



**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, 2019**

**NAIC GROUP CODE 1275**

**NAIC COMPANY CODE 12725**

**EMPLOYER ID NUMBER 04-1028440**

# NEW ENGLAND MUTUAL INSURANCE COMPANY

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**COMMONWEALTH OF MASSACHUSETTS**  
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COMMISSIONER OF INSURANCE

May 5, 2021

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

**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") was last examined as of December 31, 2014 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, 2015 through December 31, 2019, 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 affiliate in the Quincy Mutual Group ("Group") was also examined and separate Report of Examination has been issued:

### **Quincy Mutual Fire 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, 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 PricewaterhouseCoopers LLP ("PwC"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for calendar years 2015 through 2019. 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 of and under the overall management of the Division's examination staff. The assistance included a review of accounting records, information systems, investments and actuarially

## New England Mutual Insurance Company

determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

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

There were no significant findings identified during the examination.

### **COMPANY HISTORY**

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 name of the Company to New England Mutual Insurance Company, and authorized to transfer control of the corporate shell of the Company to Quincy Mutual Fire Insurance Company, (“QMFIC”), clear of any of the Company’s liabilities existing immediately prior to such transfer. 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 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.

On October 14, 2011, pursuant to written approval from the Massachusetts Commissioner of Insurance, QMFIC purchased an additional \$20 Million in guaranty capital shares from the Company as was authorized by the Company’s members at a duly noticed and convened Special Meeting of Members held on July 28, 2011. On November 14, 2014, pursuant to written approval from the Massachusetts Commissioner of Insurance, QMFIC purchased an additional \$5 Million in guaranty capital shares from the Company as was authorized by the Company’s members at a duly noticed and convened Special Meeting of Members held on September 29, 2014.

#### **Dividends to Policyholders**

During the exam period, the Company did not pay dividends to its policyholders.

### **MANAGEMENT AND CONTROL**

#### **Board of Directors Minutes**

The minutes of meetings of the Board of Directors of the Company and the Committees of QMFIC, who act on behalf of the Company, were read and they indicated that all meetings were held in

## New England Mutual Insurance Company

accordance with the Company's bylaws and the laws of the Commonwealth of Massachusetts. Activities of the Committees of QMFIC were ratified at the meetings of the Board of Directors.

### Articles of Organization and By-laws

The articles of organization and by-laws of the Company were reviewed. There have been no updates or amendments to the Company's by-laws since the last examination.

### Board of Directors

According to the bylaws, the Company's business shall be managed by a Board of Directors which may exercise all of the powers of the Company, except as otherwise provided by the articles of incorporation, by law, or the bylaws. The Board of Directors shall consist of not less than seven nor more than sixteen Directors.

At December 31, 2019, the Company's Board of Directors consisted of the following:

<u>Director</u>	<u>Title</u>
James Dudley Asher	Director
Steven Harvey Briggs*	Senior Vice President
Alexander Gordon Clark	Director
Thomas Arthur Harris	President & COO
Katherine Anne Hesse	Director
James Joseph Moran, Jr.	Director
Garlan Morse, Jr.	Director
John Michael Sheskey	Director

### Officers

According to the Company's bylaws, the President shall be the chief executive officer, unless the Chairman of the Board has been designated for such office by vote of the Board, and shall exercise all duties of a chief executive officer and be in overall charge of the business and financial affairs of the Company. The President may delegate some or all of these duties to the Vice Presidents or other Officers, as he/she deems appropriate to the conduct of the business of the Company. The officers of the Company as of December 31, 2019 were as follows:

<u>Officer</u>	<u>Title</u>
Karl Douglas Briggs	Chairman & CEO
Thomas Arthur Harris	President & COO
Joseph Bernard White	Senior Vice President, Secretary & General Counsel
Lisa Marie Schooley	Vice President, Finance & Treasurer
Steven Harvey Briggs*	Senior Vice President
Brian Jeremiah Cadigan**	Vice President

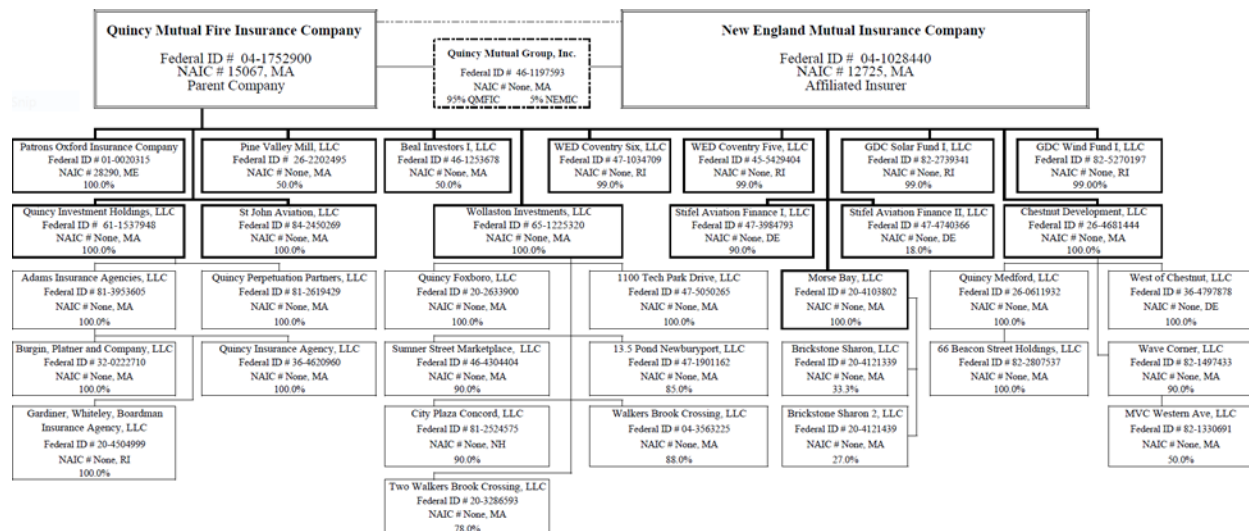
## New England Mutual Insurance Company

<u>Officer</u>	<u>Title</u>
Harold Eugene Gerbis, Jr.	Vice President
Mark Anthony Giuliani	Vice President
Brian Thomas Hayes	Vice President
Ann Flower Lamson	Vice President
Todd William Lehmann	Vice President
Lu-Ann Robin Smith*	Vice President

\* Lu-Ann Smith and Steven Briggs both retired during the first quarter of 2020 after many years of service at the Company.

\*\* Brian Cadigan retired in December 2020.

### Organizational Chart



### Affiliated Companies

As stated in the Insurance Holding Company System Form B and Form C as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Laws, Chapter 175, Section 206C and Regulation 211 CMR 7.00. QMFIC is the ultimate controlling party of the group consisting of thirty-six entities, including three insurance and thirty-three non-insurance entities.

### Transactions and Agreements with Subsidiaries and Affiliates

#### *Administration and Management Services Agreements*

## New England Mutual Insurance Company

QMFIC provides certain accounting, management and other services to the Company and its affiliate, POIC. In consideration of such services, the Company and POIC agreed to pay the costs and expenses of such services.

### *Management Services Agreement*

Effective January 1, 2013, the Company, along with its affiliate QMFIC entered into a management services agreement with its newly-formed non-insurance subsidiary, Quincy Mutual Group, Inc. All of QMFIC'S former employees now reside at Quincy Mutual Group and perform services for the affiliates with the costs and expenses being reimbursed by the entities.

## **TERRITORY AND PLAN OF OPERATION**

The Company currently is licensed to conduct business in Massachusetts and Connecticut. The Company uses independent agents to sell homeowners multi-peril policies.

### 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 members and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination.

## **REINSURANCE**

### Assumed Reinsurance

The Company does not have assumed reinsurance.

### Ceded Reinsurance

NEMIC entered into a Quota Share Reinsurance Contract effective July 1, 2015, whereby QMFIC provides 100% protection to NEMIC subject to a 200% loss ratio cap.

In addition, the Company has entered into various excess of loss and catastrophe treaties in the ordinary course of business in order to manage their various risks.



**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, 2019. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2019

Statement of Income for the Year Ended December 31, 2019

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2019

# New England Mutual Insurance Company

## Statement of Assets, Liabilities, Surplus and Other Funds As of December 31, 2019

	Per Annual Statement
<b>Assets</b>	
Bonds	\$40,690,998
Cash, cash equivalents and short-term investments	1,890,705
Subtotals, cash and invested assets	<u>42,581,703</u>
Investment income due and accrued	308,791
Premiums and considerations:	
Uncollected premiums and agents' balances	54,801
Deferred premiums, agents' balances and installments booked but deferred and not yet due	984,230
Reinsurance:	
Amounts recoverable from reinsurers	2,003,832
Current federal and foreign income tax recoverable and interest thereon	32,054
Net deferred tax asset	519,261
Aggregate write-ins for other than invested assets	1,260,026
Total assets	<u><u>\$47,744,698</u></u>
<b>Liabilities</b>	
Losses	\$0
Reinsurance payable on paid losses and loss adjustment expenses	0
Loss adjustment expenses	0
Commissions payable, contingent commissions and other similar charges	163,182
Other expenses (excluding taxes, licenses and fees)	69,364
Taxes, licenses and fees (excluding federal and foreign income taxes)	(10,112)
Advance premium	208,145
Ceded reinsurance premiums payable (net of ceding commissions)	1,886,533
Amounts withheld or retained by company for account of others	878,602
Provision for reinsurance	7,778
Payable to parent, subsidiaries and affiliates	415,950
Total liabilities	<u><u>3,619,442</u></u>
Aggregate write-ins for other-than-special surplus funds	45,000,000
Unassigned funds (surplus)	(874,744)
Surplus as regards policyholders	<u>44,125,256</u>
Total liabilities, surplus and other funds	<u><u>\$47,744,698</u></u>

# New England Mutual Insurance Company

## Statement of Income For the Year Ended December 31, 2019

	<u>Per Annual Statement</u>
Premiums earned	\$0
Deductions:	
Losses incurred	0
Loss adjustment expenses incurred	0
Other underwriting expenses incurred	0
Total underwriting deductions	<u>0</u>
Net underwriting gain (loss)	<u>0</u>
Net investment income earned	1,230,006
Net investment capital gains (losses) less capital gains tax of \$0	53,663
Net investment gain (loss)	<u>1,283,669</u>
Net gain (loss) from agents' or premium balances charged off	(3,555)
Finance and service charges not included in premiums	43,468
Aggregate write-ins for miscellaneous income	0
Total other income	<u>39,913</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,323,582
Dividends to policyholders	<u>0</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	1,323,582
Federal and foreign income taxes incurred	<u>(23,271)</u>
Net income	<u><u>\$1,346,853</u></u>

# New England Mutual Insurance Company

## Reconciliation of Capital and Surplus For Each Year in the Five-Year Period Ended December 31, 2019

	2019	2018	2017	2016	2015
Capital and surplus, December 31 prior year	\$42,783,235	\$42,163,940	\$41,686,749	\$40,132,446	\$39,562,417
Net income	1,346,853	542,884	682,616	876,724	555,828
Change in net unrealized capital gains or (losses)	37,942	(34,833)	10,953	6,868	10,338
Change in net deferred income tax	(263,198)	(104,388)	(852,404)	2,029,008	5,326
Change in nonadmitted assets	228,202	215,632	570,465	(1,292,736)	(1,462)
Change in provision for reinsurance	(7,778)		65,561	(65,561)	
Net change in capital and surplus for the year	1,342,021	619,295	477,191	1,554,303	570,030
Capital and surplus, December 31 current year	<u>\$44,125,256</u>	<u>\$42,783,235</u>	<u>\$42,163,940</u>	<u>\$41,686,749</u>	<u>\$40,132,446</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**

As a result of the examination, no issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

The Company has no reported loss and LAE reserves as of December 31, 2019 as a result of the 100% Quota Share Reinsurance Contract with QMFIC.

**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**

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

**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 and the following Division examiner who participated in this examination hereby is acknowledged:

Guangping Wei, CFE, Examiner III

*Robert G. Dynan*

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Robert G. Dynan, CFE  
Supervising Examiner & Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance