



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

REPORT OF EXAMINATION OF THE
QUINCY MUTUAL FIRE INSURANCE COMPANY

Quincy, Massachusetts

As of December 31, 2019

NAIC GROUP CODE 1275

NAIC COMPANY CODE 15067

EMPLOYER ID NUMBER 04-1752900

QUINCY MUTUAL FIRE INSURANCE COMPANY

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COMMONWEALTH OF MASSACHUSETTS
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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

QUINCY MUTUAL FIRE INSURANCE COMPANY

at its home office located at 57 Washington Street, Quincy, Massachusetts 02169. Due to the COVID-19 pandemic, the examination was conducted remotely. The following report thereon is respectfully submitted.

Quincy Mutual Fire Insurance Company

SCOPE OF EXAMINATION

Quincy Mutual Fire 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:

New England Mutual 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

Quincy Mutual Fire 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 during the previous examination and there are no significant findings related to the current examination.

COMPANY HISTORY

The Company was organized under the laws of the Commonwealth of Massachusetts on March 22, 1851 and commenced business on May 1, 1851. As a licensed property and casualty insurance company, the Company writes personal and commercial insurance through a network of independent agents. On October 12, 2012, the Company formed Quincy Mutual Group, Inc., an administrative services company 95% owned by the Company and 5% owned by New England Mutual Insurance Company. Limited liability companies (LLC'S) were formed before and during the five-year period and contain various real estate and other holdings. All of these LLC'S are listed on the organization chart within this report of examination.

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 ("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 the meetings of the Board.

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 twelve Directors.

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

<u>Director</u>	<u>Title</u>
James Dudley Asher	Director
Karl Douglas Briggs	Chairman and CEO
Alexander Gordon Clark	Director
Katherine Anne Hesse	Director
Kevin Michael Meskell	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:

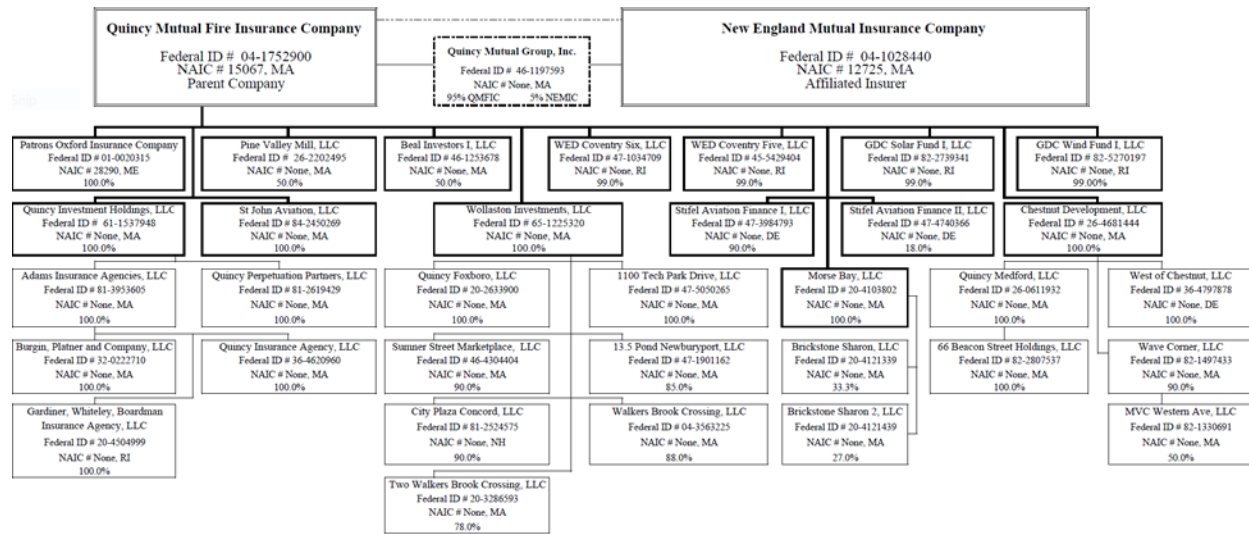
<u>Officer</u>	<u>Title</u>
Karl Douglas Briggs	Chairman & CEO
Thomas Arthur Harris	President & COO
Joseph Bernard White	Senior Vice President, Secretary & General Counsel
Lisa Marie Schooley	Vice President, Finance & Treasurer
Steven Harvey Briggs*	Senior Vice President
Brian Jeremiah Cadigan**	Vice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

Quincy Mutual Fire Insurance Company

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. The Company 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

The Company provides certain accounting, management and other services to its subsidiary, Patrons Oxford Insurance Company (“POIC”), and to its affiliate, New England Mutual Insurance Company (“NEMIC”). In consideration of such services, POIC and NEMIC agreed to pay the costs and expenses of such services.

Management Services Agreement

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

Tax Sharing Agreement

The Company participates in a written tax allocation agreement with its eligible subsidiaries and affiliates. As an affiliated and controlled (but legally separate) mutual company, NEMIC is the

Quincy Mutual Fire Insurance Company

only member of the insurance holding company system not covered by this agreement. The allocation method is based upon the respective tax liability of each member combined as if a separate return were filed in accordance with the Internal Revenue Code. Inter-company balances are settled annually in the fourth quarter.

TERRITORY AND PLAN OF OPERATION

The Company currently is licensed to conduct business in the following states: Massachusetts, Rhode Island, Connecticut, New York, New Hampshire, Pennsylvania, Maine, Maryland, and New Jersey; however it does not actively write business in these latter five jurisdictions. The Company's Certificate of Authority is current and in force.

The Company's principal lines of business are the insurance of personal and commercial risks provided through its appointed independent agents.

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

Effective January 1, 2013, POIC, the Company's wholly-owned subsidiary, executed a 100% quota-share reinsurance agreement to cede its business to the Company. Effective July 1, 2015, the Company and NEMIC entered into a Quota Share Reinsurance Contract, which provides 100% quota share protection to NEMIC subject to a 200% loss ratio cap.

In addition, the Company assumes certain risks from various business partners and voluntary pools with exposure worldwide.

Ceded Reinsurance

The Company has entered into various quota-share, excess of loss, and catastrophe treaties in the ordinary course of business in order to manage their various risks.

Involuntary Pools and Associations

The Company is a participant in various mandatory pools and associations as a requirement of doing business in various states, including Commonwealth Automobile Reinsurers, and the Massachusetts, Rhode Island, and Connecticut FAIR Plans.

Quincy Mutual Fire 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, 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

Quincy Mutual Fire Insurance Company

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

	Per Annual Statement
Assets	
Bonds	\$653,548,126
Stocks	
Preferred stocks	1,563,453
Common stocks	605,162,415
Real Estate	
Properties occupied by the company	5,277,926
Properties held for the production of income	7,795,295
Cash, cash equivalents and short-term investments	56,152,127
Other invested assets	352,667,692
Receivables for securities	1,278
Subtotals, cash and invested assets	<u>1,682,168,312</u>
Investment income due and accrued	6,101,757
Premiums and considerations:	
Uncollected premiums and agents' balances	16,046,653
Deferred premiums, agents' balances and installments booked but deferred and not yet due	131,135,298
Reinsurance:	
Amounts recoverable from reinsurers	921,436
Funds held by or deposited with reinsured companies	20,777,326
Current federal and foreign income tax recoverable and interest thereon	0
Net deferred tax asset	0
Electronic data processing equipment and software	133,317
Receivables from parent, subsidiaries and affiliates	798,931
Aggregate write-ins for other than invested assets	24,847,700
Total assets	<u><u>\$1,882,930,731</u></u>
Liabilities	
Losses	\$281,408,363
Reinsurance payable on paid losses and loss adjustment expenses	12,397,816
Loss adjustment expenses	29,031,730
Commissions payable, contingent commissions and other similar charges	11,488,522
Other expenses (excluding taxes, licenses and fees)	8,247,666
Taxes, licenses and fees (excluding federal and foreign income taxes)	(136,634)
Current federal and foreign income taxes	396,574
Net deferred tax liability	54,452,819
Borrowed money	26,959,822
Unearned premiums	186,757,650
Advance premium	4,903,050
Ceded reinsurance premiums payable (net of ceding commissions)	1,629,353
Amounts withheld or retained by company for account of others	23,362,216
Provision for reinsurance	36,708
Payable for securities	383,371
Aggregate write-ins for liabilities	7,028,179
Total liabilities	<u><u>648,347,205</u></u>
Surplus notes	75,000,000
Unassigned funds (surplus)	1,159,583,526
Surplus as regards policyholders	<u><u>1,234,583,526</u></u>
Total liabilities, surplus and other funds	<u><u>\$1,882,930,731</u></u>

Quincy Mutual Fire Insurance Company

Statement of Income

For the Year Ended December 31, 2019

	Per Annual Statement
Premiums earned	\$390,275,375
Deductions:	
Losses incurred	208,682,044
Loss adjustment expenses incurred	24,555,223
Other underwriting expenses incurred	147,131,622
Total underwriting deductions	380,368,889
Net underwriting gain (loss)	9,906,486
Net investment income earned	35,185,397
Net investment capital gains (losses) less capital gains tax of \$10,983,998	29,038,646
Net investment gain (loss)	64,224,043
Net gain (loss) from agents' or premium balances charged off	(115,047)
Finance and service charges not included in premiums	1,389,578
Aggregate write-ins for miscellaneous income	123,587
Total other income	1,398,118
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	75,528,647
Dividends to policyholders	0
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	75,528,647
Federal and foreign income taxes incurred	(7,700,176)
Net income	\$83,228,823

Quincy Mutual Fire 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	\$1,108,591,520	\$1,190,566,802	\$1,079,863,557	\$976,982,455	\$994,711,040
Net income	83,228,823	34,742,205	47,105,990	62,046,267	14,604,152
Change in net unrealized capital gains or (losses)	61,644,097	(105,148,681)	100,966,332	42,710,693	(33,225,769)
Change in net deferred income tax	(11,140,843)	20,708,764	(22,804,676)	801,741	6,312,526
Change in nonadmitted assets	(9,676,530)	(11,495,049)	(21,886,403)	(3,203,851)	(6,053,039)
Change in provision for reinsurance	(19,696)	25,996	1,022	479,160	162,430
Change in surplus notes		(25,000,000)			
Aggregate write-ins for gains or (losses) in surplus	1,956,152	4,191,483	7,320,980	47,093	471,115
Net change in capital and surplus for the year	125,992,003	(81,975,282)	110,703,245	102,881,102	(17,728,585)
Capital and surplus, December 31 current year	<u>\$1,234,583,524</u>	<u>\$1,108,591,520</u>	<u>\$1,190,566,802</u>	<u>\$1,079,863,557</u>	<u>\$976,982,455</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 Division engaged Risk & Regulatory Consulting, LLC (“RRC”) to review the reasonableness of the loss and LAE reserves of the Company as of December 31, 2019. 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.

RRC performed an analysis of the loss and LAE reserves evaluated as of December 31, 2019. With regard to comparisons to the estimates derived by the Company’s Appointed Actuary (“AA”), RRC noted that as of December 31, 2019, the Company held net loss and LAE reserves slightly higher than the AA’s central estimate. The Company held net loss and LAE reserves of \$310.4M as of December 31, 2019 while the AA had a central estimate of \$306.3M.

The consulting actuary, RRC, noted the central estimate of the net loss and LAE reserves of \$279.6M, which is lower than the booked reserves of \$310.4M. The net booked reserves is within the RRC range of reasonable estimates from \$251.6M to \$307.5M. In the opinion of RRC, the net loss and loss adjustment expense reserves carried by the Company as of December 31, 2019, make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company.

The table below summarizes a comparison of RRC’s range of reasonable estimates for loss and LAE reserves to the Company’s net carried loss and LAE reserves as of December 31, 2019.

	RRC Central Estimate	Company Carried	Position (“+” means redundant)	RRC Range
Net	\$279.6 million	\$310.4 million	\$30.8 (+11%)	\$251.6 to \$307.5 million

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

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