REPORT ON EXAMINATION

OF THE

MERCHANTS MUTUAL INSURANCE COMPANY

AS OF

DECEMBER 31, 2013

DATE OF REPORT	MAY 16, 2014
EXAMINER	SHEIK H. MOHAMED

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Andrew M. Cuomo
Governor

Benjamin M. Lawsky
Superintendent

May 16, 2014

Honorable Benjamin M. Lawsky
Superintendent of Financial Services
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 31071 dated November 7, 2013, attached hereto, I have made an examination into the condition and affairs of Merchants Mutual Insurance Company as of December 31, 2013, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Merchants Mutual Insurance Company.

Wherever the designation "National" appears herein without qualification, it should be understood to indicate Merchants National Insurance Company, a subsidiary of the Company.

Wherever the designation "Preferred" appears herein without qualification, it should be understood to indicate Merchants Preferred Insurance Company, an indirect subsidiary of the Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

The examination was conducted at the Company's home office located at 250 Main Street, Buffalo, NY 14202.

1. SCOPE OF EXAMINATION

The Department has performed a multi-state examination of Merchants Mutual Insurance Company. The previous examination was conducted as of December 31, 2008. This examination covered the five year period from January 1, 2009 through December 31, 2013. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"), which requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All financially significant accounts and activities of the Company were considered in accordance with the risk-focused examination process. This examination also included a review and evaluation of the Company's own control environment. The examiners also relied upon audit work performed by the Company's independent public accountants when appropriate.

This examination report includes a summary of significant findings for the following items as called for in the Handbook:

Significant subsequent events
Company history
Corporate records
Management and control
Fidelity bonds and other insurance
Territory and plan of operation
Growth of Company
Loss experience
Reinsurance
Accounts and records
Statutory deposits
Financial statements
Summary of recommendations

A review was also made to ascertain what action was taken by the Company with regard to comments and recommendations contained in the prior report on examination.

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Merchants Mutual Insurance Company was incorporated under the laws of the State of New York as the Merchants Mutual Automobile Insurance Company on April 10, 1917 and commenced business on March 5, 1918.

In 1923, the corporate name was changed to Merchants Mutual Casualty Company and the current name was adopted on March 1, 1957.

The Company established two new subsidiaries during 2006, Merchants National Insurance Company ("National"), a New Hampshire domiciled insurer, and Merchants Preferred Insurance Company ("Preferred"), a New York domiciled insurer, which is 100% owned by National.

A. Management

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than thirty six members. The board meets six times during each calendar year. At December 31, 2013, the board of directors was comprised of the following eleven members:

Name and Residence	Principal Business Affiliation
Franklyn S. Barry, Jr. Buffalo, NY	Retired, Former President and Chief Executive Officer, Aethlon Medical, Inc.
Gary M. Brost Buffalo, NY	Chairman and Chief Executive Officer, Strategic Investments & Holdings, Inc.
Randall L. Clark Williamsville, NY	Chairman, Dunn Tire Corporation, LLC

Name and Residence	Principal Business Affiliation
Linda P. Duch Naples, FL	President, Partners for Business
Muriel A. Howard Chevy Chase, MD	President, American Association of State Colleges and Universities
Margaret N. Kafka Cheektowaga, NY	Vice President, Corporate Services, Merchants Insurance Group
Brian J. Lipke Derby, NY	Chairman and Chief Executive Officer, Gibraltar Industries
Kurt Wiedenhaupt East Aurora, NY	Retired, Former President and Chief Executive, American Precision Industries
Edward G. Wright Hamburg, NY	President and Chief Executive Officer, W. J. Cox Associates, Inc.
Robert M. Zak Buffalo, NY	President and Chief Executive Officer, Merchants Mutual Insurance Company Merchants Preferred Insurance Company Merchants National Insurance Company
Ronald K. Zoellar Palm Coast, FL	Chief Executive Officer, Azeros Health Care

A review of the minutes of the board of directors' meetings held during the examination period indicated that the meetings were generally well attended and each board member had an acceptable record of attendance.

As of December 31, 2013, the principal officers of the Company were as follows:

Name	Title
Robert M. Zak	President and Chief Executive Officer
Edward M. Murphy	Secretary
Thomas A. Meyers	Treasurer
Charles E. Makey III	SVP, Insurance Operations
Daniel J. Bierbrauer Jr.	VP, Sales and Marketing
Robert H. Fagerburg	VP, Claims Operations
Margaret N. Kafka	VP, Corporate Services
Salvatore T. LaDuca III	VP, Actuary/Finance
Shaddon C. McKnight	VP, Underwriting, Product Development
Peter A. Balisteri	VP, Information Technology

B. Territory and Plan of Operation

As of December 31, 2013, the Company was licensed to write business in the following thirteen states:

Delaware	New Jersey
Indiana	New York
Maine	Ohio
Maryland	Pennsylvania
Massachusetts	Rhode Island
Michigan	Vermont
New Hampshire	

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
3	Accident & health
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity
26(A)(B)(C)(D)	Gap

The following schedule shows the direct premiums written by the Company both in total and in New York for the period under examination:

Calendar Year	New York State	Total Premiums	Premiums Written in New York State as a percentage of Total Premium
2009	$ 79,446,258	$139,167,016	57.09%
2010	$ 81,623,014	$143,307,074	56.96%
2011	$ 83,580,288	$146,168,322	57.18%
2012	$ 94,834,148	$160,524,737	59.08%
2013	$104,832,751	$175,817,034	59.63%

Based on the lines of business for which the Company is licensed and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $4,000,000.

The Company is a northeast regional property and casualty insurer. Commercial lines operations are focused on small “main street” businesses with fewer than twenty-five employees and small artisan contractors. Commercial coverages include special multiple peril (“SMP”), business owners’ packages (“BOP”), commercial automobile, general liability and workers’ compensation. Personal lines coverages focus on middle to upper middle-income individuals who own homes and own/lease automobiles. Personal lines operational plans are focused on writing the personal automobile, homeowners and personal umbrella business for insureds in New York, New Hampshire and Pennsylvania. The Company’s major lines of business are commercial multiple peril, commercial auto liability and other liability-occurrence which account for approximately 83.2% of the 2013 direct business written. Business is generated through 650 independent agents. Business centers are maintained in Bedford, NH; Mt. Laurel, NJ; Buffalo, NY and Hauppauge, NY. The Company services its agents from these four business centers and its home office in Buffalo, NY.

C. Reinsurance

Assumed

Assumed reinsurance accounted for approximately 30.4% of the Company's gross premiums written in 2013. Approximately 98% of the Company's assumed premiums written derived from its participation in an intercompany pooling agreement with its affiliates, Merchants National Insurance Company ("National") and Merchants Preferred Insurance Company ("Preferred"), as noted below. The remaining 2% of assumed premiums were derived from the Company's participation in various mandatory pools. The Company's assumed business has been fairly stable during the examination period, but has fluctuated slightly as the amount of business assumed from affiliates has not grown as quickly as the Company's direct business.

Intercompany Pooling Agreements

Effective January 1, 2007, the Company entered into a reinsurance pooling agreement with National and Preferred ("Merchants Pooling Agreement"), whereby National and Preferred cede to the Company all of the premiums, losses and underwriting expenses on their business and then assume from the Company a percentage of the pooled business. The pooling percentages for the Company, National and Preferred are 70%, 20% and 10%, respectively. The Merchants Pooling Agreement applies to the Companies' shares of the business assumed under a pooling agreement with American European Insurance Company ("AEIC"), as described below.

Effective January 1, 2003, the Company and American European Insurance Company ("AEIC," formerly known as Merchants Insurance Company of New Hampshire, Inc.) entered into a reinsurance pooling agreement ("Original Pooling Agreement"), whereby the two parties agreed that the business operations with respect to certain specified classes of business (referred to as their "Traditional Insurance Business") should be managed and administered by the Company on behalf of the Company and AEIC. Pursuant to the Original Pooling Agreement, AEIC ceded 100% of its Traditional Insurance Business to the Company and the business was shared between the Company and AEIC based on the following pooling percentages:

Accident Year	Company	AEIC
2003	60%	40%
2004	65%	35%
2005	70%	30%
2006-2009	75%	25%

Effective March 2007, the Company and AEIC are no longer affiliated. Additionally, effective in 2006, the Company formed two new subsidiaries; National and Preferred. To the extent that any business written by Preferred falls within the definition of Traditional Insurance Business, Preferred was deemed to be a party to the Original Pooling Agreement and such Traditional Insurance Business was subject to the Original Pooling Agreement. If the Company, Preferred or National wrote business that was not Traditional Insurance Business, they may offer to cede such business to AEIC under the Original Pooling Agreement. In such case AEIC had the option, but was not obligated, to accept the business under the Original Pooling Agreement. This Original Pooling Agreement expired on December 31, 2009.

Effective January 1, 2010, in order to provide for the mutual reinsurance of the Traditional Insurance Business noted in the Original Pooling Agreement, the Company, entered into a new reinsurance pooling agreement with AEIC, National and Preferred ("New AEIC Pooling Agreement") whereby the business was shared between the Company and AEIC based on the following percentages:

Accident Year	Company	AEIC
2010	80%	20%
2011	85%	15%
2012	90%	10%
2013	95%	5%

After AEIC's share is deducted, the remaining pooled business is shared among the Company, Preferred and National pursuant to the Merchants Pooling Agreement. The New AEIC Pooling Agreement was terminated effective December 31, 2013.

The Company utilizes reinsurance accounting as defined in the NAIC Accounting Practices and Procedures Manual, Statement of Statutory Accounting Principles No. 62.

Ceded

The Company has structured its ceded reinsurance program on its direct business to limit its maximum exposure through various excess of loss and quota share reinsurance treaties. The Company utilizes facultative reinsurance for policies with limits exceeding a threshold specific to each product line. The Company also purchased catastrophe reinsurance covering property and workers' compensation.

The following is a description of the Company's ceded reinsurance program in effect at December 31, 2013:

Type of treaty	Cession
Property: Excess of loss (2 layers)	
1st layer - 100% authorized	$1,500,000 excess of $500,000 each loss, each risk (including terrorism and fire)
2nd layer -100% authorized	$5,000,000 excess of $2,000,000 each loss, each risk, subject to reinsurer's maximum liability of $10,000,000 as respects all losses arising out of any one loss occurrence.
Casualty: Excess of loss (3 layers) Section A - 100% authorized	
1st layer	$1,250,000 excess of $750,000 ultimate net loss each occurrence;
2nd layer	$3,000,000 excess of $2,000,000 ultimate net loss each occurrence;
3rd layer	$5,000,000 excess of $5,000,000 ultimate net loss each occurrence, subject to reinsurer's maximum liability of $15,000,000 for all occurrences.
Section B - Combined Property & Casualty (Casualty subject to Section A above) 1 layer	$500,000 excess of $750,000 ultimate net loss in any one combined occurrence.
Property Cat excess of loss (3 layers)	
1st layer (66.25% authorized)	$10 million excess of $10 million, ultimate net loss, any one loss occurrence;
2nd layer (64.75%, authorized)	$20 million excess of $20 million, ultimate net loss, any one loss occurrence;
3rd layer (53.75% authorized)	$70 million excess of $40 million, ultimate net loss any one loss occurrence, subject to maximum liability of $140 million during the term of the contract.

Type of treaty	Cession
Workers' Compensation Catastrophe excess of loss 1 layer 100% authorized	$15 million excess of $10 million each occurrence. Limited to $30 million all occurrences each calendar year.
Personal Umbrella Liability Quota share 100% authorized	75% quota share of the first $1 million each occurrence, and 100% of amounts in excess of $1 million, not exceeding $5 million each occurrence.
Commercial Umbrella Liability Quota share 100% authorized	75% quota share of the first $1 million each occurrence, and 100% of amounts in excess of $1 million, not exceeding $10 million each occurrence.
Monoline Commercial Umbrella Liability Quota share 100% authorized	85% quota share of the first $1 million each occurrence, and 100% of amounts in excess of $1 million resulting from each occurrence not exceeding $10 million.

In addition to its treaty reinsurance program, the Company also obtained automatic facultative reinsurance coverage in addition to its basic coverage for property losses. The facultative treaty will provide coverage of $8 million excess of $7 million.

Since the last examination the retention for the casualty excess of loss treaty remained at $750,000. The policy limit for the catastrophe excess of loss increased from $85 million to $110 million. The quota share for the property and commercial umbrella and the monoline commercial programs remained at 75% and 85% respectively. The retention and limit for the workers' compensation program remained at $10 million and $15 million respectively. The retention and limit for property per risk coverage remained at $500,000 and $6.5 million respectively.

It is the Company's policy to obtain the appropriate collateral for its cessions to unauthorized reinsurers. Letters of credit and trust accounts obtained by the Company to take credit for cessions to unauthorized reinsurers were reviewed for compliance with Department Regulations 133 and 114, respectively. No exceptions were noted.

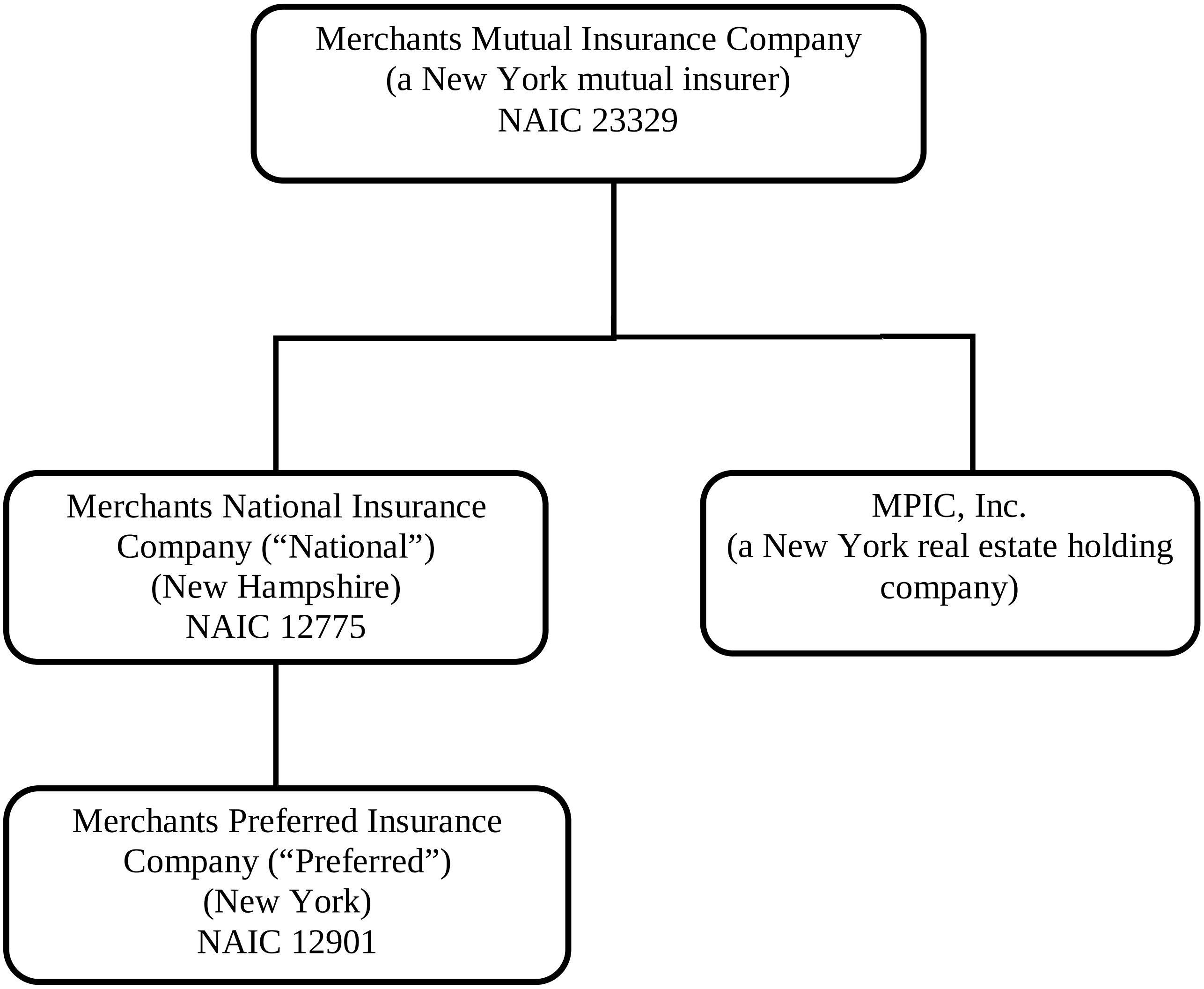
All ceded reinsurance agreements in effect as of the examination date were reviewed and found to contain the required clauses, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

Examination review of the Schedule F data reported by the Company in its filed annual statement was found to accurately reflect its reinsurance transactions. Additionally, management has represented that all material ceded reinsurance agreements transfer both underwriting and timing risk as set forth in SSAP No. 62. Representations were supported by appropriate risk transfer analyses and an attestation from the Company's Chief Executive Officer and Chief Financial Officer pursuant to the NAIC Annual Statement Instructions. Additionally, examination review indicated that the Company was not a party to any finite reinsurance agreements. All ceded reinsurance agreements were accounted for utilizing reinsurance accounting as set forth in SSAP No. 62.

D. Affiliated Group

Pursuant to Section 1502(a) of the New York Insurance Law ("NYIL"), the Company, as a mutual insurer, is exempt from the filing requirements of Article 15. However, pursuant to the provisions of Circular Letter No. 10 (2010), every domestic insurer that is exempt from the provisions of Article 15 is required to submit a copy of the National Association of Insurance Commissioners' ("NAIC") insurance holding company system annual registration statement with this Department within 120 days following the close of the ultimate holding company's fiscal year. The Company made the required filings on a timely basis during the period covered by this examination.

The following is an organization chart of the Company and its affiliated entities at December 31, 2013:


Merchants Mutual Insurance Company
(a New York mutual insurer)
NAIC 23329
Merchants National Insurance Company ("National")
(New Hampshire)
NAIC 12775
MPIC, Inc.
(a New York real estate holding company)
Merchants Preferred Insurance Company ("Preferred")
(New York)
NAIC 12901

At December 31, 2013, the Company was party to the following agreements with other affiliated entities:

Management Agreement

Effective October 18, 2006, the Company entered into a management agreement with Preferred and National. This agreement was first amended and restated effective as of December 15, 2007. The current management agreement is the second amended and restated agreement effective as of October 1, 2011. Pursuant to the terms of the agreement, the Company agreed to provide Preferred, and National with facilities, management and personnel required to operate their business.

Lease Agreement

Effective October 31, 2002, the Company entered into a leasing agreement with its subsidiary MPIC, Inc. Under the terms of the agreement, MPIC, Inc. leases the main administrative office at 250 Main Street, Buffalo, NY to the Company. The office is owned by MPIC, Inc. The terms of the lease are comparable to other leases in the Buffalo area.

Tax Allocation Agreement

Effective January 1, 2007, the Company entered into a tax allocation agreement with its subsidiaries. Pursuant to the terms of the agreement, the parties will file a consolidated federal income tax return. The agreement provides that the Company's tax liability on a consolidated basis will not be more than it would have paid if it had filed on a separate return basis. This agreement was filed with the Department.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2013, based upon the results of this examination:

Net premiums written to policyholders' surplus	98%
Adjusted liabilities to liquid assets	73%
Gross agents' balances (in collection) to policyholders' surplus	3%

All of the above ratios fall within the benchmark ranges set forth in the Insurance Regulatory Information System of the National Association of Insurance Commissioners.

The underwriting ratios presented below are on an earned/incurred basis and encompass the five-year period covered by this examination:

	Amounts	Ratios
Losses and loss adjustment expenses incurred	$442,515,791	73.59%
Other underwriting expenses incurred	212,212,521	35.29
Net underwriting loss	(53,391,860)	(8.88)
Premiums earned	$601,336,452	100.00%

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2013 as determined by this examination and as reported by the Company:

Assets	Assets	Examination Assets Not Admitted	Net Admitted Assets
Bonds	$330,781,891	$ 0	$330,781,891
Preferred stocks	3,303,200	0	3,303,200
Common stocks	36,491,893	0	36,491,893
Cash, cash equivalents and short-term investments	2,164,625	0	2,164,625
Other invested assets	75,001	0	75,001
Receivables for securities	290,152	0	290,152
Investment income due and accrued	2,047,928	0	2,047,928
Uncollected premiums and agents' balances in the course of collection	4,818,631	301,505	4,517,126
Deferred premiums, agents' balances and installments booked but deferred and not yet due	45,878,222	0	45,878,222
Accrued retrospective premiums	0	0	0
Amounts recoverable from reinsurers	736,410	0	736,410
Funds held by or deposited with reinsured companies	2,253,955	0	2,253,955
Other amounts receivable under reinsurance contracts	257,317	0	257,317
Current federal and foreign income tax recoverable and interest thereon	2,490,201	0	2,490,201
Net deferred tax asset	13,086,000	2,837,000	10,249,000
Electronic data processing equipment and software	836,213	482,455	353,758
Furniture and equipment, including health care delivery assets	308,181	308,181	0
Prepaid expenses	547,099	547,099	0
Leasehold improvements	12,755	12,755	0
Equities and deposits in pools and associations	1,153,559	0	1,153,559
Summary of remaining write-ins from overflow page	26,787	26,787	0
Total assets	$447,560,020	$4,515,782	$443,044,239

Liabilities, surplus and other funds

Liabilities	
Losses and loss adjustment expenses	$190,944,883
Commissions payable, contingent commissions and other similar charges	5,141,279
Other expenses (excluding taxes, licenses and fees)	3,924,948
Taxes, licenses and fees (excluding federal and foreign income taxes)	1,749,636
Unearned premiums	77,105,574
Advance premium	816,132
Policyholders (dividends declared and unpaid)	132,978
Ceded reinsurance premiums payable (net of ceding commissions)	9,264,299
Funds held by company under reinsurance treaties	373,074
Amounts withheld or retained by company for account of others	227,827
Provision for reinsurance	302,761
Payable to parent, subsidiaries and affiliates	1,516,911
Reserve for uncashed checks	421,244
Unearned ceded commission income	812,480
Unearned investment income	39,372
Total liabilities	$292,773,398
Voluntary reserve	$ 1,500,000
Special contingent reserve	1,500,000
Surplus notes	32,000,000
Unassigned funds (surplus)	115,270,841
Surplus as regards policyholders	$150,270,841
Total liabilities, surplus and other funds	$443,044,239

Note: The Internal Revenue Service has completed its audits of the Company's consolidated Federal Income Tax returns through the tax year 2008. All material adjustments, if any, made subsequent to the date of examination and arising from said audits, are reflected in the financial statements included in this report. No tax years are currently under examination. The Internal Revenue Service has not yet begun to audit tax returns covering tax years 2009 through 2013. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

Surplus as regards policyholders increased $25,468,123 during the five-year examination period January 1, 2009 through December 31, 2013, detailed as follows:

Underwriting Income		
Premiums earned		$601,336,452
Deductions:		
Losses and loss adjustment expenses incurred	$442,515,791	
Other underwriting expenses incurred	212,029,583	
Assignment credit fee expense	182,938	
Total underwriting deductions		654,728,312
Net underwriting gain or (loss)		$(53,391,860)
Investment Income		
Net investment income earned	$55,790,430	
Net realized capital gain	2,168,695	
Net investment gain or (loss)		57,959,125
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$(1,999,959)	
Finance and service charges not included in premiums	7,095,337	
Miscellaneous income	201,594	
Total other income		5,296,972
Net income before dividends to policyholders and before federal and foreign income taxes		$ 9,864,237
Dividends to policyholders		426,481
Net income after dividends to policyholders but before federal and foreign income taxes		$ 9,437,756
Federal and foreign income taxes incurred		(4,240,442)
Net Income		$13,678,198

C. Capital and Surplus Account

	Gains in Surplus	Losses in Surplus	
Surplus as regards policyholders per report on examination as of December 31, 2008			$124,802,718
Net income	$13,678,198		
Net unrealized capital gains or (losses)	1,634,434		
Change in net deferred income tax	511,000		
Change in nonadmitted assets	9,281,077		
Change in provision for reinsurance	363,414		
Net increase in surplus	$25,468,123		25,468,123
Surplus as regards policyholders per report on examination as of December 31, 2013			$150,270,841

4. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $190,944,883 is the same as reported by the Company as of December 31, 2013. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with generally accepted actuarial principles and statutory accounting principles, including the NAIC Accounting Practices & Procedures Manual, Statement of Statutory Accounting Principle No. 55 (“SSAP No. 55”).

While reviewing the Actuarial Report underlying the Company’s Statement of Actuarial Opinion, it was found that some of the underlying analysis exhibits did not easily map to the top-level summary exhibits. Therefore, the Actuarial Report did not comply with the NAIC Annual Statement Instructions, which require that such report “should provide sufficient documentation and disclosure for another actuary practicing in the same field to evaluate the work.” It is recommended that the Company ensure that the Actuarial Report underlying its Statement of Actuarial Opinion complies with the NAIC Annual Statement Instructions.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained two recommendations as follows (page numbers refer to the prior report):

ITEM		PAGE NO.
A.	Tax Allocation Agreement	
	It was recommended that the Company comply with the provision of its approved tax allocation agreement and Department Circular Letter No. 33 (1979) and establish an escrow account to assure the subsidiaries' enforceable right to recoup federal income taxes in the event of future losses.	12
	As of the examination date, the subsidiaries had recouped all taxes resulting from net operating loss carrybacks; therefore, there are no funds that would be required to be placed in an escrow account.	
B.	Losses and Loss Adjustment Expenses	
	It was recommended that in the future, the Actuarial Report be improved to meet the NAIC requirements.	17
	The Company has not complied with this recommendation. A similar recommendation is included herein.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Losses and Loss Adjustment Expenses It is recommended that the Company ensure that the Actuarial Report underlying its Statement of Actuarial Opinion complies with the NAIC Annual Statement Instructions.	18

Respectfully submitted,

__________/s/____________
Sheik H. Mohamed, CPCU
Senior Insurance Examiner

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Sheik H. Mohamed, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_______/s/___________
Sheik H. Mohamed

Subscribed and sworn to before me

this_________ day of __________________, 2014.

APPOINTMENT NO. 31071

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **BENJAMIN M. LAWSKY**, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Sheik Mohamed

as a proper person to examine the affairs of the

Merchants Mutual Insurance Company

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name
and affixed the official Seal of the Department
at the City of New York

this 7th day of November, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Jean Marie Cho
Deputy Superintendent