STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

Paul R. LePage
GOVERNOR

Eric A. Cioppa
SUPERINTENDENT

April 25, 2018

Eric A. Cioppa, 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

PATRIOT INSURANCE COMPANY

at its primary administrative office in Frankenmuth, Michigan. The following report is respectfully submitted.

REPORT OF EXAMINATION

PATRIOT INSURANCE COMPANY

AS OF

DECEMBER 31, 2016

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Patriot Insurance Company dated April 25, 2018, was delivered to that insurer on June 8, 2018, and

WHEREAS Patriot Insurance Company and Bureau of Insurance staff have agreed to certain modifications with respect to the Report of Examination, and

WHEREAS I find such modifications proper, and

WHEREAS no hearing with respect to the Report of Examination has been requested by Patriot 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: 6-27-18

Eric A. Cioppa, Superintendent

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SCOPE OF EXAMINATION

Patriot Insurance Company ("Patriot" or the "Company") was last examined as of December 31, 2012, by the State of Maine Bureau of Insurance (MBOI). This examination covered the period from January 1, 2013 to December 31, 2016.

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 2017 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, 2016. 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.

This examination was coordinated with the State of Michigan Department of Insurance and Financial Services (DIFS), which concurrently examined Patriot's parent company, Frankenmuth Mutual Insurance Company (FMIC), and Patriot's insurance affiliates, Ansur America Insurance Company ("Ansur"), ASure Worldwide Insurance Company ("ASure"), Fortuity Insurance Company ("Fortuity"), and Patriot Life Insurance Company ("Life"), all Michigan domestic insurance companies. These companies, along with Patriot and Frankenmuth Agency, Inc. (a non-insurance affiliate), are members of the Frankenmuth Insurance Group. The examination was conducted at the FMIC offices in Frankenmuth, Michigan, which are the main administrative offices of Patriot and all companies within the Frankenmuth Insurance Group. BDO USA, LLP, (BDO) performed the 2016 external audit of FMIC and all insurance affiliates. BDO work papers were utilized for this examination to the extent deemed appropriate. The MBOI relied upon work performed by the DIFS when appropriate in order to enhance the effectiveness and efficiency of this examination.

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 COMMENTS
None noted.

CURRENT EXAMINATION COMMENTS
None noted.

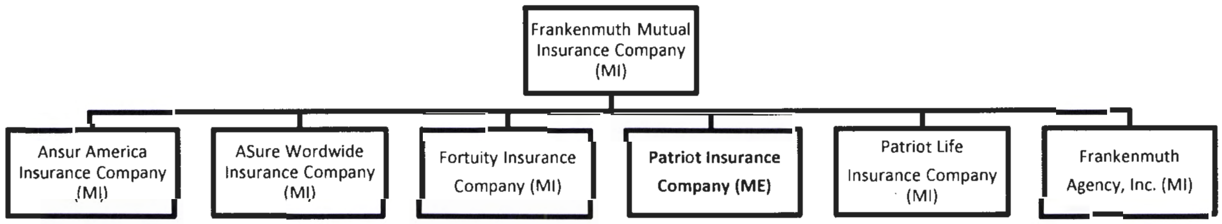
THE COMPANY

HISTORY
Patriot was incorporated in 1966 as a subsidiary of Blue Cross and Blue Shield of Maine (BCBSME) providing products not offered by BCBSME. Patriot became fully independent in 1999 as a result of the acquisition of BCBSME by Anthem Insurance Companies, Inc.

On January 1, 2002, Patriot became licensed to write property and casualty lines and contracted to acquire substantially all of the Maine, New Hampshire and Vermont property and casualty personal lines business from Acadia Insurance Company.

Effective July 1, 2007, Patriot Mutual Holding Company, which included Patriot and Patriot's wholly owned subsidiary, Life, merged into FMIC, with FMIC being the surviving company, owner of Patriot, and ultimate parent of Life. Additionally, each membership interest in Patriot as of the effective date, was converted into a membership interest in FMIC by virtue of the merger, and FMIC amended its articles of association accordingly. Immediately following the merger, Patriot began writing commercial lines products in Maine, followed by New Hampshire and Vermont during 2008. In 2010, Life was sold to FMIC and re-domesticated to Michigan.

CORPORATE OWNERSHIP
The Company is a wholly-owned subsidiary of FMIC. A corporate ownership diagram follows:



CORPORATE RECORDS
The Company's articles of incorporation, bylaws, and minutes of the Board of Directors (BOD) meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

Patriot is governed and overseen by its BOD and its management team.

As of December 31, 2016, Patriot's BOD consisted of the following members:

Name	Title
John Stewart Benson	Chair
Lyle Gerald Davis, Jr.	Director
Frederick Allen Edmond, Jr.	Director
David Frederick Honold	Director
Scott Lee Mandel	Director
Brian Scott McLeod	Director
Lincoln Jerry Merrill, Jr.	Director
David Allen Pendleton	Director
Susan DiDonato Royles	Director
James Edward Wilds	Director
Drew Randall Zehnder	Director

As of December 31, 2016, the officers of Patriot consisted of the following individuals:

Name	Title
Lincoln Jerry Merrill, Jr.	President & CEO
Brian Scott McLeod	Vice President, Treasurer & Secretary
Alan Robert Small	Vice President
Steven Francis Coward	Vice President

TRANSACTIONS WITH AFFILIATES

On December 5, 2016, Patriot sold 12,500 shares of its common stock to its parent company, FMIC, for $12,500,000 to provide capital to Patriot for the purchase of property and construction of a home office building, which had an estimated cost of $12,500,000.

Patriot is a party to a written Federal Tax Allocation Agreement with FMIC and affiliates, as of July 1, 2007. The agreement provides that the portion of the consolidated tax liability allocated to the Company is based on a separate tax return liability.

Patriot has a Management Services Agreement with FMIC, effective July 1, 2007, under which FMIC provides certain administrative and management services to Patriot, for which Patriot pays FMIC a sum equal to the costs of the services.

As of January 1, 2010, the Company is a party to a Pooling Reinsurance Agreement with its parent, FMIC, and its three property and casualty insurance affiliates, under which all property and casualty lines of business are pooled. See the Reinsurance section below for more details.

Territory & Plan of Operation

Patriot is licensed to transact business as a property and casualty insurer in the states of Maine, Massachusetts, Michigan, New Hampshire, and Vermont. Patriot reported premiums written in Maine, New Hampshire, and Vermont. Patriot's primary lines of business are homeowners multiple peril, auto physical damage, private passenger auto liability, commercial multiple peril, commercial auto liability, other liability, and workers' compensation.

Reinsurance

Patriot, FMIC, and FMIC's other wholly owned property and casualty insurance subsidiaries are party to an intercompany pooling reinsurance agreement under which all property and casualty lines of business are pooled. Under terms of the pooling agreement, the participants will cede to FMIC (the "lead insurer") all of their insurance business, net of inuring reinsurance, and assume from the lead insurer an amount equal to their respective participation percentages as follows: FMIC, 78%; Patriot, 8%; Ansur, 8%; ASure, 3%; and Fortuity, 3%.

Patriot is party to external reinsurance treaties that include property and casualty excess of loss, catastrophe, quota share, and facultative contracts. A summary of the coverage in place at December 31, 2016 follows:

- Property Excess - Property per risk excess of loss treaties provide three layers of protection with a total limit of $35,000,000 excess of a $1,250,000 per risk retention.
- Property Catastrophe - Property catastrophe excess of loss agreements provide a three-layer, $115,000,000 cover and an additional $45,000,000 layer. Total coverage is $160,000,000 excess of a $10,000,000 retention.
- Casualty, Workers' Compensation and Commercial Umbrella - An excess of loss reinsurance agreement provides coverage of $8,500,000 excess of $1,500,000 per occurrence, and additional clash coverage provides $5,000,000 each occurrence excess of $10,000,000 and an additional layer of $10,000,000 each occurrence excess of $15,000,000.
- Workers' Compensation Catastrophe - Catastrophe excess of loss reinsurance agreement provides coverage of $35,000,000 each occurrence excess of $25,000,000 with a $10,000,000 maximum for any one employee.
- Personal Umbrella Quota Share and Excess of Loss - Umbrella facultative reinsurance contract provides protection up to $5,000,000 each occurrence with a retention of 25% of the first $1,000,000 each occurrence.
- Employment Practices Liability - Quota share reinsurance contract with coverage provided up to $1,000,000 aggregate for any one policy with a retention of 20%.
- Systems/Equipment Breakdown - 100% reinsured with limits up to $30,000,000.
- Cyber Plus Quota Share - Cyber insurance protection up to $1,000,000 per policy with 0% retention of each occurrence.

Patriot also assumes reinsurance as a member of the National Workers' Compensation Reinsurance Association, a mandatory workers' compensation reinsurance pool.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Operations, 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, 2016

Assets		
Bonds	$	82,929,714
Real estate		3,028,799
Cash		8,390,969
Investment income due and accrued		799,377
Uncollected premiums and agents' balances		9,376,771
Deferred premiums, agents' balances and installments		12,286,265
Amounts recoverable from reinsurers		6,626,894
Net deferred tax asset		2,440,365
Electronic data processing equipment and software		80,244
Receivables from parent, subsidiaries and affiliates		12,393
Aggregate write-ins for other-than-invested assets		29,451
Total assets	$	126,001,241
Liabilities		
Losses	$	29,555,060
Reinsurance payable		7,317,574
Loss adjustment expenses		5,024,709
Commissions payable		2,306,578
Other expenses		1,314,331
Taxes, licenses and fees		219,914
Current federal and foreign income taxes		480,000
Unearned premiums		22,819,015
Advance premium		227,047
Ceded reisnurance premiums payable		7,157,279
Amounts withheld or retained for account of others		31,719
Payable to parent, subsidiaries and affiliates		114,345
Total liabilities		76,567,572
Surplus		
Common capital stock		8,750,000
Gross paid in and contributed surplus		16,250,000
Unassigned funds		24,433,669
Policyholders' surplus		49,433,669
Total liabilities and surplus	$	126,001,241

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016

Premiums earned	$	47,308,418
Deductions:		
Losses incurred		25,840,602
Loss adjustment expenses incurred		4,106,365
Other underwriting expenses incurred		14,167,297
Total underwriting deductions		44,114,264
Total underwriting gain		3,194,154
Net investment income earned		1,824,748
Net realized capital gains		63,016
Net investment gain		1,887,764
Net loss from premiums charged off		(50,599)
Finance and service charges		100,358
Aggregate write-ins for miscellaneous income		(20)
Total other income		49,739
Net income before dividends to policyholders		5,131,657
Dividends to policyholders		216,167
Net income before federal income taxes		4,915,490
Federal income taxes		1,512,000
Net income	$	3,403,490

STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2016

Surplus, December 31, 2015	$	33,553,326
Net Income		3,403,490
Change in net deferred income tax		107,530
Change in nonadmitted assets		(130,677)
Change in paid in capital		1,250,000
Change in paid in surplus		11,250,000
Net change in surplus		15,880,343
Surplus, December 31, 2016	$	49,433,669

Comments on the Financial Statements

Note 1 – Reserves

Paradigm Actuaries (the "Consulting Actuary") was engaged to provide actuarial assistance with the financial examination of the Company as of December 31, 2016. The reserves as reported by the Company were determined to be reasonable based on the review performed by the Consulting Actuary.

Note 2 – Capital and Surplus

The following table describes the capital and surplus changes for the four-year period since the MBOI's last examination of the company, dated December 31, 2012:

Capital and surplus, December 31, 2012	$	24,872,227
Net income		11,884,136
Change in net deferred income tax		(22,829)
Change in nonadmitted assets		200,135
Change in Paid in Capital		1,250,000
Change in Paid in Surplus		11,250,000
Capital and surplus, December 31, 2016	$	49,433,669

Subsequent Events

Construction of the home office building

In October, 2016, Patriot purchased land on Route 1 in Yarmouth, Maine, for their new home office building which was constructed during 2017. The construction was substantially complete and the Company moved into the new home office building in November, 2017.

No other significant material items came to our attention for inclusion in the report of examination.

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 Eric A. Cioppa, 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

PATRIOT INSURANCE COMPANY

of Yarmouth, Maine as of December 31, 2016, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. The following examiners from the Bureau of Insurance assisted:

Audrey L. Wade, CFE, CISA
Sarah A. Hyde

Vanessa Sullivan
Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 27 day of June, 2018

Karma L Lombard
Notary Public
My Commission Expires:

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

APPENDIX A - STATEMENT OF ACTUARIAL OPINION

Paradigm Actuaries

STATEMENT OF ACTUARIAL OPINION

Company Annual Financial Report of

Patriot Insurance Company

For the Year Ended December 31, 2016

IDENTIFICATION

I, Daniel David Schlemmer, am associated with the firm of Paradigm Actuaries. I am a member of the American Academy of Actuaries and meet its qualification standards for statements of actuarial opinion regarding property and casualty insurance company statutory Annual Statements. I am a Fellow of the Casualty Actuarial Society. I have been requested by the State of Michigan Department of Insurance and Financial Services ("DIFS") to render an opinion on Patriot Insurance Company ("the Company") as of part of their regulatory examination of the Company.

SCOPE

I have examined the reserves listed in Exhibit A, as shown in the Annual Statement of the Company as filed with state regulatory officials, as of December 31, 2016. The loss and loss adjustment expense reserve items in this Scope and specified in Exhibit A on which I am expressing an opinion, reflect the Loss Reserve Disclosure items listed under the Relevant Comments section and in Exhibit B.

The Company is part of an intercompany pooling agreement with other Frankenmuth Group subsidiaries. Premiums and losses are allocated to the Company based on its assigned percentage of the total pool, 8%. Analysis of the reserve items identified in Exhibit A has been performed for all the pool companies (the "Pooled Companies") combined. Following is a list of the companies in the pool and their pooling percentages.

- Frankenmuth Mutual Insurance Company: 78%
- Ansur America Insurance Company, 8%
- Patriot Insurance Company, 8%
- ASure Worldwide Insurance Company, 3%
- Fortuity Insurance Company, 3%

Statutory Annual Statement amounts (for example in Exhibit A) are references to the 8% which is apportioned to the Company.

My examination of the loss and loss adjustment expense reserves was based upon data and related information prepared by the Company. In this regard, I relied on data provided to the Company's Opining Actuary, Christopher Walker, Director of PwC; by John Lang, Director, Accounting and Finance of Frankenmuth; and by Brian S. McLeod, Vice President, Treasurer, and Secretary, of Frankenmuth. I evaluated the data used in my analysis for reasonableness and consistency and I reviewed a reconciliation of that data as of December 31, 2016 to a composite Schedule P-Part 1, comprising the total intercompany pool in which the Company participates. My evaluation did not reveal any data points materially affecting my analysis that fell outside of the range of reasonable possibilities. In performing this evaluation, I relied on the accuracy and completeness of test work performed by DIFS examiners. In other respects, my examination included the use of such actuarial assumptions and methods and such tests of calculations, as I considered necessary.

My review was limited to items in Exhibit A, and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets, which have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

OPINION

In my opinion, the amounts carried in Exhibit A and identified above in the Scope paragraph:

- Meet the requirements of the insurance laws of the State of Maine;
- Are consistent with amounts computed in accordance with Standards of Practice issued by the Actuarial Standards Board (including The Casualty Actuarial Society's Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves); and,
- Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its contracts and agreements.

RELEVANT COMMENTS

Risk of Material Adverse Deviation

There are a variety of risk factors that may result in the actual future net loss and loss adjustment expense payments deviating from the provision in the Company's net carried reserves. I have identified the major risk factors impacting the Company are: the concentration in Michigan, the unlimited nature of Workers Compensation and Michigan PIP, and potential for catastrophe losses. The absence of other risk factors from this listing does not imply that additional risk factors will not be identified in the future as being a significant influence on the Company's reserves.

With respect to the Company, I do not believe there is a significant risk of material adverse deviation in the loss and loss adjustment expense reserves. In making this determination, I have considered a material adverse deviation to be one in which the actual unpaid losses and loss adjustment expenses exceed the Company's booked reserves by an amount greater than the minimum of:

- 15% of the Company's net loss and loss adjustment expense reserves
- 25% of the Company's statutory surplus
- the difference between the total adjusted capital and the next action or control level for the Company.

Uncertainty

In evaluating whether the reserves make a reasonable provision for unpaid losses and loss adjustment expenses, it is necessary to project future loss and loss adjustment expense payments. Actual future losses and loss adjustment expenses will not develop exactly as projected and may, in fact, vary significantly from the projections. Further, my projections make no provision for extraordinary future emergence of new classes or types of losses not sufficiently represented in the Company's historical database or that are not yet quantifiable.

Reinsurance

I have reviewed a summary of the Company's ceded reinsurance that is or could be material to the Company's ceded loss and loss adjustment expense reserves as of December 31, 2016. The Company has represented to me that the summary is accurate and complete and that it is not aware of any significant uncollectible reinsurance. The Company has determined that these contracts should be accounted for as reinsurance under statutory accounting principles. I make no opinion as to whether the Company's reinsurance contracts meet the requirements for reinsurance accounting.

My opinion of the loss and loss adjustment expense reserves net of ceded reinsurance assumes that all reinsurance is valid and collectable. I am not aware of any reinsurance the Company treated as collectable but should have been treated as uncollectable.

Retroactive Reinsurance / Financial Reinsurance

We have been informed by Company management that they are not aware of any reinsurance contract that either has been or should have been accounted for as retroactive reinsurance or financial reinsurance. As a result, no adjustments have been made to our analysis for such contracts.

Long Duration Contracts

The Company does not have exposure to long duration contracts with coverage periods greater than 13 months which are non-cancelable and not subject to premium changes.

Other Disclosures

Discounting

The Company does not discount loss and loss adjustment expense reserves.

Salvage and Subrogation

The Company's reserves are established and reviewed gross of anticipated salvage and subrogation. A separate provision is estimated for salvage and subrogation, and is deducted to calculate a reserve net of salvage and subrogation.

IRIS Tests

The IRIS Tests that relate to the Company's December 31, 2016 One Year Reserve Development (Test 11), Two Year Reserve Development to Surplus (Test 12), and Estimated Current Reserve Deficiency to Surplus (Test 13) did not create any exceptional values.

Asbestos & Environmental Liabilities

The Company has asbestos reserves of $490,000 on a gross basis and $124,000 on a net basis. The company has environmental reserves of $821,000 on a gross basis and $276,000 on a net basis.

Underwriting Pools & Associations

The Pooled Companies participate in a small number of voluntary and involuntary pools. Company practice is to record the loss and loss adjustment expenses reported to it by the pool with an accrual for reporting lag and an additional "supplemental" reserve.

Extended Loss and Loss Adjustment Expense Reserves

The Pooled Companies have exposure to extended loss and loss adjustment expense coverage on employers' practices liability and cyber liability. The company is not aware of actual claims and currently records no liability for such exposure.

SUPPORTING DOCUMENTS AND USAGE

An actuarial report, including underlying actuarial work papers supporting the findings expressed in this Statement of Actuarial Opinion, has been provided to DIFS staff. This Statement of Actuarial Opinion is solely for regulatory examination, and only to be relied upon by examiners from the state of Michigan and examiners from other states as determined by Michigan.

Daniel David Schlemmer, FCAS, MAAA
Paradigm Actuaries
2728 North Lincoln Avenue Chicago, IL 60614
312-925-7073
dan@paradigmactuaries.net
January 30, 2018

Exhibit A: SCOPE

Loss and Loss Adjustment Expense Reserves	
Reserve for Unpaid Losses (Liabilities, Surplus and Other Funds page, Col. 1, Line 1)	$29,555,060
Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus and Other Funds page, Col. 1, Line 3)	5,024,709
Reserve of Unpaid Losses – Direct and Assumed (Schedule P, Part 1, Summary Totals from Cols. 13 and 15, Line 12 * 1000)	41,241,000
Reserve for Unpaid Loss Adjustment Expenses – Direct and Assumed (Schedule P, Part 1, Summary Totals from Cols. 17, 19 and 21, Line 12 * 1000)	5,479,000
Page 3 write-in item reserve, "Retroactive Reinsurance Reserve Assumed"	0
Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion	0

Premium Reserves	
Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	$0
Reserve for Net Unearned Premiums for Long Duration Contracts	$0
Other Premium Reserve Items on which the Appointed Actuary is expressing an Opinion	$0

Exhibit B: DISCLOSURES

	Column 1	Column 2	Column 3	Column 4
1. Name of Appointed Actuary		Schlemmer	Daniel	David
2. Appointed Actuary's Relationship to Company E = Employee; C = Consultant			C	
3. The Appointed Actuary is a Qualified Actuary based upon what qualification			F	
4. Type of Opinion, as identified in the OPINION paragraph.			R	
5. Materiality Standard expressed in US dollars	$5,187,000			
6. Is there a significant risk of Material Adverse Deviation?			No	
7. Statutory Surplus (Liabilities, Col 1, Line 37)	$49,433,669			
8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P	$510,000			
9. Discount as a reduction to loss reserves and loss expense reserves as reported in Schedule P 9.1 Nontabular Discount 9.2 Tabular Discount	$0 $0			
10. The net reserves for losses and expenses for the Company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses $0 and expenses that are included in reserves shown on the Liability, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines.	$1,566,000			
11. The net reserves for losses and loss adjustment expenses that the Company carries for the following liabilities included on the Liability, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines. 11.1 Asbestos, as disclosed in the Notes to Financial Statements 11.2 Environmental, as disclosed in the Notes to Financial Statements	 $124,000 $276,000			
12. The total claims made extended loss and expense reserve (Schedule P Interrogatories) 12.1 Amount reported as loss reserve 12.2 Amount reported as unearned premium reserve	 $0 $0			
13. Other items on which the Appointed Actuary is providing Relevant Comment (list separately)	$0			