

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

***REPORT OF EXAMINATION OF THE***  
**MONTGOMERY MUTUAL INSURANCE COMPANY**

**Boston, Massachusetts**

**As of December 31, 2023**

**NAIC GROUP CODE 0111**

**NAIC COMPANY CODE 14613**

**EMPLOYER ID NUMBER 52-0424870**

# MONTGOMERY MUTUAL INSURANCE COMPANY

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# **COMMONWEALTH OF MASSACHUSETTS**

**Office of Consumer Affairs and Business Regulation**

## **DIVISION OF INSURANCE**

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**MAURA HEALEY**  
GOVERNOR

**MICHAEL T. CALJOUW**  
COMMISSIONER OF INSURANCE

**KIMBERLEY DRISCOLL**  
LIEUTENANT GOVERNOR

May 27, 2025

The Honorable Michael T. Caljouw  
Commissioner of Insurance Commonwealth  
of Massachusetts Division of Insurance  
One Federal Street  
7th Floor, Suite 700  
Boston, MA 02110-0212

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

### **MONTGOMERY MUTUAL INSURANCE COMPANY**

at its home office located at 175 Berkeley Street, Boston, Massachusetts 02116. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

Montgomery Mutual Insurance Company (“the Company” or “MMIC”) was last examined as of December 31, 2018 by the Commonwealth of Massachusetts Division of Insurance (“Division”). The current multi-state Coordinated Group Examination was also conducted by the Division and covers the five-year period from January 1, 2019 through December 31, 2023, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The current 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 (“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, 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 (“EY”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Liberty Mutual Insurance Company Pool’s financial statements for the calendar years 2019 through 2023. A review and use of the Certified Public Accountants’ work papers was made to the extent deemed appropriate and effective.

Representatives from the firm of Risk & Regulatory Consulting, LLC (“RRC”) were retained by the Division to assist in the examination by performing certain examination procedures at the direction and under the overall management of the Division's examination staff. The assistance included a review of accounting records, information systems and information technology general controls (“ITGC’s”), investments, and actuarially determined loss and loss adjustment expense reserves of the Liberty Mutual Intercompany Reinsurance Pooling Agreement (the “LMIC Pool”) as of December 31, 2023.

## Montgomery Mutual Insurance Company

RRC was also engaged to conduct concurrent examinations of Liberty Mutual Insurance Company (“LMIC”) and Liberty Mutual Mid- Atlantic Insurance Company (“LMMAIC”). Each of those examinations is the subject of separate reports.

This coordinated group financial examination of 69 licensed domestics was conducted in compliance with the *Coordination of Holding Company Group Exams* framework of the Handbook. The following participating states coordinated with the Division to conduct its examination:

- Arizona Department of Insurance (2 licensed domestics)
- California Department of Insurance (1 licensed domestic)
- Connecticut Insurance Department (1 licensed domestic)
- Illinois Department of Insurance (9 licensed domestics)
- Indiana Department of Insurance (10 licensed domestics)
- Iowa Insurance Division (3 licensed domestics)
- Minnesota Department of Commerce (2 licensed domestics)
- State of New Hampshire Insurance Department (19 licensed domestics)
- Ohio Department of Insurance (2 licensed domestics)
- Oregon Department of Consumer & Business Services, Division of Financial Regulation (4 licensed domestics)
- Texas Department of Insurance (6 licensed domestics)
- Wisconsin Office of the Commissioner of Insurance (7 licensed domestics)

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

There were no significant findings identified during the current exam.

#### **Prior Examination Findings**

The following recommendations were contained in the prior report on examination and the subsequent actions taken by the Company in response to each:

1. It is recommended that the Company correct its current reinsurance accounting practices to comply with SSAP No. 62R and SSAP No. 63 requirements for recording reinsurance balances on a gross basis for each affected individual pool member. In addition, we recommend the Company:
  - document its amended accounting practice in a formal reinsurance accounting policy memo.
  - review its reinsurance process narratives / flowcharts and controls and update such, as necessary, for any changes in its reinsurance accounting practice and processes.
  - evaluate and amend the Liberty Mutual Second Amended and Restated Reinsurance Agreement for any provisions that are not in compliance with SSAP No. 62R and SSAP No. 63.
  - prospectively correct Schedule F for the revised gross reporting basis for each individual pool member as necessary.

## Montgomery Mutual Insurance Company

The Company took corrective actions and remediated the issue.

2. It is recommended that the Company ensure that appropriate key controls and documentation are in place associated with the different agreement types, monthly calculations and recording of related party fees/expenses, settlement of intercompany receivables/payables, and evaluation of non-admitted intercompany receivables. In addition, the Company should reevaluate all related party investment agreements and other related party contracts that are based on a method other than a cost-allocation to ensure compliance with SSAP No. 25 Affiliates and Other Related Parties.

The Company took corrective actions and partially remediated the issue, however there are still key elements of the finding that require further remediation.

### **COMPANY HISTORY**

#### **General**

The Company was incorporated under the laws of the state of Maryland on March 10, 1848. It first operated under the name “Mutual Fire Insurance Company of Montgomery County” until July 1, 1967, when it was merged with another company and changed its name to Montgomery Mutual Insurance Company. In 1996 it entered into an affiliation agreement with LMIC, and effective January 1, 1997, pooled 100% of its underwriting activity with the other members of the Liberty Mutual Group (the “Group”). LMIC has a controlling interest on the MMIC Board of Directors. Effective June 8, 2010, the Company transferred its domicile to the Commonwealth of Massachusetts.

The Company is a member of the Liberty Mutual Second Amended and Restated Intercompany Reinsurance Agreement whereby after external reinsurance, the Company cedes its net underwriting activity to the lead company in the LMIC Pool and its pooling participation is 0.00%. Therefore, the Company reports no net underwriting activity or reserve development.

#### **Dividends to Policyholders**

There were no dividends to policyholders during the period of this examination.

### **MANAGEMENT AND CONTROL**

#### **LMHC & MMIC Board of Directors and LMHC Subcommittee Minutes**

The minutes of meetings of the LMHC and MMIC Board of Directors (“Board”), or consent actions in lieu of meetings, and minutes of the LMHC Subcommittee meetings for the period under examination were read and they indicated that all actions were taken in accordance with the Company’s bylaws, committee’s charters and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified by the Board.

## Montgomery Mutual Insurance Company

### Articles of Organization and Bylaws

The Company's Articles of Organization ("Articles") and bylaws were reviewed and there were no amendments to the Articles during the examination period. The bylaws of the Company were amended on December 1, 2020 to allow for electronic meetings for the Annual Meeting.

### Annual Meeting of the Policyholders

In accordance with the bylaws, the annual meeting of the policyholders is for the purpose of electing approximately one-third of the MMIC Board by ballot to hold office until the annual meeting of the third year thereafter and to act upon such matters as may properly arise at that meeting. Minutes of policyholders meetings were reviewed for the period covered by this examination and all meetings were held in accordance with the Company's bylaws.

### LMHC Board of Directors

LMHC's Board is responsible for providing oversight of the entire organization, including the Company. According to the LMHC bylaws, the Group's business shall be managed by the Board which may exercise all of the powers of the Company, except as otherwise provided by the Articles or bylaws. The LMHC Board shall consist of not less than ten nor more than twenty-two persons as determined by vote of a majority of the Board. Directors are elected for a period of one, two or three years, as designated by the Board or members nominating candidates.

As of December 31, 2023, the LMHC's Board was comprised of thirteen Directors, eleven of whom are independent, as follows:

<u>Name</u>	<u>Title</u>
David H. Long	Executive Chairman (former Chief Executive Officer), LMHC
William C. Van Faasen	Chairman, Emeritus Blue Cross Blue Shield of Massachusetts, Inc.
Timothy M. Sweeney	President and Chief Executive Officer, LMHC
Joseph L. Hooley	Retired Chairman and Chief Executive Officer, State Street Corporation
Myrtle S. Potter	President and Chief Executive Officer, Sumitomo Pharma America, Inc.
Nancy W. Quan	Chief Technical and Innovation Officer, Coca-Cola Company
Ellen A. Rudnick	Senior Advisor, Polsky Center for Entrepreneurship & Innovation at the University of Chicago
Angel A. Ruiz	Chairman, MediaKind
George Serafeim	Charles M. Williams Professor of Business Administration, Harvard Business School
Martin P. Slark	Retired Chief Executive Officer, Molex LLC
Eric A. Spiegel	Retired President and Chief Executive Officer, Siemens Corporation

## Montgomery Mutual Insurance Company

<u>Name</u>	<u>Title</u>
Annette M. Verschuren	Chair and Chief Executive Officer, NRstor, Inc.
Anne Waleski	Retired Executive Vice President & Chief Financial Officer, Markel Corporation

### Committees of the LMHC Board of Directors

During the period covered by this examination and in accordance with the LMHC bylaws, the LMHC Board may create an Executive Committee and Investment Committee and delegate any or all of the powers granted to the LMHC Board by law and LMHC bylaws. Many aspects of corporate governance for the Group as a whole are handled by Committees of LMHC.

The LMHC Board may elect, or by vote, authorize the Chief Executive Officer to appoint members of an Executive Committee and Investment Committee, and such other committees as may be required from time to time. As of December 31, 2023, standing committees of the LMHC Board include a Finance & Audit Committee, Compensation Committee, Executive Committee, Investment Committee, Governance & Sustainability Committee, and Risk Committee. In addition, the LMHC Finance & Audit Committee is the designated Audit Committee for the Company. These LMHC committees serve the Company in a governance perspective and are responsible for the approval of entity level decisions, investment strategies and transactions, and compensation matters.

At the LMHC level, a list of members serving on the Committees as of December 31, 2023 is as follows:

#### Finance & Audit Committee

Nancy W. Quan  
Angel Ruiz  
Eric A. Spiegel  
Annette M. Verschuren  
Anne Waleski\*

#### Executive Committee

David H. Long\*  
William C. Van Faasen  
Timothy M. Sweeney  
Myrtle S. Potter  
George Serafeim  
Eric A. Spiegel  
Anne Waleski

#### Risk Committee

Timothy M. Sweeney  
Jay Hooley  
Myrtle S. Potter  
Ellen A. Rudnick  
Angel A. Ruiz  
Martin P. Slark  
Eric A. Spiegel\*

#### Compensation Committee

William C. Van Faasen  
Jay Hooley  
Myrtle S. Potter\*  
Nancy Quan  
Anne Waleski

#### Investment Committee

Timothy M. Sweeney  
George Serafeim\*  
Martin P. Slark  
Eric A. Spiegel  
Annette M. Verschuren

#### Governance & Sustainability Committee

David H. Long\*  
William C. Van Faasen  
Timothy M. Sweeney  
Jay Hooley  
Myrtle S. Potter  
Ellen A. Rudnick  
George Serafeim  
Anne Waleski

\* Committee Chair

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### MMIC Board of Directors

LMIC has a controlling interest on the MMIC Board. According to the bylaws, the Company's business shall be managed by the Board which may exercise all of the powers of the Company, except as otherwise provided by the Articles or bylaws. The MMIC Board, a Management Board by nature, shall consist of not less than nine nor more than nineteen persons as determined by vote of a majority of the whole Board.

As of December 31, 2023, the Company's Board was comprised of nine affiliated Directors as follows:

<u>Name of Director</u>	<u>Title</u>
James M. Czapla	Deputy General Counsel, US Retail Markets (USRM), LMGI
Matthew P. Dolan	President, Ironshore, Global Risk Solutions (GRS), LMGI
Alison B. Erbig	Chief Financial Officer, GRS, LMGI
Michael J. Fallon	President, Major Accounts, GRS, LMGI
Damon P. Hart	EVP and Chief Legal Officer and Secretary, LMGI
Matthew E. Johnson	Chief Financial Officer, USRM, LMGI
Hamid T. Mirza	EVP and President of USRM, LMGI
Elizabeth . Morahan	Deputy General Counsel, GRS, LMGI
Paul Sangher	EVP and Comptroller, LMGI

### MMIC Officers

Corporate officers are elected by the MMIC Board after the adjournment of each annual policyholders meeting, and serve for one year in accordance with the Company's bylaws. The elected principal senior officers of the Company and their respective titles at December 31, 2023 were as follows:

<u>Name of Officer</u>	<u>Title</u>
Hamid T. Mirza	President and Chief Executive Officer
Nikos Vasilakos	EVP and Treasurer
Damon P. Hart	EVP and Chief Legal Officer and Secretary
Paul Sanghera	EVP and Comptroller
Vlad Y. Barbalot	EVP and Chief Investment Officer
Christopher L. Peirce	EVP and Chief Financial Officer

### 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 the Massachusetts General Laws, Chapter 175, Section 206C and 211 CMR 7.00. LMHC is the "ultimate controlling person" of the Group per the Form B, as filed with the Division.

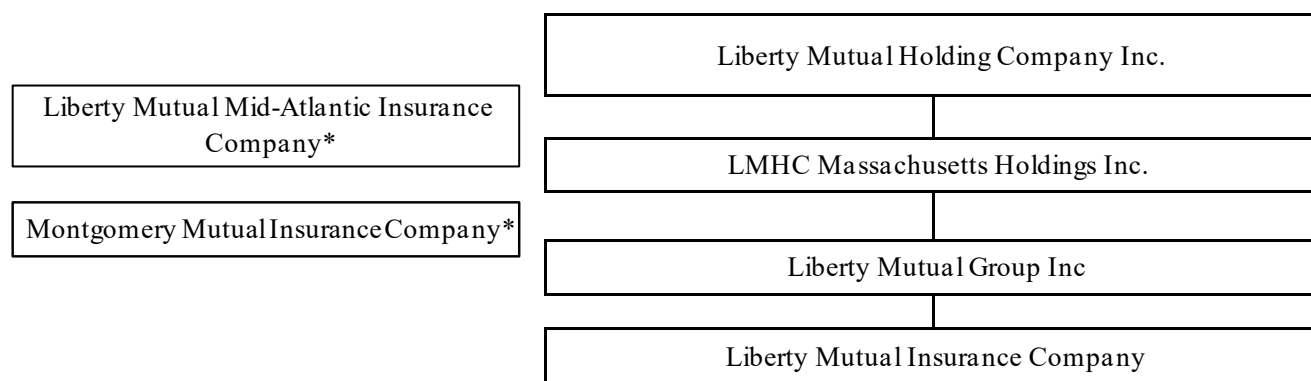
### Organizational Chart

As previously noted, MMIC is a member of holding company structure with LMIC having a

## Montgomery Mutual Insurance Company

controlling interest in the Company. LMIC's ultimate parent is LMHC, which operates in 27 countries and key markets around the globe which include the United States, Canada, 10 countries in Europe, nine countries throughout Asia and the Pacific, and five countries in Latin America. In the United States there are 69 licensed insurance companies domiciled in thirteen (13) different states. Additionally, there are a number of non-insurance entities within the LMHC organizational structure.

The following is an abbreviated organizational chart as of December 31, 2023 depicting the Company's relationship to its ultimate controlling parent and other Massachusetts domiciled insurers:



\*The Company is a mutual company and therefore not owned by any business entity, although, LMHC controls the Company's Board.

Please refer to the Company's December 31, 2023 Annual Statement filing, Schedule Y for a complete organizational chart.

### Transactions and Agreements with Affiliates

#### *Management Services Agreement*

The Company is a party to a management services agreement (the "Agreement") with LMIC. Under the agreement, LMIC may provide the Company with office space, supplies, equipment, telephone and wire services, the use of computers and similar machines and services of personnel employed by LMIC and LMGI. Services provided include, but are not limited to, risk underwriting, claims processing, claims adjustments, policyholder services, contract management, and administration. LMIC is reimbursed for the cost of all services which it provides under the agreement.

#### *Investment Management Agreement*

The Company is a party to an investment management agreement with Liberty Mutual Group Asset Management Inc. ("LMGAMI"), where LMGAMI provides investment management services to the Company including various accounting, financial reporting and record keeping services in support of the Company's investment portfolio.

## Montgomery Mutual Insurance Company

### *Agency Agreement*

The Company is a party to an Agency Agreement with Comparion Insurance Agency, LLC (“CIA”) and Helmsman Insurance Agency LLC (“HIA”) whereby CIA and HIA are appointed a property-casualty insurance agents of the Company and provide usual and customary services of an insurance agent on all insurance contracts placed by CIA and HIA with the Company.

### **TERRITORY AND PLAN OF OPERATION**

Although licensed in 11 states and the District of Columbia, the Company primarily writes business in Massachusetts and Virginia. The Company writes both personal and commercial lines. 100% of written premium is ceded to the LMIC Pool. The direct premium written by territories as of December 31, 2023 is as follows:

<b>Territories</b>	<b>Direct Premium Written</b>	<b>%</b>
Massachusetts	1,552,798	1.15%
Virginia	133,025,134	98.85%
<b>Total</b>	<b>134,577,932</b>	<b>100.00%</b>

### **REINSURANCE**

#### **Liberty Mutual Intercompany Reinsurance Pooling Agreement**

As previously noted, the Company is a member of the LMIC Pool. According to the agreement, the Company cedes 100% of its risks to LMIC, the lead insurer of the LMIC Pool and as such is the principal administrator of most pooling operations. After recording all of the affiliate transactions, LMIC records 100% of its external assumed and ceded reinsurance and the net underwriting activity is retroceded to the LMIC Pool participants in accordance with each company’s pro-rata pooling participation percentage as noted below, except for Wausau Business Insurance Company, Wausau General Insurance Company and Wausau Underwriters Insurance Company, which cede 100% of its underwriting activity to Employers Insurance Company of Wausau, which then 100% retrocedes to LMIC to be included in the LMIC Pool. Some companies in the LMIC Pool assign legacy nonaffiliated ceded reinsurance treaties to LMIC and once assigned those reinsurance treaties are accounted for and reported on LMIC’s financial statements including Schedule F.

The Company’s participation ratio is 0.00% and therefore does not report any net underwriting financial results.

The LMIC Pool participants and their respective pro-rata pooling percentages as of December 31, 2023 are as follows:

	<b>Legal Entity</b>	<b>NAIC #</b>	<b>2023 Pooling Percentage</b>	<b>State of Domicile</b>
Lead Company	Liberty Mutual Insurance Company	23043	50%	MA
Affiliated Pool	Peerless Insurance Company	24198	20%	NH

# Montgomery Mutual Insurance Company

Companies	Employers Insurance Company of Wausau	21458	8%	WI
	Liberty Mutual Fire Insurance Company	23035	8%	WI
	The Ohio Casualty Insurance Company	24074	8%	NH
	Safeco Insurance Company of America	24740	6%	NH
	American Compensation Insurance Company***	45934	0%	MN
	American Economy Insurance Company	19690	0%	IN
	America First Insurance Company	12696	0%	NH
	American Fire and Casualty Company	24066	0%	NH
	America First Lloyd's Insurance Company	11526	0%	TX
	American States Insurance Company	19704	0%	IN
	American States Insurance Company of Texas	19712	0%	TX
	American States Lloyds Insurance Company	31933	0%	TX

Legal Entity	NAIC #	2023 Pooling Percentage	State of Domicile
American States Preferred Insurance Company	37214	0%	IN
Bloomington Compensation Insurance Company***	12311	0%	MN
Colorado Casualty Insurance Company	41785	0%	NH
Consolidated Insurance Company	22640	0%	IN
Excelsior Insurance Company	11045	0%	NH
First National Insurance Company of America	24724	0%	NH
The First Liberty Insurance Corporation	33588	0%	IL
General Insurance Company of America	24732	0%	NH
Golden Eagle Insurance Corporation	10836	0%	NH
Hawkeye-Security Insurance Company	36919	0%	WI
Insurance Company of Illinois	26700	0%	IL
Indiana Insurance Company	22659	0%	IN
Ironshore Indemnity Inc.*	23647	0%	IL
Ironshore Specialty Insurance Company*	25445	0%	AZ
Liberty Insurance Corporation	42404	0%	IL
Liberty Insurance Underwriters Inc.	19917	0%	IL
Liberty County Mutual Insurance Company	19544	0%	TX
LM General Insurance Company	36447	0%	IL
Liberty Lloyds of Texas Insurance Company	11041	0%	TX
LM Insurance Corporation	33600	0%	IL
Liberty Mutual Mid-Atlantic Insurance Company	14486	0%	MA
Liberty Mutual Personal Insurance Company	12484	0%	NH
Liberty Northwest Insurance Corporation	41939	0%	OR
Liberty Personal Insurance Company	11746	0%	NH
Liberty Surplus Insurance Corporation	10725	0%	NH
Meridian Security Insurance Company***	23353	0%	IN
Mid-American Fire & Casualty Company	23507	0%	NH
Milbank Insurance Company***	41653	0%	IA
Montgomery Mutual Insurance Company	14613	0%	MA
The Midwestern Indemnity Company	23515	0%	NH
National Insurance Association	27944	0%	IN
The Netherlands Insurance Company	24171	0%	NH
North Pacific Insurance Company	23892	0%	OR
Ohio Security Insurance Company	24082	0%	NH
Oregon Automobile Insurance Company	23922	0%	OR
Patrons Mutual Insurance Company of Connecticut***	14923	0%	CT
Peerless Indemnity Insurance Company	18333	0%	IL
Plaza Insurance Company***	30945	0%	IA
Rockhill Insurance Company***	28053	0%	AZ
Safeco Insurance Company of Illinois	39012	0%	IL
Safeco Insurance Company of Indiana	11215	0%	IN
Safeco Insurance Company of Oregon	11071	0%	OR

## Montgomery Mutual Insurance Company

	Safeco Lloyds Insurance Company	11070	0%	TX
	Safeco National Insurance Company	24759	0%	NH
	Safeco Surplus Lines Insurance Company	11100	0%	NH
	State Automobile Mutual Insurance Company***	25135	0%	OH
	State Auto Insurance Company of Ohio***	11017	0%	OH
	State Auto Property & Casualty Insurance Company***	25127	0%	IA
	State Auto Insurance Company of Wisconsin***	31755	0%	WI
	Wausau Business Insurance Company **	26069	0%	WI
	Wausau General Insurance Company**	26425	0%	WI
	Wausau Underwriters Insurance Company**	26042	0%	WI
	West American Insurance Company	44393	0%	IN
100% Quota Share Affiliated	LM Property and Casualty Insurance Company	32352	0%	IN

\* Effective July 1, 2017, Ironshore Indemnity Inc. (“III”) and Ironshore Specialty Insurance Company (“ISIC”) became members of the LMIC Pool. All III and ISIC underwriting assets and liabilities were ceded to LMIC and retroceded to the LMIC Pool participants in accordance with each company’s LMIC Pool participation percentage as noted above.

\*\* Wausau Business Insurance Company, Wausau General Insurance Company and Wausau Underwriters Insurance Company, each cedes 100% of its direct underwriting activity to Employers Insurance Company of Wausau, who then retrocedes 100% to the LMIC Pool.

\*\*\* Effective April 1, 2022, the entity was added to the LMIC Pool as part of the State Auto acquisition.

Montgomery Mutual Insurance Company

**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, 2023. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2023

Statement of Income for the Year Ended December 31, 2023

Statement of Capital and Surplus for the Year Ended December 31, 2023

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2023

Montgomery Mutual Insurance Company

Statement of Assets, Liabilities, Surplus and Other Funds

As of December 31, 2023

	Per <u>Annual Statement</u>
<b>ADMITTED ASSETS</b>	
Bonds	\$ 58,630,331
Common stock	218,995
Cash, cash equivalents, and short-term investments	428,812
Receivables for securities	53,500
Securities lending reinvested collateral assets	<u>196,443</u>
Subtotals, cash and invested assets	<u>59,528,081</u>
Investment income due and accrued	256,159
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	(929)
Reinsurance:	
Funds held by or deposited with reinsured companies	(263)
Current federal income tax recoverable and interest thereon	<u>43,250</u>
<b>TOTAL ADMITTED ASSETS</b>	<b><u>\$ 59,826,298</u></b>
<b>LIABILITIES</b>	
Reinsurance payable on paid losses and loss adjustment expenses	\$ 15,237
Net deferred tax liability	108,000
Amounts withheld or retained by the company for account of others	20,169
Payable to parent, subsidiaries and affiliates	283,680
Payable for securities lending	196,443
Aggregate write-ins for liabilities	<u>1</u>
Total Liabilities	<u>623,530</u>
Unassigned funds (surplus)	<u>59,202,768</u>
Surplus as regards policyholders	<u>59,202,768</u>
<b>TOTAL LIABILITIES, SURPLUS AND OTHER FUNDS</b>	<b><u>\$ 59,826,298</u></b>

Montgomery Mutual Insurance Company

Statement of Income  
For the Year Ended December 31, 2023

	Per <u>Annual Statement</u>
<b>Investment Income</b>	
Net investment income earned	\$ 1,485,833
Net realized capital losses	<u>(11,989)</u>
<b>Net investment gain</b>	<u>1,473,844</u>
 <b>Other Income</b>	
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,473,844
Foreign and federal income taxes incurred	<u>282,187</u>
<b>Net income</b>	<b><u>\$ 1,191,657</u></b>

Montgomery Mutual Insurance Company

Statement of Capital and Surplus  
For the Year Ended December 31, 2023

Surplus as regards policyholders, December 31 prior year	\$ 58,038,995
Net income	1,191,657
Change in net unrealized capital gains or (losses)	(19,658)
Change in net deferred income tax	<u>(8,226)</u>
Change in surplus	<u>1,163,773</u>
Surplus as regards policyholders, December 31 current year	<u><u>\$ 59,202,768</u></u>

# Montgomery Mutual Insurance Company

## Reconciliation of Capital and Surplus For Each Year in the Five-Year Period Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Surplus as regards policyholders, December 31, prior year	<u>\$ 58,038,995</u>	<u>\$ 57,016,175</u>	<u>\$ 55,999,155</u>	<u>\$ 54,943,079</u>	<u>\$ 53,813,587</u>
Net income/ (loss)	1,191,657	1,020,514	1,017,869	1,063,611	1,138,644
Change in net unrealized capital gains or (losses)	(19,658)	16,831	16,710	(1,213)	(120)
Change in net deferred income tax	<u>(8,226)</u>	<u>(14,525)</u>	<u>(17,559)</u>	<u>(6,322)</u>	<u>(9,032)</u>
Net change in capital and surplus	<u>1,163,773</u>	<u>1,022,820</u>	<u>1,017,020</u>	<u>1,056,076</u>	<u>1,129,492</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 59,202,768</u>	<u>\$ 58,038,995</u>	<u>\$ 57,016,175</u>	<u>\$ 55,999,155</u>	<u>\$ 54,943,079</u>

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

There were no changes in the financial statements resulting from the examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

RRC was retained to assist in the analysis of various actuarially determined items in the 2023 Annual Statement. Given the “risk focused” examination approach of the overall examination, RRC’s primary objective was to perform an assessment of reserve risk by performing a qualitative review of the work papers and documentation supporting the estimates of loss and loss adjustment expense liabilities in order to assess the reasonableness of the scope, data used, methodologies and assumptions applied. This review included the analysis prepared by the Company’s appointed actuary and review and evaluation of the Company’s reconciliation as of December 31, 2023 of the actuarial data to Schedule P. This evaluation was also intended to consider data integrity and the appropriateness of the data segmentation. RRC also performed a high level evaluation of the Group’s actuarial process for development of pricing indications.

Based on RRC’s analysis and applied examination procedures, RRC determined that the LMIC Pool’s carried Loss and LAE reserves are approximately \$7,941 million dollars higher than RRC’s central estimate. The net loss and LAE reserves were determined to be sufficient as of December 31, 2023.

As noted previously, MMIC’s pooling participation ratio is 0.00%, and therefor does not carry any net loss or LAE reserves.

**LMIC POOL**  
**(000,000’s omitted)**

**RRC Estimates**

		<b><u>Low</u></b>	<b><u>Indicated</u></b>	<b><u>High</u></b>	<b><u>Total Carried</u></b>	<b>Redundancy/ (Deficiency) <u>Vs. Indicated</u></b>
Net Loss & LAE	\$	44,872	\$ 49,756	\$ 54,650	\$ 57,697	\$ 7,941

**Appointed Actuary Estimates**

		<b><u>Low</u></b>	<b><u>Indicated</u></b>	<b><u>High</u></b>	<b><u>Total Carried</u></b>	<b>Redundancy/ (Deficiency) <u>Vs. Indicated</u></b>
Net Loss & LAE	\$	52,224	\$ 55,435	\$ 58,450	\$ 57,697	\$ 2,262

Montgomery Mutual Insurance Company

**SUBSEQUENT EVENTS**

On July 25, 2024, Liberty Mutual announced that Julie Haase was named Executive Vice President and Chief Financial Officer, effective January 1, 2025. Current Executive Vice President and Chief Financial Officer Chris Peirce announces retirement at end of 2024.

In January 2025, there were a series of severe wildfires that impacted areas of Southern California and these catastrophe losses will be recorded in the Company's Q1 2025 financial statements.

On March 4, 2025, Liberty Mutual announced it will market and sell all of its personal lines products solely under the Liberty Mutual brand starting in 2026. Safeco Insurance, the company's brand within the independent agent channel, will retire as a brand.

**SUMMARY OF RECOMMENDATIONS**

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

Montgomery Mutual Insurance Company

**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 Risk & Regulatory Consulting, LLC who participated in the examination is hereby acknowledged.



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Commonwealth of Massachusetts  
Division of Insurance