



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

***REPORT OF EXAMINATION OF***  
**ASSOCIATED INDUSTRIES OF MASSACHUSETTS MUTUAL INSURANCE**  
**COMPANY**

**Burlington, Massachusetts**

**As of December 31, 2018**

**NAIC GROUP CODE 2498**

**NAIC COMPANY CODE 33758**

**EMPLOYER ID NUMBER 22-2946313**

Associated Industries of Massachusetts Mutual Insurance Company

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**COMMONWEALTH OF MASSACHUSETTS**  
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**DIVISION OF INSURANCE**

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COMMISSIONER OF INSURANCE

May 29, 2020

The Honorable Gary D. Anderson  
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, and other applicable statutes, an examination has been made of the financial condition and affairs of

**ASSOCIATED INDUSTRIES OF MASSACHUSETTS MUTUAL INSURANCE  
COMPANY**

at its home office located at 54 Third Avenue, Burlington, Massachusetts, 01803. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

Associated Industries of Massachusetts Mutual Insurance Company (“A.I.M. Mutual” or “Company”) was last examined as of December 31, 2013 by the Massachusetts Division of Insurance (“Division”). The current examination was also conducted by the Division and covers the five-year period from January 1, 2014 through December 31, 2018, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

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

Associated Employers Insurance Company  
Massachusetts Employers 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 examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws (“M.G.L.”), Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by Ernst & Young LLP (“E&Y”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for calendar years 2014 through 2018. A review and use of the Certified Public Accountants’ work papers were made to the extent deemed appropriate and effective.

BakerTilly Virchow Krause, LLP (“BakerTilly”), was engaged by the Division to evaluate the adequacy of the Company’s loss and loss adjustment expense reserves as of December 31, 2018 and to perform a review of IT.

## **SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

Massachusetts General Laws Chapter 175 Section 64 requires that investment transactions ratified by the Board of Directors be recorded in the minutes. A review of the minutes showed that the investment transactions were not recorded in the minutes. This was noted as a recommendation in the prior examination report.

## **COMPANY HISTORY**

### **General**

The Company was originally organized as a reciprocal insurance exchange, named Massachusetts Employers Insurance Exchange ("MEIE"). The Company received a provisional Certificate of Authority effective December 9, 1988, commenced business on January 1, 1989 and received a permanent Certificate of Authority on June 9, 1989. MEIE was a cooperative organization where workers' compensation and employers' liability coverages had been provided on an exchange basis through mutual covenants executed among MEIE's subscribers and a designated attorney-in-fact for MEIE; the subscribers thereby insured one another. MEIE's subscribers were also members of MEIE's sponsoring organization: Associated Industries of Massachusetts, Inc. ("AIM"), a not-for-profit employer service organization.

During 1995, MEIE's subscriber members and its Board of Advisors approved a plan to convert MEIE from a reciprocal insurance exchange into a mutual insurance company. A Commissioner's Order dated January 25, 1996, approved the Plan of Conversion. On February 27, 1996, a Certificate of Authority was issued to the organization under the name "Associated Industries of Massachusetts Mutual Insurance Company".

As part of the Plan of Conversion and as required by statute, various aspects of MEIE's structure and obligations were to be addressed by the new company. Previously, subscribers were required to enter into a subscription agreement whereby the subscribers agreed to insure each other through the exchange of reciprocal contracts executed with MEIE's attorney-in-fact. The reciprocal insurance contracts issued through MEIE were endorsed and subsequently replaced by the Company's policies on the respective anniversary dates of coverage renewal.

Subscribers previously had committed to pay a surplus contribution equal to ten percent of the final annual premium for each of the first five years of their membership in the exchange. Following the conversion, the balance in each member's surplus contribution account remained unchanged. In accordance with the Plan of Conversion, the subscriber savings accounts were converted into interest bearing surplus notes in the Company with principal amounts, terms, and payment schedules equivalent to those of the subscriber savings accounts. As part of the conversion, AIM contributed its existing \$200,000 subordinated surplus note in exchange for \$200,000 of the Company's guaranty capital shares.

## Associated Industries of Massachusetts Mutual Insurance Company

On April 4, 1996, the Division designated the Company as a servicing carrier to the Massachusetts Workers' Compensation Assigned Risk Pool ("MWCARP") effective July 1, 1996. MWCARP is a residual market for workers' compensation coverage to those employers entitled to coverage. The Company also became a voluntary direct assignment carrier ("VDAC") to MWCARP effective January 1, 1998.

The Company has three wholly owned insurance subsidiaries; Associated Employers Insurance Company ("AEIC"), Massachusetts Employers Insurance Company ("MEIC") and Employers Security Assurance Company ("ESAC"), to offer rates different from A.I.M. Mutual. AEIC was formed in 2001, MEIC in 2007 and ESAC in 2008. In 2010, ESAC was re-domesticated to New Hampshire and the name was changed to New Hampshire Employers Insurance Company ("NHEIC"). All insurance subsidiaries participate in a reinsurance pooling agreement with A.I.M. Mutual whereby the subsidiary cedes 100% to A.I.M. Mutual but does not assume any percentage from the pool.

A.I.M. Mutual also has three wholly owned non-insurance subsidiaries, Associated Insurance Management, LLC (AIM, LLC, formerly Associated Insurance Management, Inc.), Associated Insurance Services, LLC (AIS, LLC), and the Fairway Agency, LLC (previously Employers Associated Insurance Agency, LLC).

### Guaranty Capital

As a mutual company, the Company has no capital stock. As a reciprocal insurance exchange, MEIE had entered into an unsecured subordinated surplus loan agreement on December 9, 1988 with AIM to satisfy the requirements of statute. By terms of the agreement, MEIE borrowed \$200,000 to be used as the unencumbered surplus of the exchange and repayment of the loan was subject to the prior approval of the Commissioner of Insurance.

In accordance with the Plan of Conversion, AIM contributed the \$200,000 subordinated surplus note it held in exchange for 2,000 shares of \$100 par value guaranty capital of the Company. The shares were issued on February 27, 1996, with an annual dividend rate of seven percent.

### Dividends to Shareholders

The Board of Directors ("Board") authorized dividends to be paid to the Company's shareholders during the period of examination amounting to \$70,000. The Company paid the following dividends during the five-year period of the examination:

Year	Shareholder Dividends Paid
2014	\$14,000
2015	\$14,000
2016	\$14,000
2017	\$14,000
2018	\$14,000

## Associated Industries of Massachusetts Mutual Insurance Company

### Dividends to Policyholders

The Board authorized dividends to be paid to the Company's policyholders during the period of examination amounting to \$544,426. The Company paid the following dividends during the five-year period of the examination:

Year	Policyholder Dividends Paid
2014	\$184,083
2015	\$98,547
2016	\$53,309
2017	\$93,987
2018	\$114,500

## **MANAGEMENT AND CONTROL**

### Board of Directors Minutes

The minutes of the Board 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 as required by Massachusetts statute.

### Articles of Organization and Bylaws

The articles of organization and bylaws and amendments thereto were reviewed. There have been no changes to the articles of organization or bylaws during the exam period.

### Board of Directors

According to the bylaws, the Board shall manage and control the business and affairs of the Company. The Board shall consist of not less than eight or more than twelve directors with the number of directors determined at each annual member's meeting coinciding with the expiration of one or more director's term. Each director holds office for a term of two years. Upon expiration or resignation, his/her successor is elected at the next annual meeting. As long as shares of the authorized guaranty capital remain outstanding, one-half of the directors shall be elected from the holders of guaranty capital and one-half shall be elected from the members who are not holders of guaranty capital.

## Associated Industries of Massachusetts Mutual Insurance Company

At December 31, 2018 the Company's Board was composed of eight persons, which is in compliance with the Company's bylaws and the General Laws of Massachusetts. The members of the Board are as follows:

<u>Director</u>	<u>Business Affiliation</u>
John A. Myers	Chairman A.I.M. Mutual Insurance Company
William C. Blanker	Retired
Peter R. Chase	Executive Chairman Chase Corporation
Michael G. Faucher	Retired
Leslie E. Greis	* Owner and Manager Perennial Capital Advisors, LLC
Richard C. Lord	** President and Chief Executive Officer Associated Industries of Massachusetts
Wells A. Sampson	President American Alarm and Communications
Ralph P. Schlenker	President R.P. Schlenker, Inc.

\* Ms. Greis joined the Board in 2016 after the retirement of John Gould.

\*\*In 2019 Mr. Lord retired from AIM, Inc.

### Officers

According to the Company's bylaws, the Board shall elect the officers of the Company. The officers of the Company shall be the President, the Secretary, the Clerk, the Treasurer, the Chairperson of the board and such other officers as deemed necessary. The officers shall be elected annually by the directors and shall unless removed, hold office until his or her successor is elected and qualified. No officer need be a member or director.

The bylaws state that the President shall be the Chief Executive Officer of the Company and shall have general operating charge of the business. In addition to what is defined explicitly in the bylaws, the Company's officers shall have and may exercise such duties and powers prescribed by law, are commonly incident to his or her office and as the Board may from time to time prescribe. Except as otherwise required or prohibited by law, any one or more offices may be held by the same person.

## Associated Industries of Massachusetts Mutual Insurance Company

The officers of the Company at December 31, 2018 are as follows:

<u>Name</u>		<u>Title</u>
John A. Myers		Chairman of the Board
Michael E. Standing	*	Chief Executive Officer and President
Paul M. Kehoe	**	Vice President, CFO and Treasurer
Glenn S. MacDonald	***	Secretary

\*January 1, 2015 Michael Standing became Chief Executive Officer.

\*\*January 1, 2015 Paul Kehoe, Controller became Vice President and Treasurer.

\*\*\*March 2016 Glenn MacDonald was elected Secretary.

### Committees of the Board of Directors

The Company's bylaws allow that the Board shall authorize such committees as it deems necessary, including a Nominating Committee, to conduct the business of the Board and shall appoint persons to serve thereon. In accord therewith, the Board appointed an Investment Committee to monitor the performance of the Company's investments and authorize the purchase and/or sale of securities, an Audit Committee to provide assistance to the Board in fulfilling their oversight responsibility relating to the integrity of the Company's financial reporting process and a Nominating Committee to present to the Board nominations for any vacancies on the Board. All members of the Audit Committee are independent directors. The Audit Committee for the period 2014 to 2015 was composed of directors Ralph P. Schlenker, Chairman, John J. Gould, and Michael G. Faucher; for the period 2016 to 2018 John Myers replaced John Gould who resigned in 2015. The Investment Committee for the period of 2014 to 2015 was composed of Gregory Shah, Chairman, directors John J. Gould, John A. Myers, and Wells Sampson. In 2016, Leslie Greis joined the Committee and Michael Faucher joined in 2017. Ms. Greis became Chairman in June 2018 with the retirement of Gregory Shah. The Nominating Committee is composed of directors William C. Blanker, John J. Gould, John A. Myers and Ralph P. Schlenker.

Minutes of the Investment Committee documented regular meetings of the Investment Committee members with representatives of the Company's investment advisors/managers, Conning, Inc. who replaced GR-NEAM in 2016. Minutes of the Audit Committee documented regular meetings of the Audit Committee with the Company's independent auditors, E & Y. Minutes of the Nominating Committee documented regular meetings of the Nominating Committee at which the members discussed nominations to the Board.

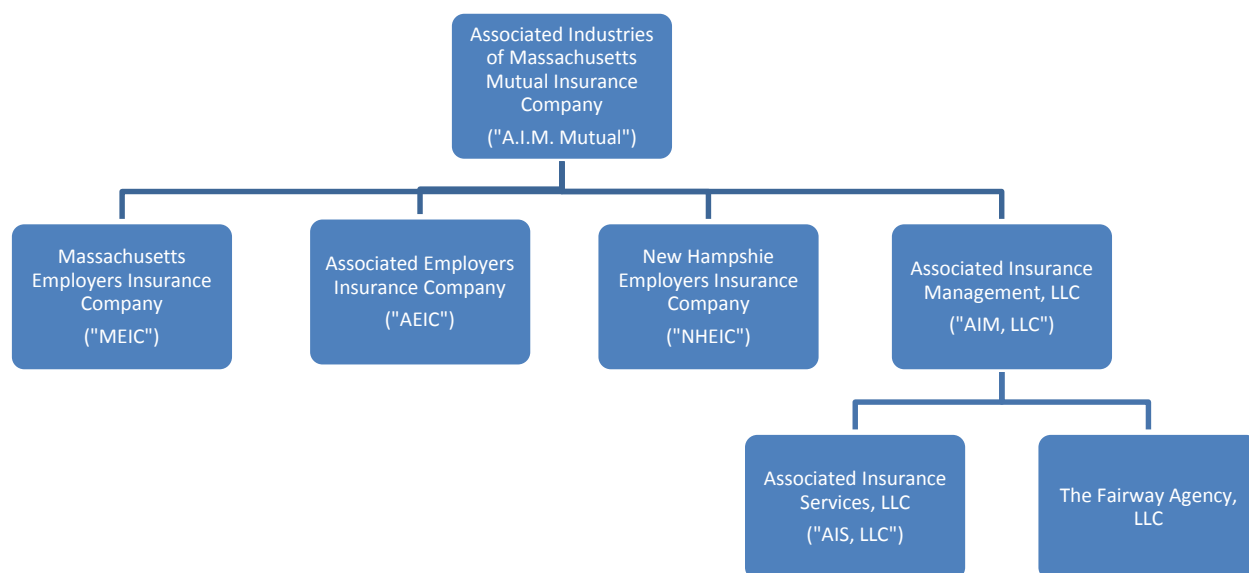
## Associated Industries of Massachusetts Mutual Insurance Company

### Affiliated Companies

As stated in the Insurance Company Holding Company System Form B and C as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of M.G.L., Chapter 175, Section 206C and Regulation 211 CMR 7.00. Ultimate control of the holding company system is held by A.I.M. Mutual. The Company became part of the holding company system on November 21, 2000.

### Organization Chart

At December 31, 2018, the following companies were part of the following organizational structure:



Transactions and Agreements with Subsidiaries and Affiliates

*Management Agreement*

In 1996, the Company entered into a management agreement with MEIE Attorney-in-Fact. Under the agreement, MEIE provides services to run the day-to-day operations of the Company. MEIE later became Associated Insurance Management, Inc. ("AIM Inc."), now Associated Insurance Management, LLC ("AIM, LLC"). These services include but are not limited to underwriting, claims and accounting services. A.I.M. Mutual reimburses AIM, LLC 100% for the costs of running the business. In addition, if the Board determines that there are excess funds available for distribution to its policyholders, then AIM, LLC shall be entitled to receive 5% of any distributions paid or credited to the policyholders.

*Licensing Agreement*

In 1994, the Company entered into a licensing agreement with AIM. Under the agreement, A.I.M. Mutual is permitted to use the Licensed Marks of AIM. These marks are "A.I.M. Mutual" and "Associated Industries of Massachusetts" and the AIM logo. In return for the use of these marks, A.I.M. Mutual pays to AIM a royalty of 3% of Earned Premiums for each calendar year to a maximum of \$1,200,000.

*Tax Sharing Agreement*

The Company participates in tax allocation agreements with its wholly owned subsidiaries, AEIC, MEIC and NHEIC. 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.

*Pooling Agreement*

Effective 2001, A.I.M. Mutual entered into a pooling agreement with AEIC, in 2007 with MEIC and in 2008 with NHEIC.

**TERRITORY AND PLAN OF OPERATION**

The Company is licensed to write workers' compensation and employers' liability in Massachusetts and New Hampshire. In 2013, the Company became licensed in Connecticut to write workers' compensation and employers' liability coverages. Vermont licensed A.I.M. Mutual in 2017 to write workers' compensation and employers' liability; in 2018 they became licensed in Maine to write workers' compensation and employers' liability.

## Associated Industries of Massachusetts Mutual Insurance Company

### Treatment of Policyholders – Market Conduct

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination. During the claims test work, it was noted that the Company investigates and settles claims on a timely and fair basis.

### **REINSURANCE**

#### Pooling Agreement

The Company and its subsidiaries, AEIC, MEIC and NHEIC entered into a Reinsurance Pooling Agreement. The agreements were effective in 2001 for AEIC, 2007 for MEIC and 2008 for NHEIC. Under terms of the agreement, the Company's subsidiaries cede 100% to A.I.M. Mutual but assume nothing from the pool.

#### Ceded Reinsurance

A.I.M. Mutual has four layers of per occurrence excess of loss reinsurance; which also includes AEIC, MEIC and NHEIC. Coverage was purchased using the reinsurance intermediary Guy Carpenter.

For the exam period the loss exceeding and limits are as follows:

2014

Loss Exceeding	Limit
\$1,250,000	\$2,750,000
\$4,000,000	\$6,000,000
\$10,000,000	\$15,000,000
\$25,000,000	\$25,000,000

2015

Loss Exceeding	Limit
\$1,250,000	\$2,750,000
\$4,000,000	\$6,000,000
\$10,000,000	\$15,000,000
\$25,000,000	\$50,000,000

## Associated Industries of Massachusetts Mutual Insurance Company

2016 to 2018

Loss Exceeding	Limit
\$1,500,000	\$2,750,000
\$4,000,000	\$6,000,000
\$10,000,000	\$15,000,000
\$25,000,000	\$75,000,000

The Company also purchased through Guy Carpenter a per claimant treaty for \$15,000,000 xs \$10,000,000. All reinsurers are rated A- or better by A.M. Best.

### Joint Marketing Agreement

In late 2010, the the Commercial Solutions Underwriting Alliance was introduced, which is a joint marketing program with Quincy Mutual Insurance Company (“Quincy Mutual”). This program provided policyholders with a complete multi line commercial program of insurance; the workers’ compensation policy written by AEIC and the property, liability and commercial auto policies written by Quincy Mutual. Also, A.I.M. Mutual serviced Quincy Mutual’s new and existing workers’ compensation business for a fee. This program was ended July 1, 2016; the cancellation was on a policies attaching basis. A.I.M. Mutual continues to service the workers compensation business.

### Participation in Assigned Risk Business

The Company began participating in the MWCARP pool effective with policy year 1991. In 1994, they exercised the option to make a lump sum settlement of its obligations for policy year 1991. For policy years 1992 to 1994, the Company retroceded 100% to American Reinsurance Company. Subsequent to policy year 1994, the Company participates in the MWCARP results relative to its market share.

On April 4, 1996, the Company was designated as a servicing carrier to MWCARP effective July 1, 1996. The Company is assigned risks to be insured and provides services including policy issuance, claim handling and loss control to those risks. In turn, the Company cedes all of the premiums and losses of such risks to MWCARP, but remains responsible for certain loss adjustment expenses and underwriting expenses it incurs. The Company receives a servicing carrier fee based on written premiums with certain adjustments.

Effective January 1, 1998, the Company was approved as a VDAC to MWCARP. As such, the Company takes its approximate equivalent share of the pool in the form of specific policies assigned to it in lieu of accepting a percentage share of the pool. All of the premiums, losses, loss adjustment expenses, and underwriting expenses for these policies are retained by the Company, subject to applicable reinsurance.

**FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2018. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2018

Statement of Income for the Year Ended December 31, 2018

Reconciliation of Capital and Surplus for Each Year in the Five Year Period Ended December 31, 2018

Associated Industries of Massachusetts Mutual Insurance Company

**Statement of Assets, Liabilities, Capital and Surplus**  
**As of December 31, 2018**

	Per Annual Statement
<b>Assets</b>	
Bonds	\$ 505,502,716
Common stocks	73,113,686
Cash, cash equivalents and short-term investments	4,683,479
Other invested assets	2,481,203
Subtotals, cash and invested assets	585,781,084
Investment income due and accrued	4,229,654
Premiums and considerations:	
Uncollected premiums and agents' balances	15,593,679
Deferred premiums, agents' balances and installments booked but deferred and not yet due	26,905,645
Accrued retrospective premium and contracts subject to redetermination	482,013
Reinsurance:	
Amounts recoverable from reinsurers	4,897,803
Net deferred tax asset	7,813,453
Electronic data processing equipment	5,678
Aggregate write-ins for other-than-invested assets:	
Equities and Deposits in Pools and Associations	15,163
Miscellaneous Accounts Receivable	62,629
Total assets	<u>\$ 645,786,801</u>

Associated Industries of Massachusetts Mutual Insurance Company

**Statement of Assets, Liabilities, Capital and Surplus**  
**As of December 31, 2018**

	Per Annual Statement
<b>Liabilities</b>	
Losses	\$ 229,794,175
Loss adjustment expenses	54,355,541
Commissions payable	5,885,000
Other expenses	4,666,727
Taxes, licenses and fees	6,297,350
Current federal and foreign income taxes	295,882
Borrowed money	13,013,500
Unearned premiums	51,820,547
Advance premium	2,164,728
Ceded reinsurance premiums payable	10,676,417
Amounts withheld or retained by company for account of others	3,666,989
Payable to parent, subsidiaries and affiliates	4,136,201
Payable for securities	250,000
Aggregate write-ins for other liabilities	
Accrued retro premium credits	765,000
Assumed from pools	(35,770)
Claims suspense	214,960
Total liabilities	<u>387,967,247</u>
Aggregate write ins for other-than-special surplus funds	200,000
Unassigned funds (surplus)	<u>257,619,554</u>
Total capital and surplus	<u>257,819,554</u>
Total liabilities capital, and surplus	<u><u>\$ 645,786,801</u></u>

Associated Industries of Massachusetts Mutual Insurance Company

**Statement of Income**  
**For the Year Ended December 31, 2018**

	Per Annual Statement
Premium earned	\$ 137,453,541
<b>Deductions:</b>	
Losses incurred	77,125,793
Loss adjustment expenses	16,427,703
Other underwriting expenses incurred	29,852,991
Total underwriting deductions	<u>123,406,487</u>
Net underwriting gain (loss)	<u>14,047,054</u>
Net investment income earned	16,950,989
Net realized capital gains	3,026,885
Net investment gain (loss)	<u>19,977,874</u>
Net gain (loss) from agents' or premium balances charged off	(505,563)
Aggregate write ins for miscellaneous income	5,291
Total other income	<u>(500,272)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	33,524,656
Dividends to policyholders	114,500
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	33,410,156
Federal and foreign income taxes incurred	<u>6,143,877</u>
Net Income	<u><u>\$ 27,266,279</u></u>

Associated Industries of Massachusetts Mutual Insurance Company

**Reconciliation of Capital and Surplus  
For Each Year in the Five-Year Period Ended December 31, 2018**

	2018	2017	2016	2015	2014
Surplus as regards policyholders, December 31 prior year	\$237,021,842	\$215,016,522	\$193,783,035	\$180,646,939	\$178,157,659
Net income	27,266,280	21,310,890	19,615,327	14,650,345	11,584,824
Change in net unrealized capital gains (losses)	(7,021,089)	5,944,663	1,819,184	(1,157,722)	2,994,124
Change in net deferred income tax	562,339	(4,840,601)	(1,302,838)	(542,537)	(1,495,885)
Change in nonadmitted assets	4,180	(395,632)	1,115,814	200,010	4,420,217
Change in surplus notes					(15,000,000)
Dividends on guaranty capital	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)
Change in surplus as regards policyholders for the year	20,797,710	22,005,320	21,233,487	13,136,096	2,489,280
Surplus as regards policyholders, December 31 current year	<u>\$257,819,552</u>	<u>\$237,021,842</u>	<u>\$215,016,522</u>	<u>\$193,783,035</u>	<u>\$180,646,939</u>

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There have been no changes made to the financial statements as a result of the examination.

### **COMMENTS ON FINANCIAL STATEMENT ITEMS**

The Division engaged BakerTilly to review the reasonableness of the loss and LAE reserves of the Company as of December 31, 2018. 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.

In their Actuarial Support Memo, BakerTilly states that in their opinion the recorded net liability at December 31, 2018 is reasonable and believe the Actuarial Central Estimate is based on reasonable assumptions and methodologies.

The table below summarizes a comparison of BakerTilly's range of reasonable estimates compared to the appointed actuary and carried reserves as of December 31, 2018.

BakerTilly Estimates Compared to Appointed Actuary and Carried Reserves, \$Millions

Segment	BakerTilly's Range of Reasonable Net Reserves			Appointed Actuary	Carried Reserves
	Low Estimate	Actuarial Central Estimate (ACE)	High Estimate	Actuarial Central Estimate (ACE)	
AIMM Voluntary		90.5		102.4	
Assumed from NHEIC		37.3		50.5	
Other		131.2		131.2	
Total	246.1	259.1	285.0	284.2	284.2

### **SUBSEQUENT EVENTS**

In March 2020 the World Health Organization declared Coronavirus disease (COVID-19) a pandemic. As of the date of this report, there was significant uncertainty on the effect that the pandemic would have on the insurance industry, economy, and society at large. Any impact to the Company will take time to assess and will be specific to the class and mix of business they underwrite. The Division will continue to monitor how the pandemic might impact the Company.

**SUMMARY OF RECOMMENDATIONS**

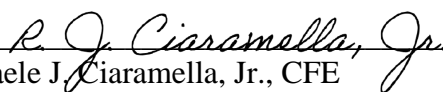
Massachusetts General Laws Chapter 175 Section 64 requires that investment transactions ratified by the Board be recorded in the minutes. The Board minutes do not include a recording of the investment transactions. Accordingly, the Company shall complete the required action to have the Secretary ensure that the investment transactions are recorded in the Board minutes.

**SIGNATURE PAGE**

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

The assistance rendered by BakerTilly and the following Division examiners who participated in this examination is hereby acknowledged.

Maria Gannon, CFE, Examiner-in-Charge  
Carla Mallqui, CFE, Financial Examiner II  
Steven Tsimtsos, CFE, Financial Examiner II

  
\_\_\_\_\_  
Raffaele J. Ciaramella, Jr., CFE  
Supervising Examiner  
Commonwealth of Massachusetts  
Division of Insurance