



Janet T. Mills
Governor

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION
BUREAU OF INSURANCE



Timothy N. Schott
Acting Superintendent

Anne L. Head
DPFR Commissioner

May 27, 2022

Timothy N. Schott, Acting Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S. §221 and in conformity with your instructions, a financial examination has been made of the

MMG INSURANCE COMPANY

as of December 31, 2020. The following report is respectfully submitted.

Office Location: 76 Northern Avenue, Gardiner, Maine 04345
Mailing Address: 34 State House Station, Augusta, Maine 04333
www.maine.gov/insurance

Phone: (207) 624-8475

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Consumer Assistance: 1-800-300-5000

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**STATE OF MAINE
BUREAU OF INSURANCE**

REPORT OF FINANCIAL EXAMINATION

**MMG INSURANCE COMPANY
PRESQUE ISLE, MAINE**

AS OF DECEMBER 31, 2020

NAIC COMPANY CODE: 15997

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of MMG Insurance Company dated May 27, 2022, was delivered to that insurer on June 17, 2022; and

WHEREAS no hearing with respect to the Report of Examination has been requested by MMG Insurance Company;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated: 6/27/2022



Timothy N. Schott
Acting Superintendent

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SCOPE OF EXAMINATION

MMG Insurance Company (MMG or the “Company”) was last examined as of December 31, 2015, by the state of Maine Bureau of Insurance (MBOI). This examination covered the period from January 1, 2016, to December 31, 2020.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with statutory accounting practices, NAIC guidelines, the 2021 Financial Condition Examiners Handbook and the laws, rules, and regulations prescribed or permitted by the state of Maine. The examination consisted of a review of the Company's operations, controls, corporate governance, valuation of assets, and determination of liabilities at December 31, 2020. The examination also included the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

None noted.

CURRENT EXAMINATION

None noted.

THE COMPANY

HISTORY

MMG, formerly known as Maine Mutual Fire Insurance Company, was incorporated on May 22, 1897, in the state of Maine and commenced writing business during that year. MMG, a property/casualty insurer, is domiciled in the state of Maine with corporate headquarters located in Presque Isle, Maine.

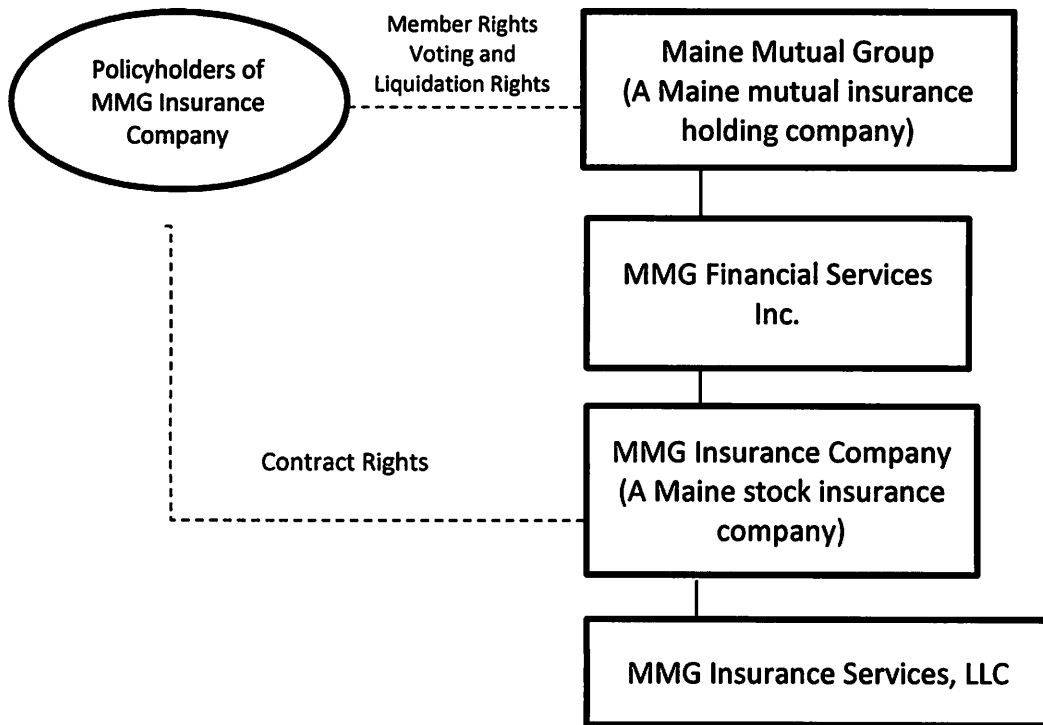
On March 15, 2002, MMG completed the following:

- Conversion of Maine Mutual Fire Insurance Company to MMG Insurance Company, a stock insurance company;
- Formation of Maine Mutual Group, a mutual holding company;
- Formation of MMG Financial Services, Inc., (MMGFSI) a stock holding company.

MMG is the same legal entity that it was before conversion. Pursuant to Maine law, the converted insurer is a continuation of the insurer in its mutual form and the conversion does not annul, modify or change any of MMG’s existing suits, rights, contracts, or liabilities.

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of MMGFSI. An organizational chart, as of December 31, 2020, is presented below:



CORPORATE RECORDS

The Company’s articles of incorporation, bylaws, and minutes of the board of directors meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

The Company is governed and overseen by its board of directors and management team.

As of December 31, 2020, the board of directors (“board”) of the Company consisted of the following members:

<u>Name</u>	<u>Title</u>
Michael David MacPherson*	Chairman
Samuel Wilson Collins	Director
Jean Marguerite Deighan	Director
Dawn Hill*	Director
Kevin Paul McCarthy	Director
Jay York McCrum	Director
Donald Walker Perkins, Jr.	Director
Jon Joseph Prescott	Director
Larry Martin Shaw	Director
Donald Eugene Simon	Director
Lisa Marie Ventriss	Director

*The following changes to the board of directors occurred subsequent to December 31, 2020: Michael David MacPherson retired from the board, Matthew Ricker McHatten was appointed to the board, and Samuel Wilson Collins was appointed as Chairman of the board, all effective April 14, 2021. Dawn Hill retired from the board on April 4, 2022. Deanna Sherman and Deborah Jordan were appointed to the board on April 13, 2022.

As of December 31, 2020, the executive officers of the Company consisted of the following individuals:

<u>Name</u>	<u>Title</u>
Larry Martin Shaw	President & Chief Executive Officer
Matthew Ricker McHatten	Executive Vice President, Chief Operating Officer & Secretary
Michael Martin Young	Senior Vice President, Chief Financial Officer & Treasurer
Stacy Lee Shaw	Senior Vice President & Chief Information Officer
David Gordon McPherson	Senior Vice President of Operations

TRANSACTIONS WITH AFFILIATES

MMG is a party to a written consolidated tax allocation agreement with Maine Mutual Group and MMGFSI whereby tax allocation is made primarily on a separate return basis with current credit for any net operating losses or other items utilized in the consolidated tax return.

Effective August 1, 2016 and continuing for an initial period of eleven years, MMG entered into a system operating lease with its parent, MMGFSI. Through this lease agreement, the Company leases an operating software technology platform integrated into its upgraded Core Operating System for use in the operation of its business. The lease agreement was later amended to extend through February 28, 2029.

Effective August 1, 2019, MMG entered into a management agreement with the MMG Insurance Services, LLC (MMGIS), an insurance agency and newly-formed subsidiary of MMG. MMGIS was established to facilitate the placement of workers' compensation business written by an unaffiliated insurer and placed by independent agents appointed by MMG, who act as sub-agents for MMGIS. Under the management agreement, MMG provides certain executive management, underwriting, marketing, financial services, information systems services and customer services to MMGIS.

MMG made dividend payments of \$864,796 to MMGFSI during the examination period. The dividend payments relate to the financing of certain capital transactions.

TERRITORY & PLAN OF OPERATION

MMG is licensed to transact business in the states of Maine, Massachusetts, New Hampshire, New York, Pennsylvania, Vermont, and Virginia. MMG is a multi-line property and casualty company writing personal and commercial coverage.

REINSURANCE

The Company has a reinsurance program in place. Property and casualty risks are reinsured excess of loss (XOL) after a \$300,000 retention up to a \$7,000,000 limit for property risks and an \$8,000,000 limit for casualty risks. The catastrophe program also has a \$136,000,000 limit in excess of \$4,000,000.

The following reinsurance coverages are also in place:

- Semi-automatic facultative arrangement that provides an additional \$8,000,000 in property reinsurance coverage in excess of the \$7,000,000 XOL coverage.
- Reinsurance for umbrella coverage for limits within \$1,000,000 to \$5,000,000.
- 50% quota share contract for employment practices liability coverage.
- 100% quota share contract for mechanical breakdown, identity theft recovery, data compromise, and cyber risk.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Income, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the MBOI and thus the MBOI does not express an opinion on the financial statements as a whole.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2020**

Assets

Bonds	\$ 192,312,919
Common stocks	53,488,934
Real estate: Properties occupied by the company	4,411,570
Cash and cash equivalents	15,868,717
Investment income due and accrued	1,680,049
Uncollected premiums and agents' balances	7,596,846
Deferred premiums, agents' balances and installments	47,763,360
Amounts recoverable from reinsurers	2,599,467
Net deferred tax asset	3,219,640
Electronic data processing equipment and software	1,028,133
Receivables from parent, subsidiaries, and affiliates	2,161
Aggregate write-ins for other than invested assets	<u>3,409,925</u>
Total assets	<u>\$ 333,381,721</u>

Liabilities

Losses	\$49,914,176
Loss adjustment expenses	13,663,907
Commissions payable	10,651,787
Other expenses	4,650,125
Taxes, licenses and fees	550,160
Current federal and foreign income taxes	352,151
Unearned premiums	101,397,960
Advance premium	1,886,418
Ceded reinsurance premiums payable	3,087,077
Funds held by company under reinsurance treaties	67,563
Amounts withheld or retained for account of others	3,045,467
Remittances and items not allocated	39,893
Drafts outstanding	2,341
Payable to parent, subsidiaries and affiliates	161,513
Payable for securities	500,000
Aggregate write-ins for liabilities	<u>13,966</u>
Total liabilities	<u>\$189,984,504</u>

<u>Capital and Surplus</u>	
Common capital stock	2,500,000
Surplus notes	15,000,000
Gross paid in and contributed surplus	32,454,274
Unassigned funds	<u>93,442,943</u>
Surplus as regards policyholders	<u>143,397,217</u>
Total liabilities, capital and surplus	<u>\$333,381,721</u>

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2020

Premiums earned	\$ 189,319,445
Deductions:	
Losses Incurred	86,467,696
Loss adjustment expenses	21,764,048
Other underwriting expenses	<u>70,389,511</u>
Total underwriting deductions	<u>178,621,255</u>
Total underwriting gain	<u>10,698,190</u>
Net investment income earned	4,566,143
Net realized capital gains	<u>17,762</u>
Net investment gain	<u>4,583,905</u>
Net loss from agents' or premium balances charged off	(381,112)
Finance and service charges not included in premiums	535,350
Aggregate write-ins for miscellaneous income	<u>95,617</u>
Total other income	<u>249,855</u>
Net income before federal income taxes	15,531,951
Federal income taxes	<u>3,616,309</u>
Net income	<u>\$ 11,915,642</u>

**STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2020**

Capital and surplus, December 31, 2019	\$129,637,215
Net income (loss)	11,915,642
Change in net unrealized capital gains less capital gains tax	1,013,859
Change in net deferred income tax	507,113
Change in nonadmitted assets	<u>323,388</u>
Net change in surplus	<u>13,760,003</u>
Capital and surplus, December 31, 2020	<u>\$143,397,217</u>

COMMENTS ON THE FINANCIAL STATEMENTS

NOTE 1 – RESERVES

Lewis & Ellis, Inc. (“consulting actuary”) was engaged to provide actuarial assistance for the financial examination of the Company as of December 31, 2020. The consulting actuary’s review included: participation in interviews of the Company’s actuaries to gain an understanding of the processes to develop and report reserves and liabilities and appropriately price products; review of controls to mitigate certain reserving and pricing risks; review of the Appointed Actuary’s 2020 Actuarial Opinion and Memorandum; and testing to verify that the assumptions and methodologies used by the Company to determine liabilities and reserves are reasonable, appropriate, and in line with established actuarial practice.

NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the five-year period since the MBOI’s last examination of the Company, dated December 31, 2015:

Capital and surplus, December 31, 2015	\$ 94,479,777
Net income	33,073,774
Change in net unrealized capital gains less capital gains tax	5,687,905
Change in net deferred income tax	(1,301,675)
Change in nonadmitted assets	1,487,025
Change in surplus notes	15,000,000
Surplus adjustments: Paid in	(4,164,792)
Dividends to stockholders	<u>(864,796)</u>
Capital and surplus, December 31, 2020	<u>\$ 143,397,217</u>

NOTE 3 – PERMITTED PRACTICES

Guaranty Fund Assessments

MMG was granted a permitted practice related to guaranty fund assessments effective January 1, 2001. The permitted practice allows MMG to book future guaranty fund assessments on a paid basis.

Airplane Classified as Admitted Asset

MMG was granted a permitted practice allowing them to account for an airplane as an admitted asset. This permitted practice was approved as of December 31, 2012.

SUBSEQUENT EVENTS

No subsequent events that merit disclosure have been identified.

SUMMARY OF RECOMMENDATIONS

There are no report level recommendations.

**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Timothy N. Schott, Acting Superintendent of Insurance, pursuant to the Insurance Laws of the state of Maine, she has made an examination of the condition and affairs of the

MMG INSURANCE COMPANY

located in Presque Isle, Maine as of December 31, 2020, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. Noble Consulting Services, Inc. performed the examination. The following examiners from the Bureau of Insurance assisted:

Audrey L. Wade, CFE, CISA

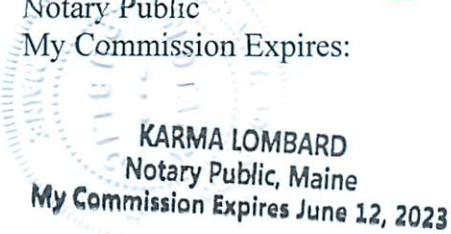


Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 27 day of June, 2022



Notary Public
My Commission Expires:


KARMA LOMBARD
Notary Public, Maine
My Commission Expires June 12, 2023