



Janet T. Mills
Governor

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

Eric A. Cioppa
Superintendent

May 11, 2021

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 the

PATRONS OXFORD INSURANCE COMPANY

as of December 31, 2019. The following report is respectfully submitted.



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**STATE OF MAINE
BUREAU OF INSURANCE**

REPORT OF FINANCIAL EXAMINATION

**PATRONS OXFORD INSURANCE COMPANY
PORTLAND, MAINE**

AS OF DECEMBER 31, 2019

NAIC COMPANY CODE: 28290

NAIC GROUP CODE: 1275

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Patrons Oxford Insurance Company dated May 11, 2021, was delivered to that insurer on June 9, 2021; and

WHEREAS no hearing with respect to the Report of Examination has been requested by Patrons Oxford 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: 6-29-21


Eric A. Cioppa, Superintendent

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SCOPE OF EXAMINATION

Patrons Oxford Insurance Company (Patrons or the “Company”) was last examined as of December 31, 2014, by the State of Maine Bureau of Insurance (MBOI). This examination covered the period from January 1, 2015, to December 31, 2019.

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 2020 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, 2019. 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 Massachusetts Department of Insurance (MADOI), which concurrently examined Patrons' parent company, Quincy Mutual Fire Insurance Company (Quincy), and Quincy's affiliate, New England Mutual Insurance Company (NEMIC), both Massachusetts domestic insurance companies. PricewaterhouseCoopers LLP (PwC) performed the 2019 external audit of Quincy and all insurance affiliates. PwC workpapers were utilized for this examination to the extent deemed appropriate. The MBOI relied upon work performed by the MADOI 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

None noted.

CURRENT EXAMINATION

None noted.

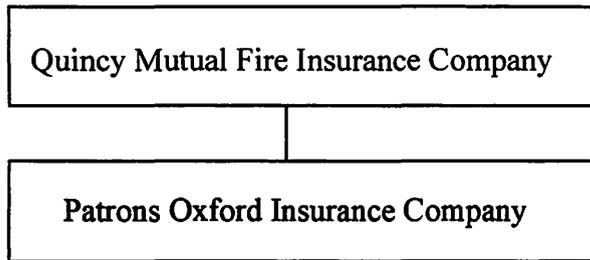
THE COMPANY

HISTORY

The Company was incorporated and licensed to transact insurance in the state of Maine in 1877. Former names include Patrons Androscoggin Mutual Fire Insurance Company, Patrons Mutual Insurance Company and Patrons-Oxford Mutual Insurance Company. On December 30, 1997, the Company demutualized and Quincy purchased 100% of the shares of the Company.

CORPORATE OWNERSHIP

The Company is a wholly-owned subsidiary of Quincy. An abbreviated organizational chart, as of December 31, 2019, 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 its management team.

As of December 31, 2019, the board of directors of the Company consisted of the following members:

<u>Name</u>	<u>Title</u>
James Dudley Asher	Director
Karl Douglas Briggs	Director
Alexander Gordon Clark	Director
Kevin Michael Meskell	Director
Mark Alan Pettingill	Director
John Michael Sheskey	Director
Walter Carl Smythe*	Chair

*Subsequent to the examination period, in 2020, Thomas Arthur Harris was elected as a Director upon the expiration of Walter Carl Smythe's term on the Board.

As of December 31, 2019, the officers of the Company consisted of the following individuals:

<u>Name</u>	<u>Title</u>
Mark Alan Pettingill	President & CEO
Eric George Swanson	Vice President, Secretary
Lisa Marie Schooley	Treasurer
George Alistair MacKinnon	Vice President, Corporate Clerk

TRANSACTIONS WITH AFFILIATES

The Company is a party to a written tax sharing agreement with Quincy and Quincy's non-insurance affiliate, Quincy Mutual Group, Inc., as of January 1, 2016. The agreement provides that the portion of the consolidated tax liability allocated to the Company is based on its separate tax return liability.

The Company has an administration and management services agreement with Quincy, effective September 1, 2015. Under this agreement, Quincy provides services to the Company that include information technology, human resources, actuarial, reinsurance, financial, and executive management.

The Company participates in a 100% quota share reinsurance contract with Quincy.

During 2016 and 2017, the Company received capital contributions totaling \$5,700,000 from Quincy for the construction of Patrons' new home office in Portland, Maine.

TERRITORY & PLAN OF OPERATION

The Company is a multi-line property and casualty insurer writing personal and commercial coverage, and is licensed to transact business in the states of Maine and New Hampshire. The Company's primary lines of business are homeowners multiple peril, private passenger auto, auto physical damage and commercial multiple peril.

REINSURANCE

Effective January 1, 2013, the Company entered into an all lines quota share reinsurance contract with its parent Quincy, wherein 100% of the Company's written business is ceded to Quincy, which is obligated to pay 100% of the incurred losses, loss adjustment expenses, and underwriting expenses arising out of all lines of insurance written by the Company.

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, 2019**

Assets

Real estate: Properties occupied by the company	\$ 5,758,691
Cash and cash equivalents	1,769,919
Uncollected premiums and agents' balances	134,477
Deferred premiums, agents' balances and installments	9,455,465
Amounts recoverable from reinsurers	8,387,317
Net deferred tax asset	144,613
Electronic data processing equipment and software	<u>56,889</u>
Total assets	<u>\$ 25,707,371</u>

Liabilities

Commissions payable	\$ 2,213,385
Other expenses	1,060,391
Taxes, licenses and fees	200,156
Current federal and foreign income taxes	92,701
Advance premium	528,908
Ceded reinsurance premiums payable	5,010,872
Amounts withheld or retained for account of others	3,016,172
Payable to parent, subsidiaries and affiliates	<u>8,218</u>
Total liabilities	<u>\$ 12,130,803</u>

Capital and Surplus

Common capital stock	2,500,000
Gross paid in and contributed surplus	8,200,000
Unassigned funds	<u>2,876,568</u>
Policyholders' surplus	<u>13,576,568</u>
Total liabilities, capital and surplus	<u>\$ 25,707,371</u>

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2019

Premiums earned	\$ -
Total underwriting deductions	-
Net underwriting gain (loss)	-
Net investment income earned	(336,396)
Net realized capital gains (losses)	-
Net investment loss	<u>(336,396)</u>
Net gain (loss) from agents' or premiums charged off	(34,507)
Finance and service charges not included in premiums	<u>390,248</u>
Total other income	<u>355,741</u>
Net income before federal income taxes	19,345
Federal income taxes	<u>83,708</u>
Net income (loss)	<u>\$ (64,363)</u>

**STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2019**

Capital and surplus, December 31, 2018	\$ 13,540,242
Net income (loss)	(64,363)
Change in net deferred income tax	40,516
Change in nonadmitted assets	<u>60,173</u>
Net change in surplus	<u>36,326</u>
Capital and surplus, December 31, 2019	<u>\$ 13,576,568</u>

COMMENTS ON THE FINANCIAL STATEMENTS

NOTE 1 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the five-year period beginning December 31, 2014:

Capital and surplus, December 31, 2014	\$ 7,251,131
Net income	715,072
Change in net deferred income tax	(46,828)
Change in nonadmitted assets	(42,807)
Surplus adjustments: Paid-in	<u>5,700,000</u>
Capital and surplus, December 31, 2019	<u>\$ 13,576,568</u>

NOTE 2 – PERMITTED PRACTICE

Patrons was granted a permitted practice allowing them to record the full book value of their home office real estate as an admitted asset effective March 31, 2017.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States (U.S.). The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review of the Company noted that there has not been a significant impact to the Company. The MBOI has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The MBOI continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

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

PATRONS OXFORD INSURANCE COMPANY

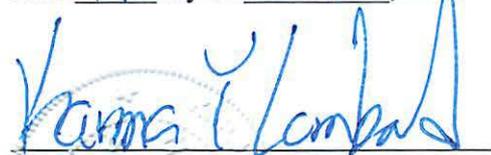
located in Portland, Maine as of December 31, 2019, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. The following examiners from the Bureau of Insurance assisted:

Audrey L. Wade, CFE, CISA
Jeremy C. Finch



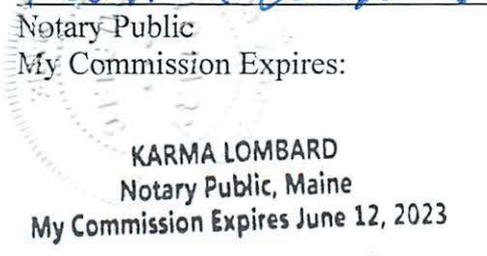
Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 29 day of June, 2021



Notary Public

My Commission Expires:



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