

Report on Examination
of
**AMICA MUTUAL INSURANCE COMPANY
AMICA PROPERTY AND CASUALTY INSURANCE COMPANY
AMICA LIFE INSURANCE COMPANY**

Lincoln, Rhode Island

as of

December 31, 2019



State of Rhode Island
Department of Business Regulation
Insurance Division



State of Rhode Island
DEPARTMENT OF BUSINESS REGULATION
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Insurance Division

ADOPTION ORDER

The attached Report of Examination as of December 31, 2019, of the condition and affairs of

AMICA MUTUAL INSURANCE COMPANY
AMICA PROPERTY AND CASUALTY INSURANCE COMPANY
AMICA LIFE INSURANCE COMPANY

was recently completed by duly qualified examiners, pursuant to the provisions of the Rhode Island General Laws.

Due consideration has been given to the comments of the examiners regarding the operation of the Companies and their financial condition, as reflected in the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made an official record of this Department as of this date.

Department of Business Regulation

A handwritten signature in cursive script, reading "Elizabeth Kelleher Dwyer".

Dated: March 4, 2021

Elizabeth Kelleher Dwyer
Superintendent of Insurance

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January 22, 2021

Ms. Elizabeth Kelleher Dwyer
Superintendent of Insurance
State of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Dear Superintendent Dwyer:

In accordance with your instructions and pursuant to Chapters 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2019, of the financial condition and affairs of

**AMICA MUTUAL INSURANCE COMPANY
AMICA PROPERTY AND CASUALTY INSURANCE COMPANY
AMICA LIFE INSURANCE COMPANY**

located at 100 Amica Way, Lincoln, Rhode Island. The report of such examination is herewith submitted.

The above Companies are referred to within this report collectively as the “Companies” or the “Amica Mutual Group”. The Companies were previously examined as of December 31, 2014, and both the current and prior examinations were conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”).

SCOPE OF EXAMINATION

The last examination of the Companies covered the five-year period from January 1, 2010 through December 31, 2014. The current examination covered the five-year period from January 1, 2015 through December 31, 2019 and was performed in compliance with the above-mentioned sections of the General Laws of the State of Rhode Island, as amended. The current examination was conducted as a single-state full scope risk-focused examination in accordance with the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”), risk-focused examination process.

The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Companies and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Companies 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 Companies’ financial statements.

This examination report includes significant findings of fact, and general information about the insurers and their 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 Companies.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse or significant non-compliance findings noted during the examination conducted as of December 31, 2019.

COMPANY HISTORY

Amica Mutual Insurance Company (“AMIC”)

At the January 1972 session of the General Assembly of the State of Rhode Island, the charters of the Automobile Mutual Insurance Company of America (chartered in 1907) and the Factory Mutual Liability Insurance Company of America (chartered in 1914) were amended and restated by a special act to enable the two aforementioned Companies to consolidate into a continuing corporation entitled Amica Mutual Insurance Company. The consolidation became effective on January 1, 1973.

The charter, as amended, grants AMIC authority to insure any and all risks except life and title insurance. Policies can be issued on both an assessable and non-assessable basis. The charter also gives AMIC authority to issue either dividend or non-dividend policies, or both, as the Board of Directors (“Board”) may determine.

Amica Property and Casualty Insurance Company (“APCIC”)

APCIC was incorporated on May 11, 2005, through the actions of its Incorporators, Robert A. DiMuccio and M. Stuart Towsey, Jr. (“Incorporators”) and pursuant to the filing of its original Articles of Incorporation (“Charter”) with the Secretary of State, as approved by the Director of the Department of Business Regulation.

The Charter gives APCIC the authority to insure any and all risks except life, annuity, title, and financial guaranty insurance and further provides that the authorized capital stock of APCIC shall be in one class of stock consisting of 10,000 shares of common stock with a \$50 par value. Subsequently, on June 8, 2005, the Charter was amended to increase the par value to \$350.

On June 10, 2005, the APCIC issued \$3,500,000 of capital stock to AMIC consisting of 10,000 shares of common stock with a \$350 par value. Subsequently, on June 15, 2005, AMIC made a surplus contribution in the amount of \$11,000,000. On January 1, 2013, AMIC made a non-cash investment in APCIC totaling \$19,120,193. This was done to facilitate the January 1, 2013 change in the quota share rate of the reinsurance contract between APCIC and AMIC, from 80% to 100% and was for settlement of APCIC’s December 31, 2012 reserve balances for losses, loss adjustment expenses, and unearned premiums net of ceding commission.

Amica Life Insurance Company (“ALIC”)

ALIC derives its corporate existence and powers from a Special Act of the General Assembly of the State of Rhode Island, passed at its January 1968 session and approved by the Governor of Rhode Island on June 13, 1968.

The charter authorizes the issuance of life insurance and every type of insurance pertaining thereto; credit life insurance, annuities, accident and health, and credit accident and health insurance, and confers authority to accept and cede reinsurance of the kinds just enumerated.

The charter provides a minimum authorized capital stock of \$1,000,000, consisting of 10,000 shares each with a par value of \$100. The authorized capital stock may be increased from time to time at the discretion of the Board to an amount not exceeding \$10,000,000. In addition, the charter further provides that prior to the issuance of any policy, APCIC must have at least \$1,000,000 of paid in surplus.

At December 31, 2019, AMIC owned all of ALIC's 50,000 shares of issued and outstanding \$100 par value Class A common stock. Total common capital paid up is \$5,000,000. Gross paid in and contributed surplus at December 31, 2019 totaled \$177,000,000. During the period under examination \$75,000,000 of contributed capital was made by AMIC to ALIC, as follows:

<u>Date</u>	<u>Surplus Contribution</u>
January 3, 2017	\$25,000,000
January 2, 2018	\$25,000,000
January 3, 2019	\$25,000,000

Policyholder and Stockholder Dividends

During the period covered by this examination, the following dividends were paid by the Companies under examination:

Year	Amount	Payor	Payee
2015	\$142,511,394	AMIC	Policyholders
2015	23,000,000	APCIC	AMIC
2016	147,212,373	AMIC	Policyholders
2017	145,006,456	AMIC	Policyholders
2018	142,379,121	AMIC	Policyholders
2019	149,535,753	AMIC	Policyholders

MANAGEMENT AND CONTROL

Members (AMIC only)

In accordance with its charter, each person, firm, association, and corporation insured by AMIC is a member of AMIC during the life of the policy, but no longer, and at all meetings of AMIC shall be entitled to one (1) vote either in person or by proxy.

The bylaws provide that the annual meeting of the members of AMIC shall be held at its office in Lincoln, Rhode Island on the second Thursday in February each year, for the election of directors, and for the transaction of such other business as may be brought before the meeting. Special meetings of the members of AMIC may be convened by the President or shall be called upon the written request of 1/2 of 1% of the members of AMIC, or of five (5) of the directors, addressed to the Secretary, setting forth the subjects thereof.

At all meetings of the members of AMIC, seven (7) members shall be necessary to constitute a quorum. All questions except amendments to the bylaws shall be decided by a majority vote of those present in person or by proxy. The bylaws may be amended or repealed in whole or in part by the affirmative vote of three-fifths (3/5) of all members present in person or by proxy at any meeting, notice of the proposed action having been given in the call for the meeting.

Shareholders (APCIC and ALIC)

The bylaws provide that the annual meeting of the shareholders shall be held at the principal office in Lincoln, Rhode Island on the second Thursday in March in each year, for the election of directors, and for the transaction of such other business as may be brought before the meeting. Special meetings of the shareholders may be called in any manner prescribed or permitted by law.

At all meetings of the shareholders, a majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum. Any corporate action may be decided by a majority vote of those present in person or by proxy.

Board of Directors

The charters of the Companies provide that the management of the business and affairs of the Companies shall be vested in the Board, to be elected by the stockholders/policyholders, the number of which shall be fixed from time to time by the bylaws, subject to a maximum of fifteen (15) board members. The bylaws, as amended, stipulate that the Board shall consist of not less than nine and not more than thirteen members. The term of office of each director for AMIC and ALIC is five (5) years, with the directors being divided into five (5) classes, so that the term of office of one-fifth (1/5) of the whole number of directors shall expire each year. The term of office of each director for APCIC is one (1) year. The bylaws provide that the Board shall hold a meeting within ten days after each annual meeting of the Companies for the election of officers and committees, and for the transaction of any other business that may come before the meeting. The directors shall hold as many meetings during the year as they shall prescribe. Special meetings of

the directors shall be called at any time by the Secretary upon request in writing of the President or any three (3) directors.

Seven (7) members of the Board shall constitute a quorum and a majority vote of the members in attendance at any meeting of the Board shall, in the presence of a quorum, decide its actions.

At December 31, 2019, the membership of the Board serving each of the Companies, together with the principal business or professional affiliation of each director is as follows:

Name	Business Affiliation	Term Expires
Robert A. DiMuccio	Chairman, President & Chief Executive Officer Amica Mutual Insurance Company	2024
Jeffrey P. Aiken	Attorney-at-Law	2023
Debra A. Canales	EVP & Chief Administrative Officer Providence Health & Services	2020
Patricia W. Chadwick	President Ravengate Partners	2022
Peter M. Marino	President & Chief Executive Officer Neighborhood Health Plan of RI, Inc.	2021
Barry G. Hittner	Attorney-at-Law	2020
Michael D. Jeans	President (retired) New Directions, Inc.	2022
Ronald K. Machtley	President Bryant University	2024
Diane D. Souza	CEO (retired) UnitedHealthcare Specialty Benefits	2023
Donald J. Reaves	Chancellor and Professor (retired) Winston-Salem State University	2021
Debra M. Paul	President & Chief Executive Officer Fellowship Health Resources, Inc.	2020
Jill J. Avery	Senior Lecturer Harvard Business School	2024

Committees

The bylaws provide that the Board may elect, from their own number, an Executive Committee, a Finance Committee, an Investment Committee, a Compensation Committee, a Governance and Nominating Committee, an Audit Committee, and such other committees as they may see fit to which certain powers and responsibilities may be delegated. The Governance and Nominating Committee nominates members to the Compensation Committee, the Audit Committee, the Investment Committee and the Governance and Nominating Committee. The Governance and Nominating Committee will also nominate the chairperson for the Compensation, Audit, Governance and Nominating, and Investment Committees.

At December 31, 2019, the Investment Committee was comprised of all members of the Board with Robert A. DiMuccio serving as Chairman. The Companies did not have an Executive or Finance Committee. The standing committees consisted of the following members at December 31, 2019:

Governance and Nominating Committee	Compensation Committee	Audit Committee
Barry G. Hittner, Chair	Ronald K. Machtley, Chair	Jill J. Avery, Chair
Michael D. Jeans	Debra A. Canales	Jeffrey P. Aiken
Patricia W. Chadwick	Michael D. Jeans	Donald J. Reaves
Peter M. Marino	Diane D. Souza	Debra M. Paul

Officers

The Board elects senior officers, as well as all other officers. The senior officers serving at December 31, 2019 are as follows:

Name	Title
Robert A. DiMuccio	Chairman, President and Chief Executive Officer
Theodore C. Murphy	Chief Operations Officer
Edmund Shallcross	Senior Vice President and General Manager
James P. Loring	Senior Vice President, Chief Financial Officer and Treasurer
Suzanne E. Casey	Senior Assistant Vice President and Secretary
Robert K. Benson	Senior Vice President and Chief Investment Officer
Jennifer A. Morrison	Vice President and General Counsel
Peter E. Moreau	Senior Vice President and Chief Information Officer
Shiela L. Companie	Senior Vice President and Chief Life Actuary
Peter F. Drogan	Senior Vice President and Chief P&C Actuary

Organizational Structure

AMIC is the ultimate parent in the Amica Mutual Group Insurance Holding Company System. At December 31, 2019, AMIC owned 100% of the outstanding stock of ALIC and APCIC. AMIC also owns 100% of Amica General Agency, LLC.

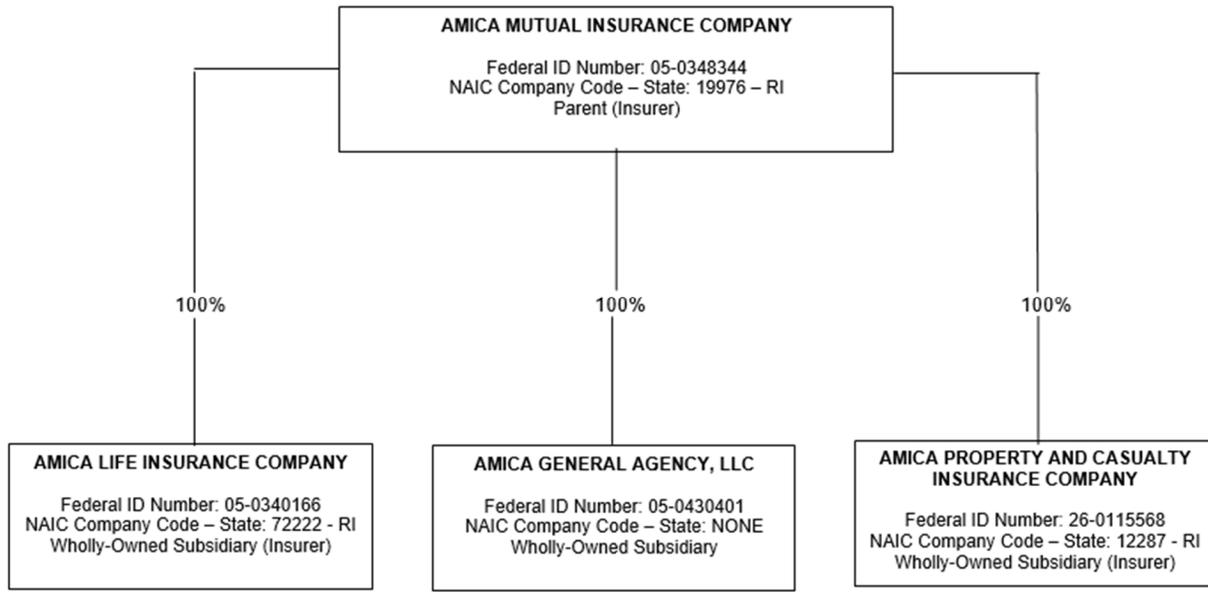
Amica Lloyd's of Texas, Inc. was organized as an attorney-in-fact to manage Amica Lloyd's of Texas, a Texas-domiciled insurer formed in 1998 to leverage the Amica Mutual Group's competitive position in the Texas insurance market. Through its ownership in Amica Lloyd's of Texas, Inc., AMIC is the ultimate controlling entity of Amica Lloyd's of Texas. Effective January 1, 2014, business previously written by Amica Lloyd's of Texas was written by AMIC upon renewal. Effective December 31, 2015, Amica Lloyd's of Texas, Inc., was dissolved.

In 2015, AMIC elected to merge its two wholly owned property and casualty insurance subsidiaries, APCIC and Amica Texas Insurance Company (formally Amica Lloyd's of Texas). To facilitate the merger, Amica Lloyd's of Texas was converted to a stock company named Amica Texas Insurance Company, on December 22, 2015. On December 31, 2015, Amica Texas Insurance Company merged with APCIC, with APCIC continuing as the surviving entity of the merger. As a result of the merger, APCIC assumed all remaining assets and liabilities of Amica Texas Insurance Company as of December 31, 2015, as well as its surplus of \$75,030,293.

Effective April 1, 2015, all agency business previously conducted by AMIC's non-insurance subsidiary, Amica General Insurance Agency of California, Inc., was transferred to another of AMIC's non-insurance subsidiaries, Amica General Agency, LLC. Amica General Insurance Agency of California, Inc. was dissolved on June 30, 2015.

Effective January 1, 2015, AMIC's non-insurance affiliate, Amica General Agency, Inc., was converted from a C Corporation to a Limited Liability Company. From that date forward, Amica General Agency, Inc. has been known as Amica General Agency, LLC.

The following is a presentation of the holding company system as of December 31, 2019:



Intercompany Agreements

Following is a summary of the primary intercompany agreements in effect between AMIC, APCIC and ALIC as of December 31, 2019:

Cost Allocation Agreement

AMIC and its affiliates have entered into a Cost Allocation Agreement, effective November 5, 1997, whereby AMIC provides personnel, office space, equipment and facilities to its affiliated Companies. Under the terms of the agreement, the affiliates will reimburse AMIC on a monthly basis for the cost of the services provided, including staff compensation, overhead, and other specified expenses. Such costs shall be fair and reasonable. The monthly compensation due to a party shall be paid by the owing party within fifty-five (55) days of the end of the month to which it applies.

Tax Sharing Agreement

AMIC and all of its subsidiaries have also entered into a Consolidated Federal Income Tax Agreement effective April 24, 2017. Prior to 2017, ALIC was not a participant in the Consolidated Federal Income Tax Agreement. Under the terms of the agreement, allocation is made in accordance with Section 1552(a)(2) of the Internal Revenue Code and is based upon separate return calculations with current credit for losses. The intercompany estimated tax balances are settled at least quarterly during the tax year with a final settlement during the month following the filing of the consolidated income tax return.

TERRITORY AND PLAN OF OPERATION

Amica Mutual Insurance Company (“AMIC”)

Amica Mutual Insurance Company is a mutual company licensed to transact business in all states and the District of Columbia. AMIC’s charter grants the power to write both assessable and non-assessable policies, however, it issues only non-assessable policies.

The charter also allows AMIC to insure any and all risks except life and title insurance, however, AMIC’s writings are confined to fire, allied lines, homeowners, inland marine, ocean marine, earthquake, workers’ compensation (as it relates to domestic employees), liability other than automobile, automobile liability, and automobile physical damage. The homeowners and automobile lines of business comprise the majority of AMIC’s writings.

AMIC has no policy writing agents, except as required by the Commonwealth of Massachusetts. Business is acquired primarily through the mail, telephone and internet. AMIC’s employees are

appointed as agents in any state where AMIC is licensed to write property and casualty insurance. In certain states, resident agents are appointed if the countersigning of policies is required.

AMIC currently has thirty-eight (38) service offices that handle sales, claims, underwriting and other service-related matters for client accounts. In addition to its service offices, AMIC maintains three call centers for after-hours customer service and three sales centers to focus on new business development.

AMIC issues both participating (dividend) and non-participating (non-dividend) policies. These non-participating policies are generally less expensive up front, but policyholders receive no dividend at expiration. The dividend rates for participating policies are approved by the Board.

AMIC will exclusively offer six-month policies in many states, which will enable AMIC to quickly respond to underwriting conditions.

Amica Property and Casualty Insurance Company ("APCIC")

APCIC is licensed to transact business in twenty-seven (27) states and has authority to insure any and all risks except life, annuities, title, and mortgage and financial guarantee insurance. Currently, APCIC's writings are confined to automobile liability and automobile physical damage in twenty-five (25) states.

APCIC has no policy-writing agents, except as required by the Commonwealth of Massachusetts, and business is acquired primarily through the mail, telephone and internet. Employees are appointed as agents to write property and casualty insurance.

Amica Life Insurance Company (“ALIC”)

ALIC is licensed to transact business in all states and the District of Columbia. ALIC offers whole life and term life on a non-participating basis. All products currently being offered for sale were adjusted for compliance with the 2017 CSO Tables, as required by state laws. ALIC also has a block of universal life policies for which premium payments are continuing but does not offer any new universal life policies. As of December 31, 2019, the only rider available for new issues is accelerated death benefit (terminal illness). Previously issued policies had riders providing for waiver of premium, accidental death benefit, children’s coverage and family coverage. Premiums are still collected, and benefits paid relating to these riders for in-force policies.

ALIC offers single premium deferred annuities, single premium immediate annuities and flexible premium deferred annuities. These can be issued as non-qualified, traditional IRA or Roth IRA.

In conjunction with the activities of its parent, AMIC, ALIC also writes structured settlement annuities. ALIC does not independently market its structured settlement annuities. ALIC has one group life insurance policy covering employees and retirees of the AMIC and affiliates.

REINSURANCE

Ceded Reinsurance - Amica Mutual Insurance Company (“AMIC”)

From 2015 through 2019, AMIC’s ceded reinsurance portfolio consisted primarily of a Property Catastrophe Excess (“CAT”) program. In 2018, the Company placed a second catastrophe contract to cover California earthquake exposure. This contract was effective February 1, 2018 and expired on September 30, 2019. The following is a summary of the primary provisions of the CAT program in effect for 2019:

Property Catastrophe Excess Reinsurance

The CAT program consists of one contract providing three layers of coverage totaling \$850,000,000 coverage in excess of \$200,000,000. The CAT contract became effective on January 1, 2019 and is administered by AonBenfield. APCIC is a named insured under the CAT program.

Under the terms of the CAT program, the reinsurers agree to reinsure the excess liability which may accrue to the AMIC under policies, contracts and binders of insurance or reinsurance in force at the effective date of the contract, or issued or renewed on or after that date, and classified as fire, allied lines, earthquake, homeowners multiple peril (property perils only), inland marine, auto physical damage (comprehensive only) and ocean marine (pleasure watercraft). The CAT program applies to losses occurring within the territorial limits of the policies.

The following summarizes the CAT program structure on December 31, 2019:

Layer	Limit and Retention	Percent Placed / Coverage	Co-Participation
Underlying Excess	\$200,000,000	0%	100%
First Layer	\$200,000,000 in excess of \$200,000,000	60.00% (coverage of \$120,000,000)	40.00%
Second Layer	\$400,000,000 in excess of \$400,000,000	60.00% (coverage of \$240,000,000)	40.00%
Third Layer	\$700,000,000 in excess of \$800,000,000	70.00% (coverage of \$490,000,000)	30.00%

AMIC also maintains coverage through the Florida Hurricane Catastrophe Fund (“FHCF”), recoveries under which shall inure to the benefit of AMIC. For purposes of the CAT program, such FHCF coverage shall be 90% of \$108,110,710 in excess of \$42,355,724 each loss occurrence commencing during the term of the CAT contract.

The CAT program stipulates that, in the event all or any portion of the reinsurance under any excess layer of reinsurance coverage is exhausted by loss, the amount so exhausted shall be reinstated immediately from the time the loss occurrence commences. For each amount reinstated, AMIC agrees to pay additional premium equal to the percentage of the occurrence limit for the excess layer reinstated times earned reinsurance premium for the excess layer reinstated for the term of the contract.

The CAT program contains a provision for profit sharing which states that AMIC will receive a portion of the broker's annual brokerage fees when certain thresholds are exceeded.

California Earthquake Property Catastrophe Reinsurance:

The California Earthquake Property Catastrophe Reinsurance program was utilized from February 1, 2018 through September 30, 2019 to coincide with the AMIC's decision to no longer offer earthquake coverage, but rather offer coverage through the California Earthquake Authority ("CEA"). The initial coverage was \$150,000,000 in excess of \$50,000,000 with subsequent measurement points to reduce coverage as size of the book of business declined through 2019.

Excess of Loss Reinsurance:

AMIC has not purchased Excess of Loss Reinsurance coverage since December 31, 2005.

Ceded Reinsurance - Amica Life Insurance Company ("ALIC")

ALIC maintains thirty-nine (39) reinsurance agreements with eight (8) different reinsurers. Six (6) of these agreements are active for new individual life business. Twelve (12) of these

agreements are active for contractual increases and renewal individual life business. Three (3) other policies cover the Group Plans for the employees of AMIC and its subsidiaries.

The remaining eighteen (18) agreements apply to policies that are either no longer being written by ALIC or policies that were acquired by ALIC from United Pacific Life (“UPL”) in 1989. The inactive agreements are with Swiss Re Life & Health America, Inc. and Scottish Re Life Corporation (formerly ERC Life Reinsurance Corporation).

All business covered by Transamerica Reinsurance Company was novated effective January 1, 2013 and transferred to SCOR Global Life Americas Reinsurance Company. Swiss Re Life & Health America, Inc. acts as a third-party administrator for Lincoln National Life Insurance Company.

As of March 1, 2000, the Company increased the retention limits on all new individual life business written to \$500,000 per life of the insured.

A brief summary of all active agreements (Individual and Group) follows:

Individual Life

1. Swiss Re Life & Health America, Inc. reinsures ALIC’s 10, 15, 20, and 30-year Level Term policies on a coinsurance basis. The agreement includes a standard recapture clause, after the 10th policy year, if ALIC increases its maximum retention applicable to policies reinsured. This treaty was amended on April 1, 2004 to include Fully Guaranteed Term 15, 20 and 30.

2. Swiss Re Life & Health America, Inc. also provides a facultative agreement for Annual Term policies issued by ALIC that are not automatically ceded to Swiss Re. Retention limits vary from \$0 to \$500,000 depending on the nature of the individual risk.
3. Swiss Re Life & Health America, Inc. reinsures risks to all Accidental Death Benefit (ADB) insurance written by ALIC as a supplementary benefit to any of its individual life insurance policies. This agreement based on a YRT plan, calls for ALIC to cede 100% of its ADB exposure to a maximum of \$250,000 on any life.
4. SCOR Global Life Americas Reinsurance Company reinsures ALIC's 10, 15, 20, and 30-year Level Term (including guaranteed term) policies on a coinsurance basis. The agreement does not include a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.
5. Swiss Re Life & Health America Inc. reinsures ALIC's Whole Life 2006 policies on a YRT basis. The agreement includes a standard recapture clause, after the 10th policy year, if ALIC increases its maximum retention applicable to policies reinsured.
6. Swiss Re Life & Health America Inc. reinsures ALIC's Annual Renewable Term 2009 policies on a YRT basis. The agreement includes a standard recapture clause, after the 10th policy year, if ALIC increases its maximum retention applicable to policies reinsured.

7. Swiss Re Life & Health America Inc. reinsures ALIC's Level Term 2008 policies on a coinsurance basis. The basis of reinsurance is a first dollar quota share and excess after the ALIC's retention of \$500,000.
8. Wilton Re reinsures ALIC's Level Term 2008 policies on a coinsurance basis. The agreement includes a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.
9. SCOR Global Life Americas Reinsurance Company reinsures ALIC's Level Term 2008 policies on a coinsurance basis. The agreement does not include a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.
10. SCOR Global Life Americas Reinsurance Company reinsures ALIC's Level Term 2011 policies on a coinsurance basis. The agreement does not include a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.
11. Swiss Re Life & Health America Inc. reinsures ALIC's Level Term 2011 policies on a coinsurance basis. The agreement does not include a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.
12. SCOR Global Life Americas Reinsurance Company reinsures ALIC's Level Term 2013 policies on a coinsurance basis. The agreement includes a recapture clause. The basis of

reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000. This agreement was amended effective August 4, 2014 to include ALIC's Annual Renewable Term 2014 policies on a yearly renewable term basis excess after ALIC's retention of \$500,000. This amendment also included ALIC's modified underwriting program effective October 15, 2014.

13. Swiss Re Life & Health Inc. reinsures ALIC's Level Term 2013 policies on a coinsurance basis. The agreement includes a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.

14. Munich American Reassurance Company reinsures ALIC's Level Term 2013 policies on a coinsurance basis. The agreement includes a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.

15. Swiss Re Life & Health Inc. reinsures ALIC's Simplified Issue Whole Life product with a level, graded, or return of premium death benefit on a yearly renewable term basis.

16. SCOR Global Life USA Reinsurance Company reinsures ALIC's Level Term 2015, Level Term 2017, and Level Term 2019 policies on a coinsurance basis. The agreement includes a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.

17. Munich American Reassurance Company reinsures ALIC's Level Term 2015, Level Term 2017, and Level Term 2019 policies on a coinsurance basis. The agreement includes a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.

18. RGA Reinsurance Company reinsures ALIC's Level Term 2015, Level Term 2017, and Level Term 2019 policies on a coinsurance basis. This agreement includes a recapture clause. The basis of reinsurance is a first dollar quota share and excess after ALIC's retention of \$500,000.

Group Life

19. Munich American Reassurance Company (MARC) provides a Group Life reinsurance agreement with retention of \$250,000 per working life. The maximum death benefit is \$1,000,000 per life; Munich provides coverage on the amount excess of retention.

20. Munich American Reassurance Company (MARC) also provides a Group Catastrophe reinsurance agreement. This agreement covers the company's retention limit of \$250,000 per working life for covered catastrophic events impacting a minimum of three lives. There is a \$500,000 deductible and MARC's maximum liability is \$5,000,000 per event. MARC's exposure shall be limited to one event per calendar year.

21. Zurich American Insurance Company

Effective 9/1/2019 a new Group Catastrophe agreement was entered raising ALIC's deductible to \$25,000,000 and provides an additional \$50,000,000 if the deductible is met.

Both Group Catastrophe agreements provide coverage concurrently at December 31, 2019.

Intercompany Reinsurance

Quota Share Reinsurance Agreement

AMIC participates in a Quota Share Reinsurance Agreement with its wholly owned subsidiary, APCIC. Under the terms of the Quota Share Reinsurance Agreement, APCIC shall cede and AMIC shall accept a 100% quota share participation of APCIC's net liability on risks under all binders, policies, contracts, certificates and other obligations of insurance or reinsurance. In return, AMIC pays APCIC a 20% ceding commission on all premiums ceded by APCIC.

Assumed Reinsurance

AMIC also assumes business from various pools and associations where it is necessary to meet residual market obligations in states with auto and/or property facilities. AMIC and APCIC also participate in pools where it is necessary to meet statutory obligations.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by AMIC, APCIC, and ALIC, with the State of Rhode Island Department of Business Regulation and present the financial condition of each company for the period ending December 31, 2019. The accompanying comments on financial statements reflect examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements:

Comparative Statement of Assets
December 31, 2019 and December 31, 2014

Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2019 and December 31, 2014

Statement of Income/Summary of Operations
Year ended December 31, 2019

Reconciliation of Capital and Surplus
December 31, 2014 to December 31, 2019

Analysis of Examination Adjustments
December 31, 2019

AMICA MUTUAL INSURANCE COMPANY
Comparative Statement of Assets
December 31, 2019 and December 31, 2014

	December 31, 2019	December 31, 2014	Increase (Decrease)
Bonds	\$2,563,228,196	\$2,139,191,419	\$424,036,777
Common stocks	1,587,128,127	1,955,114,973	(367,986,846)
Mortgage loans on real estate	117,368,844	0	117,368,844
Real estate: properties occupied by the company	52,390,966	47,007,414	5,383,552
Cash, cash equivalents and short-term investments	111,990,662	172,070,435	(60,079,773)
Other invested assets	193,864,996	138,274,299	55,590,697
Investment income due and accrued	19,687,110	21,732,529	(2,045,419)
Uncollected premiums and agents' balances in the course of collection	97,665,272	78,877,357	18,787,915
Deferred premiums, agents' balances and installments booked but deferred and not yet due	457,901,232	425,392,386	32,508,846
Amounts recoverable from reinsurers	2,366,589	1,240,105	1,126,484
Current federal and foreign income tax recoverable and interest thereon	92,089	100,095	(8,006)
Net deferred tax asset	28,896,206	0	28,896,206
Receivable from parent, subsidiaries and affiliates	0	3,382,882	(3,382,882)
Amica Companies Supplemental Retirement Trusts	74,042,235	53,500,550	20,541,685
Equities and deposits in pools and associations	36,814,229	24,234,146	12,580,083
Receivable for Lexington	0	10,147	(10,147)
Miscellaneous deposits	11,745,762	0	11,745,762
Receivable for other surcharges	1,278,857	807,796	471,061
Miscellaneous receivable	4,182,200	717,896	3,464,304
Total Assets	<u>\$5,360,643,572</u>	<u>\$5,061,654,429</u>	<u>\$298,989,143</u>

AMICA MUTUAL INSURANCE COMPANY
Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2019 and December 31, 2014

	December 31, 2019	December 31, 2014	Increase (Decrease)
Losses	\$998,503,412	\$912,285,623	\$86,217,789
Reinsurance payable on paid losses and loss adjustment expenses	19,391,882	12,402,534	6,989,348
Loss adjustment expenses	179,917,556	166,637,959	13,279,597
Commissions payable, contingent commissions and other similar charges	62,050	-	62,050
Other expenses	105,217,559	54,530,564	50,686,995
Taxes, licenses and fees	8,962,124	12,914,079	(3,951,955)
Current federal and foreign income taxes	4,933,431	3,059,491	1,873,940
Net deferred tax liability	-	42,548,013	(42,548,013)
Unearned premiums	1,110,432,781	959,627,673	150,805,108
Advance premium	11,018,361	10,041,294	977,067
Dividends declared and unpaid: Policyholders	11,303,756	9,602,623	1,701,133
Ceded reinsurance premiums payable	165,694	817,799	(652,105)
Amounts withheld or retained by company for for account of others	4,452,963	3,743,030	709,933
Remittances and items not allocated	1,455,102	1,078,019	377,083
Provision for reinsurance	-	1,000	(1,000)
Payable to parent, subsidiaries and affiliates	433,152	-	433,152
Payable for securities	45,040,475	24,454,541	20,585,934
Reserve for non-funded pensions and deferrals	74,042,235	53,500,550	20,541,685
Reserve for unassessed insolvencies	969,933	2,960,000	(1,990,067)
Post retirement medical transition liability	-	31,694,151	(31,694,151)
Reserve for other surcharges	1,478,465	-	1,478,465
Total Liabilities	2,577,780,931	2,301,898,943	275,881,988
Guaranty fund	3,000,000	3,000,000	-
Voluntary reserve	3,000,000	3,000,000	-
Unassigned funds (surplus)	2,776,862,641	2,753,755,486	23,107,155
Surplus as regards policyholders	\$2,782,862,641	\$2,759,755,486	\$23,107,155
Total Liabilities, Surplus and Other Funds	\$5,360,643,572	\$5,061,654,429	\$298,989,143

AMICA MUTUAL INSURANCE COMPANY
Statement of Income
Year Ended December 31, 2019

UNDERWRITING INCOME

Premiums earned	\$2,412,201,965
Losses incurred	1,412,395,063
Loss adjustment expenses incurred	252,584,798
Other underwriting expenses incurred	<u>668,788,870</u>
Total underwriting deductions	<u>2,333,768,731</u>
Net underwriting gain or (loss)	<u>78,433,234</u>

INVESTMENT INCOME

Net investment income earned	133,810,791
Net realized capital gains or (losses)	<u>104,933,569</u>
Net investment gain or (loss)	<u>238,744,360</u>

OTHER INCOME

Net gain (loss) from agents' balances or premium balances charged off	(3,630,897)
Finance and service charges not included in premiums	4,619,441
Discount earned on accounts payable	35,777
Penalties of regulatory authorities	(26,844)
State tax credits	627,617
California Earthquake Authority membership assessment	<u>(7,742,000)</u>
Total other income	<u>(6,116,906)</u>
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	311,060,688
Less: Dividends to policyholders	<u>149,535,753</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	161,524,935
Less: Federal and foreign income taxes incurred	<u>(3,406,407)</u>
Net income	<u><u>\$158,118,528</u></u>

AMICA MUTUAL INSURANCE COMPANY
Reconciliation of Capital and Surplus
December 31, 2014 to December 31, 2019

Surplus as regards policyholders, December 31, 2014			\$2,759,755,486
	<u>Gains</u>	<u>Losses</u>	
Net income	577,978,429		
Change in net unrealized capital gains or (losses)		178,440,385	
Change in net deferred income tax		113,410,745	
Change in nonadmitted assets		276,709,469	
Change in provision for reinsurance	1,000		
Cumulative effect of changes in accounting principles		54,568,690	
Change in Amica Companies Supplemental Retirement Trust		7,007,126	
Change in retiree medical overfunded asset	21,470,138		
Unrecognized gain/(loss) on non-qualified pensions	1,566,011		
Change in pension overfunded asset	4,376,090		
Change in retired life reserve liability		5,529,743	
Change in retired life reserve overfunded asset		2,352,000	
Change in unfunded retired life benefit liability		2,376,441	
Change in retiree medical benefit liability	76,466,488		
Miscellaneous surplus adjustment		1,703,402	
Compensated absences accrual		16,653,000	
Total gains and losses	681,858,156	658,751,001	
Change in surplus as regards policyholders			23,107,155
Surplus as regards policyholders, December 31, 2019			\$2,782,862,641

AMICA MUTUAL INSURANCE COMPANY
Analysis of Examination Adjustments
December 31, 2019

The examination of AMIC, performed as of December 31, 2019, did not disclose any material misstatements to the financial statements contained in its 2019 Annual Statement filing. Accordingly, the amounts reported by AMIC have been accepted for purposes of this report.

AMICA PROPERTY & CASUALTY INSURANCE COMPANY
Comparative Statement of Assets
December 31, 2019 and December 31, 2014

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2014</u>	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$77,333,416	\$14,134,277	\$63,199,139
Mortgage loans on real estate	3,597,725	0	3,597,725
Cash, cash equivalents and short-term investments	6,347,490	3,513,910	2,833,580
Investment income due and accrued	598,671	111,654	487,017
Uncollected premiums and agents' balances in the course of collection	2,975,902	1,154,048	1,821,854
Deferred premiums, agents' balances and installments booked but deferred and not yet due	10,539,007	6,200,210	4,338,797
Amounts recoverable from reinsurers	3,778,882	3,116,352	662,530
Current federal income tax recoverable	0	91,055	(91,055)
Net deferred tax asset	255,583	0	255,583
Receivables from parent, subsidiaries and affiliates	596,123	0	596,123
Receivable for other surcharges	436,043	578,462	(142,419)
Total Assets	<u>\$106,458,842</u>	<u>\$28,899,968</u>	<u>\$77,558,874</u>

AMICA PROPERTY AND CASUALTY INSURANCE COMPANY
Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2019 and December 31, 2014

	December 31, 2019	December 31, 2014	Increase (Decrease)
Other expenses	\$1,224,627	\$0	\$1,224,627
Taxes, licenses and fees	357,256	0	357,256
Current federal and foreign income taxes	38,501	0	38,501
Net deferred tax liability	0	2,851	(2,851)
Advanced premiums	70,510	16,244	54,266
Ceded reinsurance premiums payable	19,846,383	933,185	18,913,198
Amounts withheld or retained by company	8,411	5,742	2,669
Payable to parent, subsidiaries and affiliates	0	2,056,741	(2,056,741)
Payable for securities	1,810,315	0	1,810,315
Total Liabilities	23,356,003	3,014,763	20,341,240
Common capital stock	3,500,000	3,500,000	0
Gross paid in and contributed surplus	48,120,193	30,120,193	18,000,000
Unassigned funds (surplus)	31,482,646	(7,734,988)	39,217,634
Surplus as regards policyholders	83,102,839	25,885,205	57,217,634
Total Liabilities, Surplus and Other Funds	\$106,605,927	\$28,899,968	\$77,705,959

AMICA PROPERTY AND CASUALTY INSURANCE COMPANY
Statement of Income
Year Ended December 31, 2019

UNDERWRITING INCOME

Premiums earned	\$0
Other underwriting expenses incurred	<u>(535,353)</u>
Total underwriting deductions	<u>(535,353)</u>
Net underwriting gain or (loss)	<u>(535,353)</u>

INVESTMENT INCOME

Net investment income earned	2,455,223
Net realized capital gains or (losses)	<u>138,102</u>
Net investment gain (loss)	<u>2,593,325</u>

OTHER INCOME

Net gain (loss) from agents' balances or premium balances charged off	(482,506)
Finance and service charges not included in premiums	<u>118,077</u>
Total other income	<u>(364,429)</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>2,764,249</u>
Less: Federal and foreign income taxes incurred	<u>(367,425)</u>
Net income	<u><u>\$2,396,824</u></u>

AMICA PROPERTY AND CASUALTY INSURANCE COMPANY
Reconciliation of Capital and Surplus
December 31, 2014 to December 31, 2019

Surplus as regards policyholder, December 31, 2014			\$98,755,510
	<u>Gains</u>	<u>Losses</u>	
Net income	6,513,027		
Change in net unrealized capital gains or (losses)		162,259	
Change in net deferred income tax	228,191		
Change in nonadmitted assets	722,806		
Surplus adjustment: paid in	2,000,000		
Dividends to stockholders		23,000,000	
Change In guaranty fund		2,000,000	
Miscellaneous surplus adjustment	<u>45,564</u>		
Total gains and losses	9,509,588	25,162,259	
Change in surplus as regards policyholders for the year			<u>(15,652,671)</u>
Surplus as regards policyholder, December 31, 2019			<u>\$83,102,839</u>

AMICA PROPERTY AND CASUALTY INSURANCE COMPANY
Analysis of Examination Adjustments
December 31, 2019

The examination of APCIC, performed as of December 31, 2019, did not disclose any material misstatements to the financial statements contained in its 2019 Annual Statement filing. Accordingly, the amounts reported by APCIC have been accepted for purposes of this report.

AMICA LIFE INSURANCE COMPANY
Comparative Statement of Assets
December 31, 2019 and December 31, 2014

	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2014</u>	Increase (Decrease)
Bonds	\$981,971,558	\$980,722,132	\$1,249,426
Common stocks	55,220,534	52,789,219	2,431,315
Mortgage loans on real estate	71,932,922	0	71,932,922
Cash, cash equivalents and short-term investments	87,677,076	88,784,427	(1,107,351)
Contract loans	8,619,609	7,621,536	998,073
Other invested assets	70,596,274	13,779,939	56,816,335
Investment income due and accrued	7,995,392	8,609,466	(614,074)
Uncollected premiums and agents' balances in the course of collection	33,568,791	12,542,426	21,026,365
Amounts recoverable from reinsurers	1,051,050	8,513,450	(7,462,400)
Other amounts receivable under reinsurance contracts	1,097,590	1,218,005	(120,415)
Current federal and foreign income tax recoverable and interest thereon	1,212,249	1,771,165	(558,916)
Net deferred tax asset	0	6,177,284	(6,177,284)
Reinsurance premium receivable	36,714,233	11,663,017	25,051,216
Amica Companies Supplemental Retirement Trust	3,561,676	2,190,527	1,371,149
Total Assets	<u>\$1,361,218,954</u>	<u>\$1,196,382,593</u>	<u>\$164,836,361</u>

AMICA LIFE INSURANCE COMPANY
Comparative Statement of Liabilities, Surplus and Other Funds
December 31, 2019 and December 31, 2014

	December 31, 2019	December 31, 2014	Increase (Decrease)
Aggregate reserve for life contracts	\$773,783,740	\$691,349,730	\$82,434,010
Liability for deposit-type contracts	117,619,485	160,899,232	(43,279,747)
Contract claims: life	8,280,902	6,272,599	2,008,303
Premiums and annuity considerations for life and health contracts received in advance	225,970	220,704	5,266
Interest maintenance reserve	11,639,118	14,470,180	(2,831,062)
General expenses due or accrued	12,927,911	5,497,849	7,430,062
Taxes, licenses and fees due or accrued	162,000	236,000	(74,000)
Federal and foreign income taxes	0	0	0
Unearned investment income	2,074	4,672	(2,598)
Amounts withheld or retained by company as agent or trustee	303,204	271,553	31,651
Remittances and items not allocated	1,931,240	4,844,521	(2,913,281)
Asset valuation reserve	21,114,700	10,776,705	10,337,995
Payable to parent, subsidiaries and affiliates	61,287	392,391	(331,104)
Payable for securities	30,126,227	0	30,126,227
Reserve for retired lives	39,617,709	34,388,775	5,228,934
Reserve for unassessed insolvencies	1,723,000	1,953,000	(230,000)
Reserve for non-funded pensions and deferrals	3,561,676	2,190,527	1,371,149
Unapplied cash	0	0	0
Post-retirement medical transition liability	0	2,300,507	(2,300,507)
Total Liabilities	1,023,080,243	936,068,945	87,011,298
Common capital stock	5,000,000	5,000,000	0
Gross paid in and contributed surplus	177,000,000	102,000,000	75,000,000
Unassigned funds (surplus)	156,138,711	153,313,648	2,825,063
Surplus	333,138,711	260,313,648	72,825,063
Total Liabilities, Surplus and Other Funds	\$1,361,218,954	\$1,196,382,593	\$164,836,361

AMICA LIFE INSURANCE COMPANY
Summary of Operations
Year Ended December 31, 2019

INCOME

Premiums and annuity considerations for life and accident and health contracts	\$73,733,499
Considerations for supplementary contracts with life contingencies	628,185
Net investment income	43,596,843
Amortization of interest maintenance reserve	2,069,409
Commissions and expense allowances on reinsurance ceded	11,275,553
Total Income	<u>131,303,489</u>

DEDUCTIONS

Death benefits	33,011,597
Matured endowments	892
Annuity benefits	22,090,405
Disability benefits and benefits under accident and health contracts	326,711
Surrender benefits and withdrawals for life contracts	12,532,123
Interest and adjustments on contract or deposit-type contract funds	6,237,493
Payments on supplementary contracts with life contingencies	1,510,336
Increase in aggregate reserves for life and accident and health contracts	7,713,030
General insurance expenses	42,673,614
Insurance taxes, licenses and fees, excluding federal income taxes	3,610,259
Increase in loading on deferred and uncollected premiums	(1,673,307)
Increase in reserve for retired lives	1,101,420
Fines and penalties of regulatory authorities	10,072
Total Deductions	<u>129,144,645</u>
Net gain from operations after dividends to policyholders and before federal income taxes	2,158,844
Less: Federal and foreign income taxes incurred	<u>(6,421,264)</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	8,580,108
Net realized capital gains (losses)	<u>4,213,744</u>
Net Income	<u><u>\$12,793,852</u></u>

AMICA LIFE INSURANCE COMPANY
Reconciliation of Capital and Surplus
December 31, 2014 to December 31, 2019

Capital and Surplus, December 31, 2014			\$260,313,648
	<u>Gains</u>	<u>Losses</u>	
Net income	52,215,213		
Change in net unrealized capital gains or (losses)	3,299,592		
Change in net deferred income tax		27,736,005	
Change in nonadmitted assets	5,279,860		
Change in reserve on account of change in valuation basis, (increase) or decrease		1,033,723	
Change in asset valuation reserve		10,337,995	
Cumulative effect of changes in accounting principles		5,039,966	
Surplus adjustment: Paid in	75,000,000		
Change in Amica Companies Supplemental Retirement Trust		403,637	
Miscellaneous surplus adjustment		2,152,075	
Change in XXX reserves		59,410,382	
X-Factor adjustments	23,720,636		
Reserving system adjustments	19,268,083		
Change in retiree medical benefit liability	5,999,462		
Compensated absences accrual		844,000	
Total gains and losses	184,782,846	106,957,783	
Change in capital and surplus for the examination period			<u>77,825,063</u>
Capital and Surplus, December 31, 2019			<u>\$338,138,711</u>

AMICA LIFE INSURANCE COMPANY
Analysis of Examination Adjustments
December 31, 2019

The examination of ALIC, performed as of December 31, 2019, did not disclose any material misstatements to the financial statements contained in its 2019 Annual Statement filing. Accordingly, the amounts reported by ALIC have been accepted for purposes of this report.

COMMENTS ON FINANCIAL STATEMENTS

Bonds

\$3,622,533,170

The above amount is the net admitted value of bonds owned by the Amica Mutual Group and reflects the combined amount reported in the 2019 Annual Statements.

All of the bonds owned at year-end 2019 are held in accordance with custodial agreements with third parties. Approximately 0.27% of the combined bond portfolio, which amounts to \$16,575,532 are held in the form of special deposits with various states.

Approximately one hundred percent (100%) of all bonds in the combined portfolio at December 31, 2019, were rated as Class 1 and Class 2 based upon evaluation methods established by the National Association of Insurance Commissioners, Securities Valuation Office. Class 1 and Class 2 securities are considered the “highest quality” and “high quality”, respectively.

The aggregate book/adjusted carrying value of bonds owned by the Amica Mutual Group at December 31, 2019, represents 53.1% of their combined total admitted assets. The book/adjusted carrying value, fair value, actual cost and par value of each insurer’s bond portfolio at December 31, 2019, are as follows:

Insurer	Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value
Amica Mutual Insurance Company	\$2,563,228,196	\$2,649,630,104	\$2,572,015,938	\$2,498,788,051
Amica Property and Casualty Insurance Company	77,333,416	79,956,295	78,027,296	75,254,684
Amica Life Insurance Company	981,971,558	1,022,549,640	985,447,650	963,887,425
Total	\$3,622,533,170	\$3,752,136,039	\$3,635,490,884	\$3,537,930,160

Losses and Loss Adjustment Expenses (AMIC)**\$1,178,420,968**

Losses	\$ 998,503,412
Loss Adjustment Expenses	<u>179,917,556</u>
Total	<u>\$1,178,420,968</u>

The reserves for losses and loss adjustment expenses reflected above is the combined amount as that reported by the AMIC and APCIC in the 2019 Annual Statements. AMIC's and APCIC's reported reserves were reviewed for reasonableness by INS Regulatory Insurance Services, Inc. ("INS"), consulting actuaries for the Rhode Island Insurance Division. INS relied upon the underlying data reported by the Companies, which was tested by the examiners without exception. INS' analyses included a review of the actuarial assumptions and methods utilized in determining the reserves, and such tests of actuarial calculations as deemed necessary.

Based upon the review performed by INS, AMIC's and APCIC's reported reserves were found to be calculated in accordance with commonly accepted reserving methods and are based on appropriate actuarial factors given the risk exposures under the policy provisions. INS also concluded that the reported reserves make reasonable provision for all unpaid loss and loss adjustment expense obligations of AMIC and APCIC, in the aggregate, under the terms of their policies and agreements.

Aggregate Reserve for Life Contracts

\$773,783,740

The aggregate reserve for life contracts reflected above is the same as that reported by ALIC in the 2019 Annual Statement. ALIC's reported reserves were reviewed for reasonableness by INS. INS relied upon the underlying data reported by the Company, which was tested by the examiners without exception. INS' analyses included a review of the actuarial assumptions and methods utilized in determining the reserves, and such tests of actuarial calculations as deemed necessary.

Based upon the review performed by INS, ALIC's reported reserves were found to be calculated in accordance with commonly accepted reserving methods and Standard Valuation Law as adopted by the State of Rhode Island.

SUBSEQUENT EVENTS

A review of financial information, the Companies' records, and the minutes to the Board of Directors' meetings and the various committees for the period subsequent to the examination period was performed to ascertain whether any subsequent events have occurred which would have a material impact on the Companies' operations or financial statements. In addition, an inquiry was made of the Companies' management regarding subsequent events. Based upon our review, the following significant event occurred subsequent to December 31, 2019.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. The extent of the impact of COVID-19 on the Companies' operational and financial performance will depend on certain developments, including the duration and spread

of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. As of January 22, 2021, the Companies' operations are functioning well in a largely "remote" environment. The conservative nature of the Companies' investment portfolio and limited exposure in equity investments has largely insulated them from volatility in the financial markets and preserved its surplus and liquidity positions. Although the extent to which COVID-19 may impact the Companies' financial condition or results of operations is uncertain, given the uncertainty regarding the future of the pandemic, as of the date of this report, the Companies have maintained largely stable operations and financial results.

CONCLUSION

We have applied verification procedures to the data and information contained in this report using sampling techniques and other examination procedures as deemed appropriate. While sampling and other examination procedures do not give complete assurance that all errors and irregularities will be detected, had any been detected during the course of this examination, such errors and/or irregularities would have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of any errors or irregularities that could have a material effect on the financial condition of the Companies as presented in this report.

Participating in the examination with the undersigned were various staff insurance examiners from the Rhode Island Insurance Division. In addition, acknowledgment is made of INS Regulatory Insurance Services, Inc. and its related companies, INS Consultants, Inc. and INS Services, Inc., for the services rendered to assist with the examination by providing consulting financial

examiners, actuaries and information technology specialists.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "K. M. Willison". The signature is written in black ink and has a fluid, elegant style with a long, sweeping tail.

Kelly M. Willison, CPA, CFE, CFE (Fraud)
Insurance Examiner-In-Charge
INS Regulatory Insurance Services, Inc., on behalf of
Rhode Island Insurance Division