\$7,039,063
Federal Income Taxes Incurred	1,996,773	1,781,298	2,374,149	1,952,531	1,512,674
Net Income	\$5,371,280	\$5,850,149	\$12,195,725	\$7,554,938	\$5,526,389

EXHIBIT C - CAPITAL AND SURPLUS ACCOUNT FOR THE FIVE-YEAR PERIOD ENDING
DECEMBER 31, 2022

EXHIBIT C

**DRIVE NEW JERSEY INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT FOR THE
FIVE-YEAR PERIOD ENDING DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
NET INCOME	<u>\$5,371,280</u>	<u>\$5,850,149</u>	<u>\$12,195,725</u>	<u>\$7,554,938</u>	<u>\$5,526,389</u>
<u>OTHER SURPLUS GAINS OR (-) LOSSES</u>					
Change in Net Unrealized Capital Gain or (losses)	(\$393,324)	(\$18,661)			
Change in Net Deferred Income Tax	\$403,127	(\$440,278)	\$786,156	\$127,715	\$94,100
Change in Nonadmitted Assets	(914,792)	3,458,669	(3,592,698)	(316,238)	(168,452)
Surplus Adjustments Paid In		12,000,000	0	0	0
Dividends to stockholders			(7,000,000)	(1,600,000)	0
Total Other Surplus Gains or (-) Losses	(\$904,989)	\$14,999,730	(\$9,806,542)	(\$1,788,523)	(\$74,352)
Change in Surplus as Regards Policyholders for the Year	\$4,466,291	\$20,849,879	\$2,389,183	\$5,766,415	\$5,452,037
Surplus as Regards Policyholders December 31, Previous Year	<u>\$70,354,389</u>	<u>\$49,504,510</u>	<u>\$47,115,327</u>	<u>\$41,348,912</u>	<u>\$35,896,875</u>
Surplus as Regards Policyholders December 31, Current Year	<u>\$74,820,680</u>	<u>\$70,354,389</u>	<u>\$49,504,510</u>	<u>\$47,115,327</u>	<u>\$41,348,912</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BONDS

As of December 31, 2022, Drive NJ reported an asset for bonds of \$232,964,426 which was accepted for purposes of this examination.

NOTE 2: LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2022, the Company reported a net liability for Losses and Loss Adjustment Expenses of \$52,338,101. The actuarial review of the Loss and Loss Adjustment Expenses Reserves for Drive NJ was done by Thomas Botsko, ACAS, MAAA. This review was performed in connection with the Ohio Insurance Department's December 31, 2022, risk focused examination of the Progressive Group.

Thomas Botsko, ACAS, MAAA Actuarial report was reviewed by the Property and Casualty Actuarial Division of the NJDOBI.

On the basis of this review, the Company's gross and net reserves were determined to be reasonable, and the balance will be accepted as stated. Net loss reserves, as reported by the Company and as determined by this examination, totaled \$45,001,030. Net loss adjustment expense reserves, as reported by the Company and as determined by this examination, totaled \$7,337,071.

NOTE 3: SURPLUS AS REGARDS POLICYHOLDERS

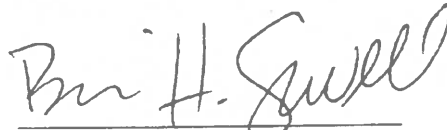
Unassigned Funds (Surplus)

The Company reported surplus as regards to policyholders as of December 31, 2022, of \$74,820,680 which consisted common capital stock of \$3,504,000, gross paid in and contributed surplus of \$39,596,000 and unassigned funds of \$31,720,680.

CONCLUSION

The undersigned hereby certifies that an examination has been made of Drive NJ, and the foregoing report is true to the best of my knowledge and belief.

Respectfully Submitted,



Brian H Sewell, CFE
Examiner-in-charge
Noble Consulting Services Inc.
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of,



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

AFFIDAVIT

I, Brian H. Sewell, the undersigned, hereby certify that the foregoing Report of Examination accurately discloses, to the best of my knowledge, all material and relevant information related to the financial condition of Drive NJ in accordance with the NAIC Handbook and New Jersey State Regulations.

Respectfully Submitted,

Brian H Sewell

Brian H Sewell, CFE
Examiner-in-charge
Noble Consulting Services Inc.
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of,

Nancy Lee Chice

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

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
day of May, 2024.

Margaret M. Greco, on this 29th

[Signature]
Notary Public of New Jersey

My commission expires:

3/17/2028

