



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
PILGRIM INSURANCE COMPANY

Boston, Massachusetts

As of December 31, 2012

NAIC GROUP CODE 0415

NAIC COMPANY CODE 21750

EMPLOYER ID NUMBER 04-3002627

PILGRIM INSURANCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
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COMMISSIONER OF INSURANCE

March 21, 2014

Honorable Joseph G. Murphy
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

PILGRIM INSURANCE COMPANY

at its home office located at 695 Atlantic Avenue, Boston, Massachusetts 02111. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Pilgrim Insurance Company ("the Company") was last examined as of December 31, 2007 by the Massachusetts Division of Insurance (the "Division"). The current examination was also conducted by the Division, and covers the period from January 1, 2008 through December 31, 2012, including any material transactions and/or events occurring subsequent to the examination date as noted during the course of this examination.

Concurrent with this examination, the following insurance affiliates in the Plymouth Rock Company Insurance Group were also examined and separate Reports of Examination have been issued:

Plymouth Rock Assurance Corporation
Bunker Hill Insurance Company
Bunker Hill Insurance Casualty Company

The examination was conducted in accordance with standards established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identify and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes 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. All accounts and activities of the company were considered in accordance with the risk-focused examination process.

In addition to a review of the financial condition of the Company, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bond and other insurance, employees' benefits plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Company is audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2008 through 2012. A review and use of the Certified Public Accountants' work papers was made to the extent deemed appropriate and effective. An independent consulting firm, Risk and Regulatory Consulting, LLC, was retained by the Division to evaluate the adequacy of the Company's loss and loss adjustment expense reserves as of December 31, 2012 and review the adequacy and effectiveness of the IT systems controls to determine the level of reliance to be placed on the information generated by the data processing systems.

SUMMARY OF SIGNIFICANT FINDINGS

During the course of the examination we did not become aware of any matters that rose to the level of a significant finding.

SUBSEQUENT EVENTS

We are not aware of any significant events subsequent to December 31, 2012.

COMPANY HISTORY

General

The Company, a stock company, was incorporated on July 6, 1987 under the laws of the Commonwealth of Massachusetts and commenced business on March 24, 1988. The Company is authorized to issue policies for fire, marine, accident & health, workers' compensation, automobile liability and physical damage, other liability, glass, water damage and sprinkler damage, theft and reinsurance.

Capital Stock

The Company's Articles of Organization authorized the Company to issue 19,000 shares of common stock with a par value of \$50 per share. The Company was initially capitalized with \$2,850,000, consisting of \$950,000 in capital stock and \$1,900,000 in paid-in and contributed surplus.

On May 2, 2012, the Company amended its Articles of Organization by changing its per-share par value from \$50 to \$136.85. As a result, the Company transferred \$1,650,150 from gross paid in and contributed surplus to common capital stock.

Dividends to Stockholders

The Company declared and paid the following dividends to its stockholder during the examination period:

2008	\$999,970
2009	-0-
2010	-0-
2011	-0-
2012	-0-

There were no declared but unpaid dividends as of December 31, 2012. In addition, the Company did not declare or pay extraordinary dividends during the examination period.

CORPORATE RECORDS

Board of Directors Minutes

The minutes of meetings of the Board of Directors for the period under statutory examination were read. The minutes indicated that all meetings were held in accordance with the Company's bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were reported at each meeting of the Board of Directors.

At their regularly scheduled meeting on June 25, 2009 the Board of Directors discussed the prior Report of Examination and signed affidavits acknowledging receipt of the reports.

Articles of Incorporation and Bylaws

The bylaws and Articles of Organization and amendments thereto were read. On May 2, 2012, the Company amended its Articles of Organization by changing its per-share par value from \$50.00 to \$136.85 in order to satisfy capital and surplus requirements to become licensed in New Jersey.

Conflict of Interest Procedures

The Company has a policy pertaining to conflict of interest. In support of its answer to Question 14 of the General Interrogatories of the Annual Statement, the Company has an established procedure for the disclosure to the Board of Directors of any material interest or affiliation on the part of any officer or director or responsible employee which is in or is likely to conflict with his/her official duties. Annually, each officer or director or responsible employee completes a questionnaire disclosing any material conflicts of interests. The completed questionnaires were reviewed and no discrepancies were noted to contradict the Company's response to the General Interrogatory regarding conflicts of interests reported in the Company's 2012 Annual Statement.

Disaster Recovery and Business Continuity

The Company provides for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with Massachusetts General Law ("MGL") Chapter 175, Sections 180M-180Q.

MANAGEMENT AND CONTROL

Board of Directors

According to the bylaws, the Company's business shall be managed by a Board of Directors which may exercise all of the powers of the Company except as otherwise provided by the Articles of Organization, by law, or by the bylaws. The Board of Directors shall consist of not fewer than five Directors with the number to be determined at each Annual Meeting by vote of the stockholders. Each Director shall hold office until the next Annual Meeting. Upon death,

Pilgrim Insurance Company

removal, or resignation, his or her successor shall be elected by either the stockholders or the Directors. At December 31, 2012, the Company's Board of Directors consisted of the following individuals:

<u>Name of Director</u>	<u>Title</u>
Christopher B. Olie	President of Plymouth Rock Assurance Corporation
Frederick C. Childs	Vice President of SRB Corporation
Dennis A. DiMarzio	Retired
Paula W. Gold	Chief Regulatory Counsel of Plymouth Rock Assurance Corporation
William D. Hartranft	Vice President /CFO of Plymouth Rock Assurance Corporation
Eugene J. Meyung	Retired

Committees of the Board of Directors

The bylaws allow that the Directors may elect from their number an executive committee and such other committees as they may determine. There were no committees of the Board of Directors during the period of examination. However, the audit committee of the parent, The Plymouth Rock Company Incorporated, also serves as the audit committee of the Company. The membership consists of Director Rosenthal (Chair), Director Belodoff, Director Kidd, and Director Johnston. In addition, the investment committee of an affiliate is charged with authorizing and approving investments for the Company consistent with the Investment Guidelines adopted by the Board. The membership consists of the following Directors from affiliated entities: Director Stone, Director Bailey, and Director Belodoff.

Officers

According to the Company's bylaws the officers of the Company shall be a President, a Treasurer, a Secretary, and such other officers as the Board of Directors may elect or appoint. Pursuant, to the bylaws, the officers of the Company shall be elected by the Board of Directors at its first meeting after the Annual Meeting. If any office becomes vacant, the Board of Directors may elect a successor.

Officers of the Company at December 31, 2012 are as follows:

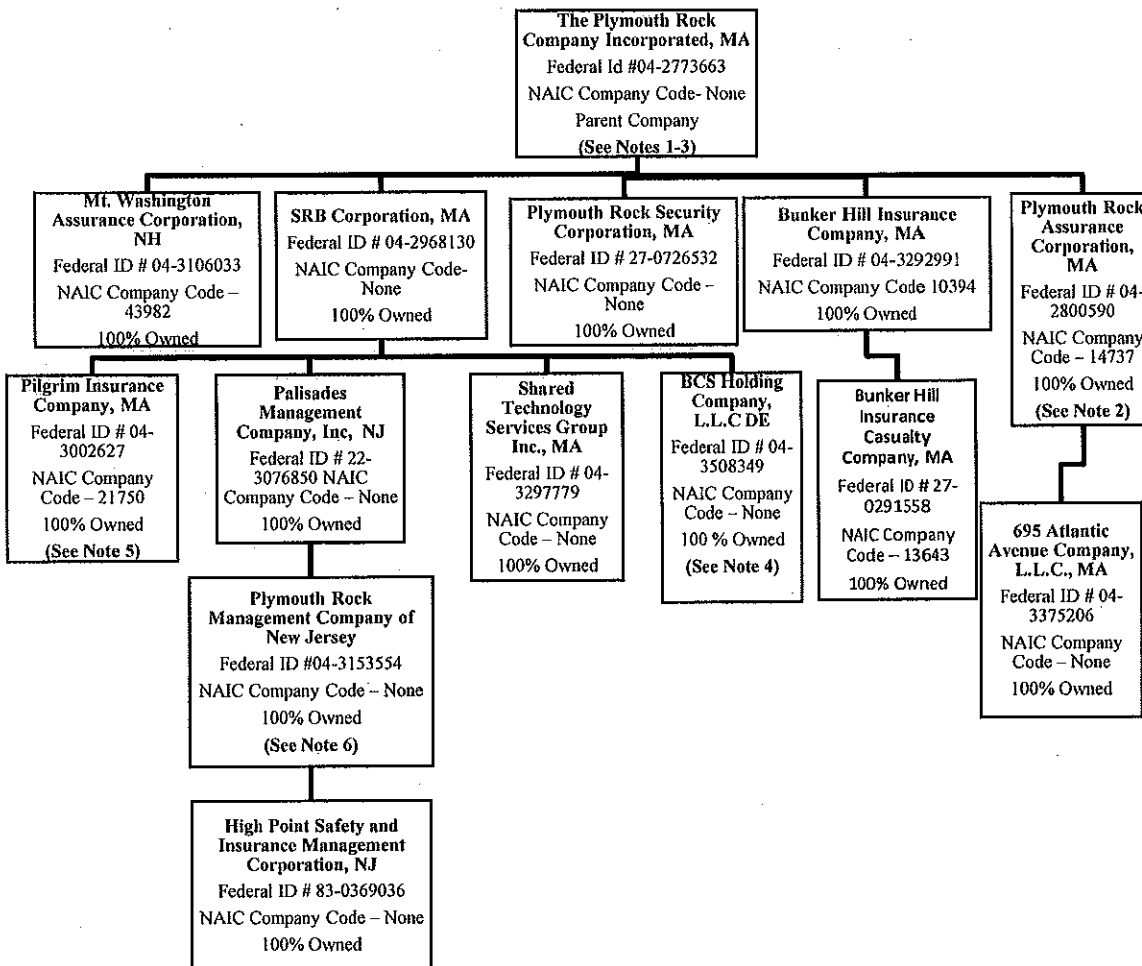
<u>Name of Officer</u>	<u>Title</u>
William D. Hartranft	President; Secretary
Frederick C. Childs	Treasurer

Pilgrim Insurance Company

Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of MGL, Chapter 175, Section 206C and regulation 211 CMR 7.00. The Plymouth Rock Company Incorporated is the "ultimate controlling person" for twenty entities, including five insurance and fifteen non-insurance entities.

Organizational Chart



Notes:

1. The Plymouth Rock Company owns 25,590 shares of common stock, approximately 9.8% of the total number of understanding shares of Homesite Group Incorporated ("HGI"), DE. There is no controlling shareholder of HGI. Although several shareholders each currently own more than 10% of the outstanding capital stock of HGI, no party can elect a majority of the board of directors of HGI thereby negating the power in any party to direct or cause the direction of the management and policies of HGI. Federal ID #04-3361207, NAIC Company Code- None.
2. The Plymouth Rock Company and Plymouth Rock Assurance Corporation own 99% and 1% respectively, of Windmill Point Finance Company, L.L.C., MA; Federal ID# 04-3314857, NAIC Company Code-None.
3. The Plymouth Rock Company owns 100% of 99 Bedford Corporation MA; Federal ID #04-3286956, NAIC Company Code-None.
4. BCS Holding Company L.L.C owns 100% of the following entities: Encharter Insurance, L.L, MA, Federal ID #06-1664611, NAIC Company Code-None, and Encharter Insurance, L.L.C., CT Federal ID #30-0206265, NAIC Company Code- None
5. Pilgrim Insurance Company own 100% of Pilgrim Risk Management, L.L.C., MA; Federal ID# 20-2834400, NAIC Company Code - None.
6. Plymouth Rock Management Company of New Jersey owns 100% of the following entities: National Atlantic Insurance Agency, NJ; Federal ID#22-3367170, NAIC Company Code-None, and High Point Brokerage Company, Inc., NJ; Federal ID #22-3605411, NAIC Company Code -None.

Pilgrim Insurance Company

Transactions and Agreements with Subsidiaries and Affiliates

Administrative Services Agreements

The Company receives certain accounting, management and other services from its affiliates. Fees charged for these services are negotiated annually.

Tax Sharing Agreement

The Company participates in a tax allocation agreement with its eligible affiliates. The allocation method is based upon the respective tax liability of each member computed as if a separate return were filed, in accordance with the Internal Revenue Code. Inter-company tax balances are settled quarterly and after the tax filing is made in September.

Reinsurance Agreements

See the reinsurance section for a discussion of intercompany reinsurance agreements.

FIDELITY BONDS AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, consistent with MGL, Chapter 175, Section 60. The aggregate limit of liability exceeds the NAIC suggested minimum.

The Company has further protected its interests and property by policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts, and the policies were in force as of December 31, 2012.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company offers various insurance plans, including group and family life, dental and health coverage, and long-term disability to all eligible employees. The Company offers a Savings and Investment Plan under Section 401 (k) of the Internal Revenue Code to all employees. This Plan, which is a defined contribution plan, covers all participating employees of the Company beginning with the month following the date of employment.

TERRITORY AND PLAN OF OPERATION

The Company is licensed to write business in Massachusetts and New Jersey.

The Company operated as a servicing company specializing in servicing automobile coverage. All written premiums were serviced on behalf of client companies (including an affiliate of the Company) or Commonwealth Automobile Reinsurers ("CAR"), an involuntary automobile reinsurance pool. All premiums were 100% ceded to the client companies, a reinsurer, or CAR. Services provided by the Company include policy processing, billing, risk selection, claim

Pilgrim Insurance Company

management, loss management, loss prevention, insurance administration, accounting, and reporting.

Policy Forms and Underwriting Practices

The Company offers primarily automobile coverage utilizing policy forms, riders and endorsements that are subject to the approval of the individual state insurance departments.

Treatment of Policyholders

During the financial examination of the Company, the Division's Market Conduct Department initiated a comprehensive market conduct examination of the Company for the period January 1, 2012 through December 31, 2012. The market conduct examination was called pursuant to authority in MGL, Chapter 175, Section 4.

The market conduct examination is being conducted at the direction of, and under the overall management and control of, the market conduct examination staff of the Division. Representatives from the firm of Rudmose & Noller Advisors LLC were engaged to complete certain agreed upon procedures which were developed using the guidance and standards of the NAIC Market Regulation Handbook, the market conduct examination standards of the Division, and the Commonwealth of Massachusetts insurance laws, regulations and bulletins.

The basic business areas that are being reviewed under this market conduct examination are Company Operations/Management; Complaint Handling; Marketing and Sales; Producer Licensing; Policyholder Services; Underwriting and Rating; Claims, in addition to an assessment of the Company's internal control environment. Once the market conduct examination is completed a Report on the Comprehensive Market Conduct Examination of the Company for the period January 1, 2012 through December 31, 2012 will be issued and become available as a public document.

GROWTH OF COMPANY

The growth of the Company for the years 2008 through 2012 is shown in the following schedule, which was prepared from the Company's annual statements.

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Direct Premiums Written</u>	<u>Net Premiums Written</u>
2008	\$30,623,279	\$21,618,687	\$9,004,592	\$53,376,885	\$0
2009	29,980,366	18,928,735	11,051,631	42,658,711	0
2010	53,645,752	41,889,608	11,756,144	37,892,292	27,856,497
2011	48,162,146	35,337,702	12,824,444	30,475,621	19,661,379
2012	51,454,679	37,516,565	13,938,114	24,044,733	22,358,580

Pilgrim Insurance Company

REINSURANCE

Intercompany Pooling Arrangements

Effective January 1, 2010, the Company participates in an intercompany pooling agreement that combines underwriting results with other affiliated entities. Effective January 1, 2012 the pooling agreement was modified with Bunker Hill Insurance Casualty Company removed from participation. The participation percentages for 2012 and 2011 were:

	<u>2012</u>	<u>2011</u>
Plymouth Rock Assurance Corp	92%	89%
Pilgrim Insurance Co.	8%	8%
Bunker Hill Insurance Casualty	0%	3%

Ceded Reinsurance

The company has client agreements with a number of insurance companies to provide policy processing, loss prevention, insurance administration, accounting, and reporting to private passenger auto residual market clients. 100% of the premium is ceded to other insurers or to a reinsurer.

ACCOUNTS AND RECORDS

The internal control structure was discussed with management through questionnaires, interviews and through a review of the work performed by the Company's Independent Certified Public Accountants. No material deficiencies were noted.

The NAIC provides a questionnaire covering the evaluation of the controls in the IT systems environment. The questionnaire was completed by the Company and reviewed by the Division to evaluate the adequacy of the IT controls. In addition to the questionnaire, interviews with Company staff were conducted to gather supplemental information and corroborate the Company's responses to the questionnaire. A review was also made of the documentation supporting Management and Organization Controls, Application Systems Development and Maintenance Controls, Operating and Processing Controls, Logical and Physical Security Controls, Contingency Planning Controls, Personal Computer, Local Area Network ("LAN"), Wide Area Network ("WAN") and Internet Controls. No material deficiencies were noted.

The Company maintains its accounts and records on an electronic data processing basis. All entries are input to this data processing system, which then generates general ledger and supporting reports as well as other reports common to the insurance industry. No material exceptions were noted.

The books and records of the Company are audited annually by PricewaterhouseCoopers LLP, independent Certified Public Accountants, in accordance with 211 CMR 23.00 and 211 CMR 26.00.

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division of Insurance and by the NAIC as of December 31, 2012:

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2012

Statement of Income for the Year Ended December 31, 2012

Statement of Capital and Surplus for the Year Ended December 31, 2012

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2012

Pilgrim Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2012

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	\$27,360,428	\$0	\$27,360,428
Common Stock	6,339,869		6,339,869
Cash and short term investments	1,829,832		1,829,832
Other Invested Assets	1,791,067		1,791,067
Subtotals, cash and invested assets	<u>37,321,196</u>	<u>0</u>	<u>37,321,196</u>
Investment income due and accrued	402,125		402,125
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	4,374,327		4,374,327
Deferred premiums, agents' balances and installments booked	4,977,314		4,977,314
Amounts recoverable from reinsurance	2,080,175		2,080,175
Current federal and foreign income tax recoverable and interest thereon	218,402		218,402
Net deferred tax asset	1,016,069		1,016,069
Electronic data processing equipment and software	94,641		94,641
Receivables from parent, subsidiaries and affiliates	17,500		17,500
Aggregate write ins for other than invested assets	952,930		952,930
Total Assets	<u>\$51,454,679</u>	<u>\$0</u>	<u>\$51,454,679</u>

Pilgrim Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds (continued)
As of December 31, 2012

Liabilities	As Reported by the Company	Examination Changes	Per Statutory Examination	Notes
Losses	\$7,475,304	\$0	\$7,475,304	(1)
Reinsurance payable on paid losses and loss adjustment expenses	3,831,304		3,831,304	
Loss adjustment expenses	1,307,910		1,307,910	(1)
Commissions payable, contingent commissions and other similar charges	194,241		194,241	
Other expenses	1,704,607		1,704,607	
Taxes, licenses and fees	45,812		45,812	
Unearned premiums	11,065,662		11,065,662	
Ceded reinsurance premiums payable	7,259,353		7,259,353	
Remittances and items not allocated	53,131		53,131	
Payable to parent, subsidiaries and affiliates	780,135		780,135	
Aggregate write-ins for liabilities	3,799,106		3,799,106	
Total Liabilities	<u>37,516,565</u>	<u>0</u>	<u>37,516,565</u>	
Common capital stock	2,600,150		2,600,150	
Gross paid in and contributed surplus	307,972		307,972	
Unassigned funds (surplus)	<u>11,029,992</u>		<u>11,029,992</u>	
Surplus as regards policyholders	<u>13,938,114</u>	<u>0</u>	<u>13,938,114</u>	
Total Liabilities, Surplus and Other Funds	<u>\$51,454,679</u>	<u>\$0</u>	<u>\$51,454,679</u>	

Pilgrim Insurance Company
Statement of Income
For the Year Ended December 31, 2012

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums earned	\$21,047,246	\$0	\$21,047,246
Deductions:			
Losses incurred	12,393,201		12,393,201
Loss adjustment expenses incurred	2,691,422		2,691,422
Other underwriting expenses incurred	6,782,880		6,782,880
Aggregate write-ins for underwriting deductions	(1,173,237)		(1,173,237)
Total underwriting deductions	20,694,266	0	20,694,266
Net underwriting gain (loss)	352,980	0	352,980
Net investment income earned	576,706		576,706
Net realized capital gains or (losses) less capital gains tax	87,192		87,192
Net investment gain (loss)	663,898	0	663,898
Net gain (loss) from agents' or premium balances charged off	(174,832)		(174,832)
Finance and service charges not included in premiums	286,433		286,433
Aggregate write-ins for miscellaneous income	493		493
Total Other Income	112,094	0	112,094
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,128,972		1,128,972
Federal and foreign income taxes incurred	244,920	0	244,920
Net income (loss)	\$884,052	\$0	\$884,052

Pilgrim Insurance Company
Statement of Capital and Surplus
For the Year Ended December 31, 2012

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus as regards policyholders, December 31 prior year	\$12,824,444	\$0	\$12,824,444
Net income (loss)	884,052		884,052
Change in net unrealized capital gains or (losses) less tax	712,772		712,772
Change in net deferred income tax	(83,557)		(83,557)
Change in nonadmitted assets	(399,597)		(399,597)
Capital changes Paid in	1,650,150		1,650,150
Surplus adjustment Paid in	(1,650,150)		(1,650,150)
Change in surplus as regards policyholders for the year	<u>1,113,670</u>	<u>0</u>	<u>1,113,670</u>
Surplus as regards policyholders, December 31 current year	<u>\$13,938,114</u>	<u>\$0</u>	<u>\$13,938,114</u>

Pilgrim Insurance Company
Reconciliation of Capital and Surplus
For Each Year in the Five-Year Period Ended December 31, 2012

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Surplus as regards policyholders, December 31 prior year	\$12,824,444	\$11,756,144	\$11,051,631	\$9,004,592	\$10,219,920
Net income (loss)	884,052	1,017,534	(580,765)	329,946	488,961
Change in net unrealized capital gains or (losses) less tax	712,772	(134,356)	326,654	701,992	(644,549)
Change in net deferred income tax	(83,557)	(322,485)	967,607	(172,951)	(209,533)
Change in nonadmitted assets	(399,597)	507,607	(8,983)	1,188,052	149,763
Capital changes Paid in	1,650,150	0	0	0	0
Surplus adjustment Paid in	(1,650,150)	0	0	0	0
Dividend to stockholders	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(999,970)</u>
Change in surplus as regards policyholders for the year	<u>1,113,670</u>	<u>1,068,300</u>	<u>704,513</u>	<u>2,047,039</u>	<u>(1,215,328)</u>
Surplus as regards policyholders, December 31 current year	<u>\$13,938,114</u>	<u>\$12,824,444</u>	<u>\$11,756,144</u>	<u>\$11,051,631</u>	<u>\$9,004,592</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1- Summary of Loss and Loss Adjustment Expense Reserves (“Loss and LAE Reserves”)

The Division engaged Risk and Regulatory Consulting, LLC (“RRC”) to review the reasonableness of the loss and LAE reserves of the Company as of December 31, 2012. The review was conducted in a manner consistent with the Code of Professional Conduct and the Qualification Standards of the American Academy of Actuaries and the Standard of Practice adopted by the Actuarial Standards Board.

Pilgrim Insurance Company and its affiliate, Plymouth Rock Assurance Corporation, held net loss and LAE reserves of approximately \$108.9 million as of December 31, 2012. These reserves are net of anticipated salvage and subrogation and assumed and ceded reinsurance.

Risk and Regulatory Consulting, LLC’s actuarial review utilized accident year paid and incurred loss data at annual valuations through December 31, 2012. RRC’s actuarial central estimate of the net loss and LAE reserves is \$113.0 million. RRC also calculated a range of estimates that it considered reasonable and acceptable. The overall reasonable range of estimates extends from \$107.3 million to \$118.6 million.

The results of RRC’s actuarial review indicated that the Company’s recorded net loss and LAE reserves at December 31, 2012 fell within the range of reasonable estimates for all unpaid loss and LAE obligations of the Company under the terms of its policies and reinsurance agreements. RRC determined that the estimates are reasonable.

The table below summarizes a comparison of RRC’s range of reasonable estimates for loss and LAE reserves to the Company’s net carried loss and LAE reserves as of December 31, 2012. All amounts shown are in millions:

	Low Point of Range	Select Estimate	High Point of Range
RRC Estimate	\$107.3	\$113.0	\$118.6
Company Carried	108.9	108.9	108.9
Company Carried over/ (Under) RRC	1.6	(4.1)	(9.7)

While RRC’s actuarial review indicates that the Company’s recorded net Loss and LAE reserves of \$108.9 million as of December 31, 2012 are reasonable, the reserves are very near the low point of RRC’s range. Management has sole responsibility for determining and recording its best estimate of the loss and loss adjustment expense liabilities in its Annual Statement. Management is encouraged to undertake a conservative approach in its evaluation of the loss and loss adjustment expense liabilities as of each valuation date. The Division recommends that the Company increase its loss reserves to a level at or above the RRC Select Estimate.

SUMMARY OF RECOMMENDATIONS


There are no material recommendations in this examination report.

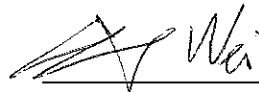
ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by Risk and Regulatory Consulting, LLC and by the following Massachusetts Division of Insurance examiners who participated in this examination hereby is acknowledged.

Carla Mallqui, AFE, Financial Examiner II
Steve Tsimtsos, CFE, Financial Examiner II



Robert Dynan, CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance

Guangping Wei, CFE
Examiner-in-Charge
Commonwealth of Massachusetts
Division of Insurance