



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

REPORT OF EXAMINATION OF THE
PLYMOUTH ROCK ASSURANCE CORPORATION

Boston, Massachusetts

As of December 31, 2012

NAIC GROUP CODE 0415

NAIC COMPANY CODE 14737

EMPLOYER ID NUMBER 04-2800590

PLYMOUTH ROCK ASSURANCE CORPORATION

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

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JOSEPH G. MURPHY
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

PLYMOUTH ROCK ASSURANCE CORPORATION

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

SCOPE OF EXAMINATION

The Plymouth Rock Assurance Corporation ("the Corporation") 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 Group were also examined and separate Reports of Examination have been issued:

Bunker Hill Insurance Company
Bunker Hill Insurance Casualty Company
Pilgrim Insurance Company

The examination was conducted in accordance with standards and procedures 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 Corporation by obtaining information about the Corporation, including corporate governance, identifying and assessing inherent risks within the Corporation, 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 Corporation were considered in accordance with the risk-focused examination process.

In addition to a review of the financial condition of the Corporation, the examination included a review of the Corporation'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 Corporation 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 Corporation is audited annually by PricewaterhouseCoopers LLP, ("PwC") an independent certified public accounting firm. The firm expressed unqualified opinions on the Corporation's financial statements for the calendar years 2008 through 2012. A review and use of the Certified Public Accountants' workpapers were made to the extent deemed appropriate and effective. An independent consulting firm, Risk and Regulatory Consulting, LLC, ("RRC") was retained by the Division to evaluate the adequacy of the Corporation'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 Corporation, a stock company, was incorporated on December 21, 1982 under the laws of the Commonwealth of Massachusetts and commenced business on October 1, 1983. The Corporation is authorized to issue policies including, fire, burglary, robbery, theft, repair – replacement, ocean & inland marine, reinsurance except life, comprehensive motor vehicle & aircraft, personal property floater, accident & health, workers' compensation, automobile liability, liability other than automobile, glass, and water damage & sprinkler leakage.

The Corporation is authorized to transact business in Connecticut and Rhode Island as well as Massachusetts.

Capital Stock

The Corporation's Articles of Organization authorized the Corporation to issue 10,000 shares of common stock with a par value of \$50 per share. In 1982, the Corporation was initially capitalized through the issuance of 10,000 shares of common stock at a price of \$300 per share, as prescribed by Massachusetts General Law ("M.G.L."), Chapter 175, Section 48. The \$300 initial capitalization consisted of \$50 of common capital stock and \$250 of paid-in and contributed surplus, which produced capital of \$500,000 and paid-in and contributed surplus of \$2,500,000. During 1983, the Articles of Organization were amended to change the par value from \$50 to \$95. This resulted in an increase on common capital stock of \$450,000 and a decrease in gross paid-in and contributed surplus of \$450,000.

In 1984, an additional \$166,345 was contributed as gross paid-in capital. During 1997, the Articles of Organization were amended to change the par value to \$100 per share. Common capital stock was increased by \$50,000, and gross paid-in and contributed capital was decreased by \$50,000.

The Corporation's parent, The Plymouth Rock Company Incorporated, owns all the outstanding shares of common stock of the Corporation. As of December 31, 2012, the Corporation had issued and outstanding 10,000 shares of common stock with an aggregate par value of \$1,000,000.

Plymouth Rock Assurance Corporation

Dividends to Stockholders

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

2008	\$7,500,000
2009	-0-
2010	-0-
2011	\$6,000,000
2012	\$7,500,000

There were declared but unpaid dividends as of December 31, 2012 in the amount of \$2,500,000.

CORPORATE RECORDS

Board of Directors Minutes

The minutes of meetings of the Board of Directors and its Committees for the period under examination were read and they 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 ratified at meetings of the Board of Directors.

In accordance with an action by unanimous written consent of the Board of Directors without a meeting dated June 11, 2009, the Board of Directors adopted a resolution that the prior Report of Examination was reviewed and accepted by the Board.

Articles of Incorporation and Bylaws

The bylaws and Articles of Organization and amendments thereto were read. There were no changes to the bylaws or Articles of Organization since the prior examination.

Conflict of Interest Procedures

The Corporation 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 Corporation 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 Corporation's response to the General Interrogatory regarding conflicts of interests reported in the Corporation's 2012 Annual Statement.

Plymouth Rock Assurance Corporation

Disaster Recovery and Business Continuity

The Corporation provides for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with M.G.L., Chapter 175, Sections 180M-180Q.

MANAGEMENT AND CONTROL

Board of Directors

According to the bylaws, the Corporation's business shall be managed by a Board of Directors which may exercise all of the powers of the Corporation 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, removal, or resignation, his or her successor shall be elected by either the stockholders or the Directors. At December 31, 2012, the Corporation's Board of Directors consisted of the following individuals:

<u>Name of Director</u>	<u>Title</u>
James Martin Stone	Chairman of the Board and CEO of The Plymouth Rock Company, Incorporated
James Nathan Bailey	Managing Director Cambridge Associates and Managing Director of Lewis, Bailey Associates, Inc
Wilmot Higgens Kidd, III	President Central Securities Corporation
Harold Ronnie Belodoff	President and Chief Operating Officer of The Plymouth Rock Company Incorporated
Norman Lee Rosenthal	Director and Consultant to Insurance Companies
Michael Joseph Johnston	Executive Vice President, The Capital Group, Inc

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 Corporation's parent company, The Plymouth Rock Company Incorporated, serves as the audit committee of the Corporation. The membership consists of Director Rosenthal (Chair), Director Belodoff, Director Kidd, and Director Johnston. In addition, the Investment Committee is charged with authorizing and approving investments for the Corporation consistent with the Investment

Plymouth Rock Assurance Corporation

Guidelines adopted by the Board. The membership consists of Director Stone, Director Bailey, and Director Belodoff.

Officers

The bylaws of the Corporation provide that the officers of the Corporation 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 Corporation 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 and management of the Corporation at December 31, 2012, in addition to those directors above are as follows:

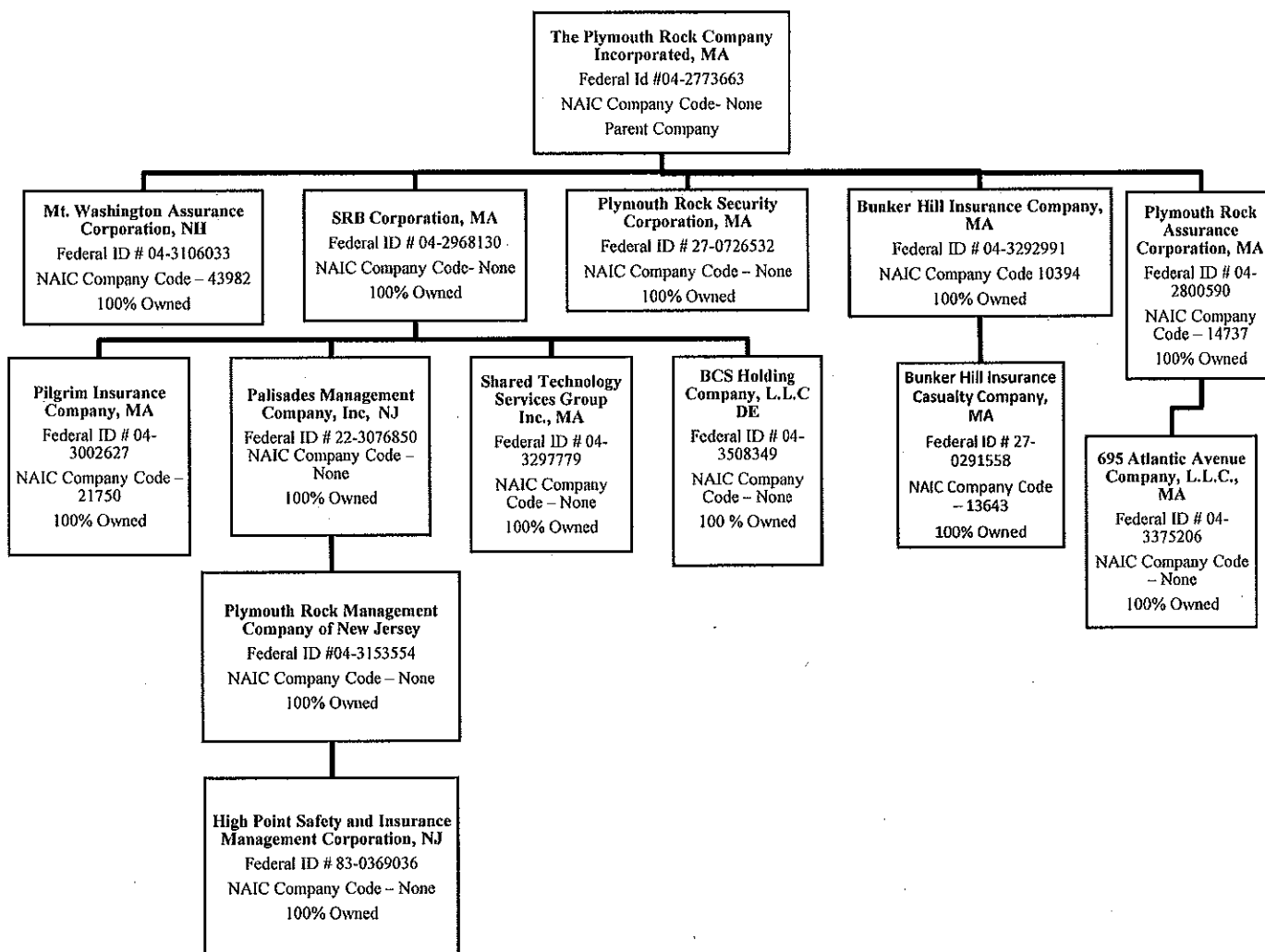
<u>Name of Officer</u>	<u>Title</u>
Christopher B. Olie	President
James N. Bailey	Treasurer; Secretary
Michael J. Cesinger	Vice President, Claims
William D. Hartranft	Vice President; Chief Financial Officer
Keith R. Jensen	Vice President; Chief Marketing Officer
Mary A. Sprong	Vice President; Chief Human Resources Officer
Basilios E. Tsingos	Vice President and General Counsel
Colleen M. Granahan	Assistant Secretary

Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Corporation is a member of a holding company system and is subject to the registration requirements of Section 206C of M.G.L., Chapter 175 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.

Plymouth Rock Assurance Corporation

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.

Plymouth Rock Assurance Corporation

Transactions and Agreements with Subsidiaries and Affiliates

Administrative Services Agreements

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

Sale of Subsidiary

On April 5, 2012, the Corporation sold Plymouth Rock Assurance Casualty Company ("PRACC") to Bunker Hill Insurance Company ("BHIC"). BHIC paid in cash \$4,971,261, a price considered by the Corporation to be equal to the fair market value of PRACC at the time. This resulted in a capital gain of \$141,261. Following the acquisition, the name of PRACC was changed to Bunker Hill Insurance Casualty Company.

Tax Sharing Agreement

The Corporation 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 Corporation maintains fidelity coverage with an authorized Massachusetts insurer, consistent with M.G.L., Chapter 175, Section 60. The aggregate limit of liability exceeds the NAIC suggested minimum. In addition, the Corporation has further protected its interests and property by acquiring 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 Corporation offers various insurance plans, including group and family life, dental and health coverage, and long-term disability to all eligible employees. The Corporation 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 Corporation beginning with the month following the date of employment.

TERRITORY AND PLAN OF OPERATION

The Corporation is licensed to write business in Massachusetts, Connecticut and Rhode Island. The principal lines of business are automobile liability and physical damage provided primarily to personal risks through its appointed independent agents.

Policy Forms and Underwriting Practices

The Corporation offers primarily personal property and liability 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 Corporation, the Division's Market Conduct Section initiated a comprehensive market conduct examination of the Corporation for the period January 1, 2012 through December 31, 2012. The market conduct examination was called pursuant to authority in M.G.L., 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 Corporation's internal control environment. Once this market conduct examination is completed, a Report on the Comprehensive Market Conduct Examination of the Corporation 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 Corporation for the years 2008 through 2012 is shown in the following schedule, which was prepared from the Corporation's annual statements.

Year	Admitted Assets	Liabilities	Surplus	Direct Premiums Written	Net Premiums Written
2008	\$400,206,618	\$292,077,459	\$108,129,159	\$231,774,625	\$227,213,920
2009	399,907,164	274,524,175	125,382,989	223,922,058	224,086,097
2010	372,796,330	235,290,977	137,505,353	217,593,058	196,962,103
2011	373,777,357	235,040,005	138,737,352	226,454,742	219,887,624
2012	405,024,412	260,117,375	144,907,037	259,439,252	260,781,548

Plymouth Rock Assurance Corporation

REINSURANCE

Intercompany Pooling Arrangements

Effective January 1, 2010, the Corporation participates in an intercompany pooling agreement that combines underwriting results with other affiliated entities. The Corporation is the lead company of the pool. Effective January 1, 2012 the pooling agreement was modified with Plymouth Rock Assurance 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%
Plymouth Rock Assurance Casualty	0%	3%

Ceded Reinsurance

The Corporation cedes a small amount of reinsurance to unaffiliated reinsurers for the purposes of managing their exposure to large losses. For the year ended December 31, 2012, the total amount of premium ceded to non-affiliates was \$445,860.

Assumed Reinsurance

The Corporation has entered into a 100% reinsurance agreement with an affiliate, Mt. Washington Assurance Corporation. Under the terms of the agreement, the Corporation assumes all homeowners, umbrella, and automobile insurance risks of Mt. Washington Assurance Corporation for policies it has written and will write in the future. At December 31, 2012, the Corporation had \$12,463,572 and \$6,561,037 of premiums written and unearned premiums respectively, included in their accounts as a result of this reinsurance assumed.

The Corporation assumes personal motor vehicle business from Commonwealth Automobile Reinsurers, an involuntary automobile reinsurance pool. At December 31, 2012, the Corporation had \$1,539,264 of premiums written and \$687,845 of unearned premiums respectively, included in their accounts as a result of this reinsurance assumed.

ACCOUNTS AND RECORDS

The internal control structure was discussed with management through questionnaires, interviews and through a review of the work performed by the Corporation's Independent Certified Public Accountants. Testing of key underwriting and claim internal controls was performed. 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 Corporation and reviewed by the Division to evaluate the adequacy of the IT controls. In addition to the questionnaire, interviews with Corporation staff were conducted to gather supplemental information and corroborate the Corporation'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 Corporation 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 Corporation are audited annually by PricewaterhouseCoopers LLP, independent Certified Public Accountants, in accordance with 211 CMR 23.00 and 211 CMR 26.00.

Plymouth Rock Assurance Corporation

STATUTORY DEPOSITS

The Corporation's statutory deposits as of December 31, 2012 are as follows:

Jurisdiction	Description of Deposit	Par Value	Statement Value	Market Value
Massachusetts	U.S Treasury Note 4.25% Due2013	110,000	113,820	113,872
Rhode Island	U.S Treasury Note 4.25% Due2013	500,000	517,363	517,600
		<u>\$610,000</u>	<u>\$631,183</u>	<u>\$631,472</u>

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

Plymouth Rock Assurance Corporation
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	\$144,723,808	\$0	\$144,723,808
Common stocks	66,469,623		66,469,623
Mortgage loans on real estate			
First liens	6,512,123		6,512,123
Cash and short term investments	1,853,266		1,853,266
Other invested assets	78,262,021		78,262,021
Receivable for securities	2,337		2,337
Subtotals, cash and invested assets	<u>297,823,178</u>	<u>0</u>	<u>297,823,178</u>
Investment income due and accrued	4,744,620		4,744,620
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	15,819,991		15,819,991
Deferred premiums, agents' balances and installments booked but deferred and not yet due	71,418,312		71,418,312
Reinsurance:			
Amounts recoverable from reinsurers	4,477,806		4,477,806
Current federal and foreign income tax	2,071,006		2,071,006
Net deferred tax asset	5,999,945		5,999,945
Electronic data processing equipment and software	592,146		592,146
Receivables from parent, subsidiaries and affiliates	2,063,452		2,063,452
Aggregate write-ins for other than invested assets	13,956		13,956
 Total Assets	 <u>\$ 405,024,412</u>	 <u>\$0</u>	 <u>\$405,024,412</u>

Plymouth Rock Assurance Corporation
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	\$85,965,999	\$0	\$85,965,999	(1)
Reinsurance payable on paid losses and loss adjustment expenses	1,558,912		1,558,912	
Loss adjustment expenses	15,040,967		15,040,967	(1)
Commissions payable, contingent commissions and other similar charges	6,662,576		6,662,576	
Other expenses	8,923,038		8,923,038	
Taxes, licenses and fees	969,953		969,953	
Unearned premiums	127,255,129		127,255,129	
Advance premium	5,441,451		5,441,451	
Dividends declared and unpaid:				
Stockholders	2,500,000		2,500,000	
Ceded reinsurance premiums payable	4,005,187		4,005,187	
Funds held by company under reinsurance treaties	1,093,679		1,093,679	
Remittances and items not allocated	88,774		88,774	
Payable to parent, subsidiaries and affiliates	598,352		598,352	
Aggregate write-ins for liabilities	13,358		13,358	
Total Liabilities	260,117,375	0	260,117,375	
Common capital stock	1,000,000		1,000,000	
Gross paid in and contributed surplus	2,166,346		2,166,346	
Unassigned funds (surplus)	141,740,691		141,740,691	
Surplus as regards policyholders	144,907,037	0	144,907,037	
Total Liabilities, Surplus and Other Funds	\$405,024,412	\$0	\$405,024,412	

Plymouth Rock Assurance Corporation
Statement of Income
For the Year Ended December 31, 2012

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums earned	\$242,043,325	\$0	\$242,043,325
Deductions:			
Losses incurred	142,521,809		142,521,809
Loss adjustment expenses incurred	30,951,359		30,951,359
Other underwriting expenses incurred	78,003,116		78,003,116
Aggregate write-ins for underwriting deductions	(13,492,229)		(13,492,229)
Total underwriting deductions	237,984,055	0	237,984,055
Net underwriting gain (loss)	4,059,270	0	4,059,270
Net investment income earned	7,263,157		7,263,157
Net realized capital gains or (losses) less capital gains tax	489,571		489,571
Net investment gain (loss)	7,752,728	0	7,752,728
Net gain(loss) from agents' or premium balances charged off	(1,015,012)		(1,015,012)
Finance and service charges not included in premiums	3,328,803		3,328,803
Total other income	2,313,791	0	2,313,791
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	14,125,789		14,125,789
Federal and foreign income taxes incurred	5,424,243		5,424,243
Net income (loss)	\$8,701,546	\$0	\$8,701,546

Plymouth Rock Assurance Corporation
Statement of Capital and Surplus
For the Year Ended December 31, 2012

	<u>As Reported by the Company</u>	<u>Examination Changes</u>	<u>Per Statutory Examination</u>
Surplus as regards policyholders, December 31 prior year	\$138,737,352	\$0	\$138,737,352
Net income (loss)	8,701,546		8,701,546
Change in net unrealized capital gains or (losses)			
less capital gains tax	3,840,811		3,840,811
Change in net deferred income tax	1,313,582		1,313,582
Change in nonadmitted assets	(186,254)		(186,254)
Dividend to stockholders	(7,500,000)		(7,500,000)
Change in surplus as regards policyholders for the year	<u>6,169,685</u>	<u>0</u>	<u>6,169,685</u>
Surplus as regards policyholders, December 31 current year	<u>\$144,907,037</u>	<u>\$0</u>	<u>\$144,907,037</u>

Plymouth Rock Assurance Corporation
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	\$138,737,352	\$137,505,353	\$125,382,989	\$108,129,159	\$122,411,535
Net income (loss)	8,701,546	6,440,676	16,005,669	1,319,239	10,741,969
Change in net unrealized capital gains or (losses) less capital gains tax	3,840,811	(536,200)	1,740,753	8,517,799	(17,161,222)
Change in net deferred income tax	1,313,582	193,147	(4,971,433)	3,681,978	(2,843,573)
Change in nonadmitted assets	(186,254)	1,134,376	(652,625)	3,734,814	2,480,450
Dividend to stockholders	<u>(7,500,000)</u>	<u>(6,000,000)</u>	<u>0</u>	<u>0</u>	<u>(7,500,000)</u>
Change in surplus as regards policyholders for the year	<u>6,169,685</u>	<u>1,231,999</u>	<u>12,122,364</u>	<u>17,253,830</u>	<u>(14,282,376)</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$144,907,037</u></u>	<u><u>\$138,737,352</u></u>	<u><u>\$137,505,353</u></u>	<u><u>\$125,382,989</u></u>	<u><u>\$108,129,159</u></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 to review the reasonableness of the loss and LAE reserves of the Corporation 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 Standards of Practice adopted by the Actuarial Standards Board.

Plymouth Rock Assurance Corporation and its affiliate, Pilgrim Insurance Company, 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 (“RRC”) 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 Corporation’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 Corporation 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 Corporation’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
Corporation Carried	108.9	108.9	108.9
Corporation Carried Over/ (Under) RRC	1.6	(4.1)	(9.7)

While RRC’s actuarial review indicates that the Corporation’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 Corporation increase its loss reserves to a level at or above the RRC Select Estimate.

SUMMARY OF RECOMMENDATIONS


There are no material recommendations included in this examination report.

ACKNOWLEDGMENT

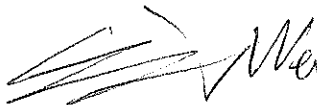
Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of the Corporation during the examination.

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.

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