THE COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

DIVISION OF INSURANCE

REPORT OF EXAMINATION

OF THE

NEW ENGLAND MUTUAL INSURANCE COMPANY

QUINCY, MASSACHUSETTS

as of DECEMBER 31, 2009

N.A.I.C. GROUP CODE 1275

N.A.I.C. COMPANY CODE 12725

EMPLOYER ID NUMBER 04-1028440

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April 8, 2011

The Honorable Joseph Torti, III, Chairman,
NAIC Financial Condition (E) Committee
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The Honorable Joseph G. Murphy
Commissioner of Insurance
The Commonwealth of Massachusetts
Office of Consumer Affairs
and Business Regulation
Division of Insurance
1000 Washington Street, Suite 810
Boston, Massachusetts 02118-6200

Commissioner Murphy and Superintendents Torti and Kofman:

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

NEW ENGLAND MUTUAL INSURANCE COMPANY

at its home office located at 57 Washington Street, Quincy, Massachusetts 02169. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

New England Mutual Insurance Company ("Company"), now part of the Quincy Mutual Group, has not been examined previously as it did not commence recent business activities until a restructuring occurred in October 2006. The current financial condition examination was conducted under the multi-state association plan of the National Association of Insurance Commissioners ("NAIC") by the Massachusetts Division of Insurance ("Division"). It covers the period from formation through December 31, 2009, including any material transactions and/or events occurring subsequent to the examination date and noted in the course of this examination.

This examination was conducted at the same time and in conjunction with the Division's statutory financial condition examination of Quincy Mutual Fire Insurance Company ("QMFIC"), an affiliated mutual insurer and parent company within the Quincy Mutual Group. Further, this examination was conducted at the same time and in conjunction with the statutory financial condition examination made by the Maine Bureau of Insurance of Patrons Oxford Insurance Company ("POIC"), QMFIC's wholly-owned subsidiary in Auburn, Maine.

The examination was conducted in accordance with standards of the NAIC Financial Condition Examiners Handbook, with the examination standards of the Division, and with the General Laws of Massachusetts. This requires that the examination be planned and performed to evaluate the financial condition of the Company by obtaining information about the Company, including corporate governance, indentifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions. An evaluation of the adequacy and effectiveness of controls over the electronic data processing systems was done to determine the level of reliance to be placed on summary information generated by the data processing systems. Accounts and activities of the Company were considered in accordance with the risk-focused examination process. The principal focus of the examination was 2009 activity; however, transactions both prior and subsequent thereto were reviewed as deemed appropriate.

The Company is audited annually by PricewaterhouseCoopers LLP ("PwC"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the period from October 1, 2006, through year-end 2006 and for the full calendar years 2007 through 2009. Review and use of PwC's workpapers were made to the extent deemed appropriate and effective.

The Division retained the consulting actuarial services of KPMG, LLP ("KPMG"), an independent certified public accounting firm, to evaluate the adequacy of the Company's loss and loss adjustment expense reserves as of December 31, 2009.

HISTORY

General

The Company originally had been chartered on March 30, 1887, as American Mutual Liability Insurance Company ("AMLIC") by an Act of the Massachusetts Legislature. Subsequently, AMLIC had been ordered liquidated effective March 9, 1989, by the Supreme Judicial Court of Massachusetts ("Court"). By an order and injunction ("Order") of the Court entered on August 11, 2006, the Company was restructured and all of the Company's prior and existing liabilities and obligations were released and discharged to a trust. The Court also thereby approved a change of the name of the Company to New England Mutual Insurance Company, and authorized the Commissioner of Insurance of the Commonwealth of Massachusetts ("Commissioner") to transfer control of the corporate shell of the Company to QMFIC clear of any of the Company's liabilities existing immediately prior to such transfer. The Court also approved an inter-affiliate pooling agreement between the Company, QMFIC, and POIC effective January 1, 2007, and an administration and management services agreement between the Company and QMFIC. The transaction between the Commissioner and QMFIC was closed effective October 1, 2006; as of that date QMFIC acquired control of the Company pursuant to the Order and QMFIC re-capitalized the Company with a $20.0 million investment in the guaranty capital shares issued by the Company. The Company thereby became an affiliate of QMFIC and a member of the Quincy Mutual Group.

Shortly thereafter, the Company commenced business as an assuming reinsurer participant since January 1, 2007, in the inter-affiliate reinsurance pooling agreement whereby it assumes three per cent of the homeowners and personal automobile business written by QMFIC and POIC. The Company is licensed to write the same lines of property and casualty business in Massachusetts as QMFIC; however, the only direct policies it has written to date have been a limited number of inland marine policies.

Guaranty Capital Shares

The Articles of Organization for the Company authorized 200,000 shares of guaranty capital shares at a par value of $100 per share. In 2006, the Company initially was capitalized through the issuance of such 200,000 shares as provided under Section 79 of MGL Chapter 175 by which a Massachusetts domestic mutual company is allowed to raise capital while maintaining its mutual form. The Company reported the $20.0 million re-capitalization as other than special surplus funds and all shares were purchased by QMFIC.

Dividends to Shareholder

The Company did not declare or pay any dividends to its shareholder in the examination period.

Growth of the Company

The growth of the Company for the years 2006 through 2009 is shown in the following schedule which was prepared from information in the Company's annual statements:

Year	Admitted Assets	Liabilities	Surplus	Gross Premiums Written
2009	$ 28,442,855	$ 7,543,142	$ 20,899,713	$ 6,448,167
2008	27,057,558	6,692,638	20,364,920	6,530,651
2007	24,694,749	5,119,543	19,575,206	6,551,806
2006	20,116,033	130,079	19,985,954	0

Management

Annual Meeting

In accordance with the Bylaws, the Annual Meeting of the Company is held on the first Wednesday of February in each year. Ten Members of the Company constitute a quorum; a Member is each person or entity listed as first named insured on a primary insurance policy issued by the Company whose policy has not expired and each lawful holder of guaranty capital shares issued by the Company. The minutes indicate that a quorum was obtained at each annual meeting held in the examination period.

Board of Directors

The Bylaws provide that the business and affairs of the Company shall be managed by the Board of Directors except as otherwise provided by the Articles of Incorporation or by a valid policyholder agreement. The Board of Directors shall consist of not fewer than seven or not more than sixteen Directors with the number determined at each annual meeting by resolution of the members or at a special meeting called for that purpose. Half of the Directors are elected by members who are primary policyholders of the Company and, pursuant to Section 77 of MGL Chapter 175, half of the Directors are elected by members who are holders of guaranty capital shares issued by the Company. A majority of Directors shall be residents of Massachusetts.

The Directors are divided into four classes of not more than four Directors each. The term of office of the Directors of one class only expires each year, and successors are chosen by ballot at the annual meeting of members for a four-year term or until successors are elected and qualified.

At December 31, 2009, the Board was composed of eight Directors, which is in compliance with the Company's Bylaws. The following is a list of Directors duly elected and serving at that date, with their business affiliation and residence addresses:

	Director	Business Affiliation	Residence
+ &	James Dudley Asher	President, Retired, Television and Radio Broadcasting Corp.	South Weymouth, Massachusetts
	Steven Harvey Briggs	Senior Vice President, Claims, QMFIC	Norwell, Massachusetts
&	Alexander Gordon Clark	President, The Vulcan Company	Norwell, Massachusetts
	Thomas Arthur Harris	Senior Vice President and Treasurer, QMFIC	South Weymouth, Massachusetts
&	James Walter MacAllen	Retired Investment Manager	Hingham, Massachusetts
	James Joseph Moran, Jr.	Senior Vice President, Secretary, and General Counsel, QMFIC	Walpole, Massachusetts
&	Arthur P. Murphy	Managing Partner, Murphy, Hesse, Toomey, and Lehane	Milton, Massachusetts
+ &	John Michael Sheskey	Chief Executive Officer and Managing Director, Sheskey Architects	Hingham, Massachusetts

\+ Also serves on the Board of POIC.
& Also serves on the Board of QMFIC.

The Bylaws specify that the February meeting of the Board of Directors shall be held on the same day as the annual meeting of the Company's members; otherwise, they do not specify the number of meetings to be held during a year. The minutes indicated that a quorum was obtained for all meetings of the Board of Directors held during the examination period.

Committees of the Board as Delegated to QMFIC

The Bylaws provide that whenever the Company has in effect an administration and management services agreement approved by the Commissioner pursuant to which an affiliate of the Company provides underwriting, claims, investment, and financial services to the Company, any requirement of the Bylaws for Independent Directors shall be temporarily inapplicable and the Board may elect to dispense with the permanent committees authorized by Article V (*Executive Committee*), Article VI (*Investment Committee*), and Article VII (*Audit Committee*) of the Bylaws and instead delegate the duties, authority, and powers of those committees to, respectively, each of the corresponding committees of such affiliate's Board of Directors. Pursuant thereto, the Directors of the Company voted on October 26, 2006, to dispense, until otherwise voted, with the permanent committees of the Board authorized by Article V, Article VI, and Article VII of the Company's Bylaws and instead to delegate all duties, authorities, and powers specified therein to the Executive Committee, Investment Committee, and Audit Committee, respectively, of the Company's affiliate, QMFIC.

The Board of Directors of QMFIC has appointed an Executive Committee, an Investment Committee, and an Audit Committee in accordance with its own Bylaws. A description of the purpose and membership of each committee at December 31, 2009, follows.

Executive Committee of QMFIC

The Executive Committee of QMFIC is comprised of not less than three Directors of QMFIC who are Independent Directors, in addition to the Chairman of the Board and the President. This Executive Committee is empowered to act on behalf of the Board between meetings and is charged with the duty of general supervision between regular meetings of the Board over the business operations, financial affairs, and corporate governance of QMFIC. It reports to each meeting of the Board all deliberations and decisions it made since the last meeting of the Board. The Board of Directors of QMFIC shall annually appoint an Independent Director as Chairman of the Executive Committee, who shall be deemed for all purposes to be the Lead Director of QMFIC. Directors of QMFIC serving on this Committee at December 31, 2009, were as follow:

John M. Sheskey, Chairman
James D. Asher   K. Douglas Briggs   James W. MacAllen

Investment Committee of QMFIC

The Investment Committee of QMFIC is comprised of not less than three Directors of QMFIC in addition to the President and the Treasurer. It is empowered to act on behalf of the Board on matters involving the general supervision of the investment or loaning of funds of QMFIC. In addition to the powers specifically set forth in the Bylaws, this Investment Committee shall have such further powers and perform such other duties as the Board may from time to time prescribe. QMFIC's Investment Committee shall report to each regular meeting of the Board all transactions carried out by the Committee since the last regular Board meeting. Directors and Officers of QMFIC serving on this Committee at December 31, 2009, were as follow:

James W. MacAllen, Chairman
Alexander G. Clark   John M. Sheskey
K. Douglas Briggs   Thomas A. Harris

Audit Committee of QMFIC

The Audit Committee of QMFIC is comprised of not less than three Directors of QMFIC, a majority of whom qualify as Independent Directors. The Chairman of this Audit Committee, who shall be an Independent Director, shall be elected annually by members of this Committee. QMFIC's Audit Committee is empowered to act on behalf of the Board on matters concerning general supervision and oversight of corporate accounting, the financial reporting processes and internal control systems of QMFIC, and the quality and integrity of QMFIC's financial statements. It shall engage QMFIC's outside auditor, monitor its independence and performance, and meet privately as appropriate with the outside auditor; it is authorized to directly engage on QMFIC's behalf such accountants, counsel, or other professionals as it believes necessary and appropriate. In addition, it shall have such further powers and perform such other duties as the Board may from time to time prescribe. The Audit Committee of QMFIC shall meet not less than four times each fiscal year, shall report its activities as appropriate to the Board, and shall adopt a written charter. Directors of QMFIC, all of whom qualify as Independent Directors, serving on this Committee at December 31, 2009, were the following:

James D. Asher, Chairman
Arthur P. Murphy Alexander G. Clark

Officers

The Bylaws of the Company provide that the officers of the Company shall be a President, a Treasurer, a Secretary, and such other officers as the Board of Directors deems necessary. Pursuant to the Bylaws, the officers of the Company are elected by the Board of Directors annually at the February meeting held on the same day as the annual meeting of the Company's members; other officers may be chosen by the Directors at such meeting or at any other meeting. Vacancies among the offices may be filled and new offices may be created and filled by the Board of Directors or by the President to the extent authorized by the Board of Directors.

The elected and appointed officers and their respective titles at December 31, 2009, were the following:

	Name	Title
+	Karl Douglas Briggs, CPA, CPCU	President and Chief Executive Officer
+ *s*	Kevin Michael Meskell	Executive Vice President
	James Joseph Moran, Jr., Esq., CPCU, ARe	Senior Vice President, Secretary, and General Counsel
	Thomas Arthur Harris	Senior Vice President and Treasurer
	Steven Harvey Briggs, AIC	Senior Vice President, Claims
	Harold Eugene Ge[illegible], Jr., CPCU	Vice President, Personal Lines Underwriting
	Mark Anthony [illegible]iu[illegible]ani	Vice President, Information Systems
	Deborah Lus[illegible]di Pennisi	Vice President, Commercial Lines Underwriting
	Lu-A[illegible]n [illegible]o[illegible]n Smith	Vice President, Human Resources
	Lisa Marie Schooley	Controller
	L[illegible]a Michelle Grealish, Esq.	Assistant Vice President, Claims and Executive Counsel
	Ann Marie Kendall	Assistant Vice President, Claims
	John Francis Murphy, Jr., AIC	Assistant Vice President, Claims

+ Also serves on the Board of POIC.
s Also serves as Secretary of POIC.

These Officers of the Company also serve in identical capacities as Officers of QMFIC. In addition to those listed above, John P. Tierney, FCAS, MAAA, joined the management team of the Company as Senior Vice President and Chief Actuary in July 2010.

Conflict of Interest Procedure

As part of the Quincy Mutual Group, the Company has a policy statement pertaining to conflict of interest. In support of the answer to Question 16 of Part 1 Common Interrogatories of the annual statement, there is an established procedure for the disclosure to the Board of Directors of any material interest or affiliation on the part of any officer or director or responsible employee which is in or is likely to conflict with his/her official duties. Annually, each officer or director or responsible employee completes a questionnaire disclosing any material conflicts of interests. The completed questionnaires were reviewed and no discrepancies were noted to contradict the Company's response to the General Interrogatory reported in the 2009 Annual Statement.

Corporate Records

Articles of Incorporation and Bylaws

The Bylaws of the Company were read and were found to contain specific provision for the succession of Directors and Officers in event of an emergency.

Disaster Recovery and Business Continuity

The Company provides for continuity of management and operations in the event of a catastrophe or national emergency in accordance with Sections 180M through 180Q of MGL Chapter 175.

Board of Directors Minutes

The minutes of meetings of the Board of Directors of the Company and the Committees of QMFIC for the period under examination were read and they indicated that all meetings were held in accordance with the Bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the Committees of QMFIC were ratified at meetings of the Board of Directors.

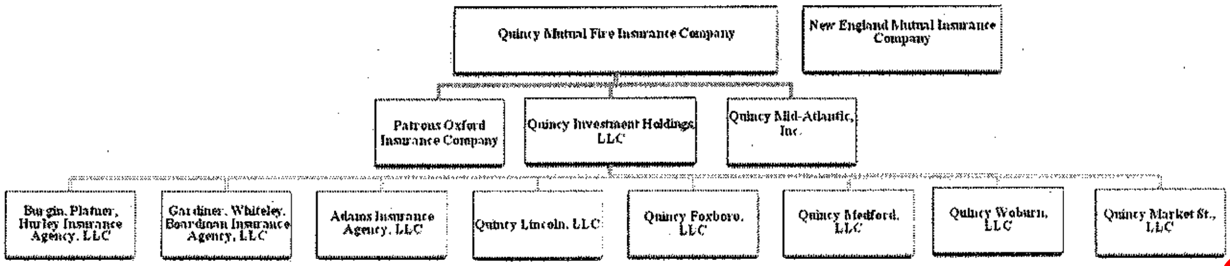
AFFILIATED COMPANIES

Holding Company Filings

Per 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 Section 206C of MGL Chapter 175 and Regulation 211 CMR 7.00. QMFIC is the ultimate controlling party of the group consisting of twelve entities, including three insurance and nine non-insurance corporations.

Organization Chart

The corporate organization of the Company and its affiliated entities at December 31, 2009, is represented as follows:



In addition to the wholly-owned subsidiaries displayed in the organization chart presented above, QMFIC had indirect ownership interests through Quincy Investment Holdings, LLC, in the following nine limited liability companies at December 31, 2009:

Name of Entity		State of Formation	Percentage Owned
Quincy Chestnut Street, LLC		Massachusetts	100.0%
Quincy Andover, LLC		Massachusetts	100.0%
Minuteman General, LLC	*a*	Massachusetts	100.0%
Minuteman General Limited, LLC	*a*	Massachusetts	100.0%
Andover Rental Associates, LLC	*a*	Massachusetts	35.0%
Norfolk County Housing Initiatives, LLC		Massachusetts	100.0%
Morse Bay, LLC	*b*	Massachusetts	100.0%
Brickstone Sharon, LLC	*c*	Massachusetts	27.0%
Brickstone Sharon 2, LLC	*c*	Massachusetts	27.0%

a Subsidiary of Quincy Andover, LLC.
b Subsidiary of Norfolk County Housing Initiatives, LLC.
c Subsidiary of Morse Bay, LLC.

Additionally, QMFIC also has 1.3% interest in the Property and Casualty Initiative, LLC, in Massachusetts.

Transactions and Agreements with Affiliates

Whereas the Company is not a signatory to the written tax allocation agreement with QMFIC and its eligible subsidiaries, the two predominant cost-sharing agreements involving the Company are a management services agreement and an inter-affiliate reinsurance pooling agreement. Each is described briefly in the following summary.

Management and Service Agreement

QMFIC provides certain accounting, management, and other services to its subsidiary, POIC, and to the Company. In consideration of such services, the Company and POIC agreed to pay the costs and expenses incurred by QMFIC relative thereto.

Inter-Affiliate Reinsurance Pooling Agreement

QMFIC has an inter-affiliate reinsurance pooling arrangement with POIC and the Company whereby QMFIC assumes all business of POIC and the Company and then retrocedes to POIC and to the Company a portion of such amounts combined with balances arising from its own homeowners and private passenger automobile business; by the percentages listed in the agreement, QMFIC retains 96%, the Company assumes 3%, and POIC assumes the remaining 1% of such combined business.

FIDELITY BONDS AND OTHER INSURANCE

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

The Company has further protected its interests and property by other policies of insurance covering other insurable risks. Coverages were provided by insurers licensed in the Commonwealth of Massachusetts and were in force as of December 31, 2009.

PENSION AND INSURANCE PLANS

Whereas all services, office space, and staff are provided through a services agreement with QMFIC, the Company has no employees; thus, it has no workers' compensation, disability insurance, or retirement plans.

STATUTORY DEPOSITS

The statutory deposit of the Company as of December 31, 2009, is as follows:

Location	Description of Deposit	Par Value	Statement Value	Market Value
Massachusetts	US Treasury Bond 4.625% due 2011	$ 200,000	$ 200,189	$ 212,976

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms and Underwriting Practices

The Company is authorized to offer personal and commercial property and liability coverages in Massachusetts utilizing policy forms, riders, and endorsements that are subject to the approval of the Division.

Territory and Plan of Operation

The Company is authorized to write business in Massachusetts. The Company's Certificate of Authority is current and in force.

Assumed through the inter-affiliate reinsurance pooling agreement, the Company's principal lines of business are homeowners and automobile liability and physical damage policies provided to personal risks by QMFIC and POIC.

Dividends of Policyholders

The Company did not declare or pay any dividends to its policyholders in the period of examination.

REINSURANCE

The Company has a very limited program of reinsurance. The Company assumes no reinsurance other than business under the inter-affiliate reinsurance pooling agreement and statutorily imposed residual market obligations. It cedes all of its business to one affiliate, QMFIC. The following briefly describes the major features of the Company's reinsurance activity.

Inter-Affiliate Reinsurance Pooling Agreement

Effective January 1, 1998, QMFIC began to participate in an inter-company reinsurance pooling agreement with its subsidiary, POIC. Effective January 1, 2007, this arrangement was modified to include the Company as a participant. Per the amended agreement, the Company and POIC cede to QMFIC the premiums, incurred losses, loss adjustment expenses, and underwriting and administrative expenses of all policies issued or renewed after such effective date. QMFIC assumes these amounts and then retrocedes to the Company (at 3%) and to POIC (at 1%) the specific, pre-agreed percentage of the total of such amounts and of similar amounts that arise from QMFIC's homeowners and private passenger automobile insurance business. The agreement is prospective in nature. Assets equaling the net change in liabilities as a result of such pooling arrangement were transferred between the pool participants but QMFIC is responsible for servicing and administering the business.

Aggregate balances for gross premiums associated with reinsurance transactions are presented in the summary below for each company at the examination dates listed.

GROSS PREMIUM	2009 QMFIC	2009 POIC	2009 NEMIC	2004 QMFIC	2004 POIC
Direct Business	$254,716,651	$31,231,769	$ 85	$308,601,647	$31,137,557
Reinsurance Assumed from:					
Affiliates	31,231,854	2,149,361	6,448,082	31,137,557	893,631
Non-Affiliates	6,909,274	-	-	10,539,708	-
Reinsurance Ceded to:					
Affiliates	8,597,444	31,231,769	85	1,893,631	1,137,557
Non-Affiliates	30,884,477	-	-	25,205,285	-
NET PREMIUM WRITTEN	$253,375,858	$ 2,149,361	$6,448,082	$323,179,996	$ 1,893,631

ACCOUNTS AND RECORDS

The internal control structure was discussed with management through questionnaires and through a review of work performed by the Company's independent certified public accountants. No material deficiencies were noted.

The NAIC provides a questionnaire covering the evaluation of controls in the information systems environment. The questionnaire was completed by QMFIC and reviewed by the Division to evaluate the adequacy of the controls in such information systems.

The Company uses an automated general ledger system. Trial balances were traced from the general ledger and supporting documents to annual statements and no material exceptions were noted.

In accordance with 211 C.M.R. 23.00, the books and records of the Company are audited annually by a firm of independent certified public accountants. Throughout the examination period, the Company while under the control of QMFIC was audited by PwC.

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division and the NAIC as of December 31, 2009:

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2009

Statement of Income for the Year Ended December 31, 2009

Reconciliation of Capital and Surplus for the Four-Year Period Ended December 31, 2009

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2009

Assets	Per Company	Examination Changes	Per Examination	Notes
Bonds	$ 26,612,907	$ 0	$ 26,612,907	
Cash, cash equivalents, and short-term investments	299,101		299,101	
Subtotals, cash and invested assets	26,912,008	0	26,912,0[illegible]	
Investment income due and accrued	163,505		163,505	
Premiums and considerations: Uncollected premiums and agents' balances in course of collection	1,018,273		1,018,273	
net deferred tax asset	349,069		349,069	
Total Assets	$ 28,442,855	$ 0	$ 28,442,855	

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2009

Liabilities	Per Company	Examination Changes	Per Examination	Notes
Losses	$ 2,192,787	$ 0	$ 2,192,787	(2)
Reinsurance payable on paid losses and LAE	1,096,063		1,096,063	
Loss adjustment expenses	405,025		405,025	(2)
Other expenses	113,840		113,840	
Current federal and foreign income taxes	41,664		41,664	
Unearned premiums	3,608,490		3,608,490	
Ceded reinsurance premiums payable	(34,220)		(34,220)	
Amounts withheld or retained by Company for account of others	100,500		100,500	
Payable to subsidiaries and affiliates	18,993		18,993	
Total Liabilities	7,543,142	0	7,543,142	(1)
Aggregate write-in for other than special surplus funds:				
Guaranty capital shares	20,000,000		20,000,000	
Unassigned funds (surplus)	899,713		899,713	
Surplus as regards policyholders	20,899,713	0	20,899,713	
Total Liabilities, Capital, and Surplus	$ 28,442,855	$ 0	$ 28,442,855	

Statement of Income
for the Year Ended December 31, 2009

	Per Company	Examination Changes	Per Examination	Note
Premiums earned	$ 6,474,077	$ 0	$ 6,474,077	
Deductions:				
Losses incurred	3,832,666		3,83[illegible]	
Loss expenses incurred	622,971		62[illegible]	
Other underwriting expenses incurred	2,274,112		[illegible]274,112	
Total underwriting deductions	6,729,749	0	[illegible]729,749	
Net underwriting gain	(255,672)	0	(255,672)	
Net investment income earned	778,998		778,998	
Net realized capital gains	202,105		202,105	
Net investment gain	981,103	0	981,103	
Net gain (loss) from agents' or premium balances charged off	-		-	
Finance and service charges not included in premiums	-		-	
Aggregate write-in for miscellaneous income	-		-	
Total other income	-	0	-	
Net income before dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes	725,431		725,431	
Dividends to policyholders	-		-	
Net income, after dividends to policyholders, after capital gains tax, and before all other federal and foreign income taxes	725,431		725,431	
Federal and foreign income taxes incurred	207,088		207,088	
Net Income	$ 518,343	$ 0	$ 518,343	

Reconciliation of Capital and Surplus for Each Year in the Four Year Period Ended December 31, 2009

	2009	2008	2007	2006
Surplus as regards policyholders as of December 31, prior year	$ 20,364,920	$ 19,575,206	$ 19,985,954	$ -
Net income	518,343	571,762	(525,415)	(14,046)
Change in net deferred income tax	43,699	60,458	362,958	-
Change in non-admitted assets	(27,249)	157,494	(248,291)	-
Aggregate write-in for gains and losses in surplus:				
Guaranty capital shares	-	-	-	20,000,000
Net change in surplus as regards policyholders for the year	534,793	789,714	(410,748)	19,985,954
Surplus as regards policyholders as of December 31, current year	$ 20,899,713	$ 20,364,920	[illegible]575,206	$ 19,985,954

NOTES TO FINANCIAL STATEMENTS

NOTE 1

LIABILITIES

As of December 31, 2009, the Company reported total liabilities amounting to $7,543,142.

In the normal course of business, the Company has been involved in litigation from time to time with insureds, claimants, and others. In the opinion of the Company, its ultimate liability, if any associated with lawsuits arising from or related to insurance claims would not have a materially adverse financial effect upon the Company that could not be addressed through its usual business operations. Company officers indicated that they were not aware of any material contingent liabilities not already addressed. Consequently, other than allowances potentially inherent in prudent reserving methodologies for contract benefits and claim expenses, the Company has not maintained additional reserves to cover contingent liabilities.

NOTE 2:

Losses	$ 2,192,787
Loss Adjustment Expenses	$ 405,025

The Company's Board of Directors appointed as its actuary a consulting actuary with the firm of PwC to render a Statement of Actuarial Opinion as of December 31, 2009, on the Company's loss and loss adjustment expense reserves. Among the items in the Statement of Actuarial Opinion, the appointed actuary specifically listed the following amounts:

Actuarial Reserve Items for the Company as of December 31, 2009

	Net	Direct and Assumed
Reserve for Unpaid Losses	$ 2,192,787	$ 2,193,000
Reserve for Unpaid Loss Adjustment Expenses	405,025	405,000

After reviewing the above reserves and other items, the Company's appointed actuary concluded that, in his opinion, the amounts identified above:

a. meet the requirements of the insurance law of Massachusetts,

b. are consistent with reserves computed in accordance with generally accepted actuarial standards and principles,

c. make a reasonable provision for all unpaid loss and loss adjustment expense obligations and unearned premium reserves on long duration contracts of the Company under the terms of its contracts and agreements.

As part of the examination, the Division engaged the consulting actuarial services of KPMG, LLP. The consulting actuaries for the Division reviewed the analyses performed by the Company's appointed actuary, performed an independent analysis of the loss and loss adjustment expense reserves carried by the Company, QMFIC, and POIC, such review conducted separately on each insurer, and rendered an actuarial opinion on the reasonableness of the reserves carried by each insurer as of December 31, 2009.

KPMG reported that as of December 31, 2009, the Company recorded statutory-basis loss and loss adjustment expense reserves, gross of reinsurance recoverables, of $2.60 million. Based on its own independent review, KPMG estimated the Company's gross loss and loss adjustment expense liabilities as of December 31, 2009, at $2.78 million, with a range of reasonable gross loss and loss adjustment expense reserves which spans from a low of $2.56 million to a high of $2.97 million. In the opinion of KPMG, the gross loss and loss adjustment expense reserves carried by the Company as of December 31, 2009, make a reasonable provision for the unpaid loss and loss adjustment expense obligations of the Company as of that date. Further, since the Company does not cede any loss and loss adjustment expense reserves, the net loss and loss adjustment expense reserves are equal to the gross loss and loss adjustment expense reserves.

The following table summarizes KPMG's reserve ranges, KPMG's actuarial central reserve estimates, and the Company's carried loss and loss adjustment expense reserves as of December 31, 2009, for each reserve category.

Loss and Loss Adjustment Expense Reserve as of December 31, 2009

(000 omitted)	KPMG Indicated Estimates			Company
Reserve Category	Low	Selected	High	Carried
Net and Gross of Reinsurance				
Loss Reserves	$ 2,195	$ 2,390	$ 2,562	$ 2,192
D&CCE Reserves *	235	242	249	207
A&OE Reserves #	129	147	162	197
Total Reserves	$ 2,558	$ 2,779	$ 2,972	$ 2,597

* D&CCE Reserves = Defense and Cost Containment Expense Reserves
\# A&OE Reserves = Adjusting and Other Expense Reserves

KPMG noted that the Company's loss and loss adjustment expense reserves as of December 31, 2009, are stated gross of salvage and subrogation recoverables and gross of expected interest income associated with the time value of money. KPMG's estimates of the unpaid loss and loss adjustment expenses as of December 31, 2009, were developed in accordance with Actuarial Standards of Practice promulgated by the Actuarial Standards Board. In the course of review, KPMG used several accepted loss reserving methods and procedures to derive estimates of unpaid loss and loss adjustment expense liability and to construct ranges. KPMG gave consideration to the relative strengths and weaknesses of each of the methods in deriving its actuarial central estimate of the liability (*i.e.*, an expected value over a range of reasonably possible outcomes); the terms "selected" and "selection" should be interpreted to reflect the actuarial central estimates. KPMG noted that the range of reasonable reserve estimates reflects a range of actuarial estimates that were derived using alternative methodologies and parameter assumptions that are either more optimistic or more pessimistic than those underlying the actuarial central estimate but that KPMG considers reasonable for financial reporting purposes.

In its Report, KPMG similarly detailed the reserve positions of QMFIC and POIC for loss and loss adjustment expense liabilities as of December 31, 2009. Whereas KPMG demonstrated that QMFIC's reserve position was conservative and that participation in the inter-affiliate reinsurance pooling agreement had distribution percentages of 96% for QMFIC, 3% for the Company, and 1% for POIC, summaries of KPMG's analyses for QMFIC and POIC are not presented in this Report.

ACKNOWLEDGMENT

The undersigned examiners gratefully acknowledge the participation of Massachusetts Insurance Examiner II Linh La, CFE, in this examination.

The examiners hereby express their appreciation to the officers and staff of the Company for their courteous cooperation throughout the examination.

Respectfully submitted,

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