Report on the Zone Association Examination

of

AMICA MUTUAL INSURANCE COMPANY

Lincoln, Rhode Island

as of

December 31, 2010

State of Rhode Island
Department of Business Regulation
Insurance Division

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
DEPARTMENT OF BUSINESS REGULATION
1511 PONTIAC AVENUE
CRANSTON, RI 02920

Report on Examination of Amica Mutual Insurance Company

The attached Report of Examination as of December 31, 2010, of the condition and affairs of Amica Mutual 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 Company and its financial condition, as reflected in the report.

WHEREFORE: It is hereby ordered that the said Report be, and it is hereby, adopted and filed and made an official record of this Department, as of this date.

Paul E. McGreevy
Director

DATE: 7 Feb 2012

ORDER # 12-006

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August 11, 2011

Honorable Joseph Torti III
Chairman, Financial Condition (E) Committee, NAIC
State Rhode Island
Department of Business Regulation
Division of Insurance
1511 Pontiac Avenue, Bldg. #69-2
Cranston, RI 02920

Honorable Joseph G. Murphy
Secretary, Northeastern Zone
Office of Consumer Affairs and Business Regulation
Massachusetts Division of Insurance
1000 Washington Street, 8th Floor
Boston, Massachusetts 02118

Honorable Paul McGreevy
Insurance Commissioner
State of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue
Cranston, Rhode Island 02920

Dear Chairman, Secretary and Commissioner:

In accordance with your instructions and pursuant to Chapters 13, 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, a Zone Association examination has been made as of December 31, 2010 of the financial condition and affairs of

AMICA MUTUAL INSURANCE COMPANY

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

Amica Mutual Insurance Company, hereinafter referred to as "Amica Mutual" or the "Company," was previously examined as of December 31, 2006 under the Association Plan of Examination of the National Association of Insurance Commissioners ("NAIC"), by the Insurance Division of the State of Rhode Island ("Insurance Division") representing the Northeastern Zone. The current examination was also conducted under the NAIC Association Plan of Examination by the Insurance Division. All Zones were eligible and invited to participate in accordance with NAIC guidelines; however, all Zones waived participation in the examination.

SCOPE OF EXAMINATION

The current examination was performed in compliance with the above-mentioned sections of the General Laws of the State of Rhode Island, as amended, and covered the intervening four-year period ended December 31, 2010. The examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook"), 7-Phase Risk-Focused Examination Process. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about corporate governance, identifying and assessing inherent risks, and evaluating the controls and procedures used to mitigate those risks. The examination included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, and management's compliance with Statutory Accounting Principles and the NAIC *Annual Statement Instructions*. The examination process included a business risk assessment to focus examination procedures on those areas considered to have greater risk in order to identify significant operating issues and/or deviations from statutory accounting practices that may affect solvency. All accounts and activities of the Company were considered in accordance with the Risk-Focused Examination Process.

The Company instructed their independent accounting firm to make available for review all work papers concerning procedures followed, tests performed, information obtained, and conclusions reached pertinent to the firm's audit of the Company's financial statements for the year ended December 31, 2010. The work papers of the independent accounting firm were reviewed in order to ascertain the extent to which procedures were employed to determine compliance with statutory requirements and guidelines. The work papers and analyses prepared by the independent accounting firm were utilized to the extent possible. Where applicable, the independent accounting firm's work papers have been incorporated into the examination process.

The Company owns 100% of the capital stock of Amica Life Insurance Company ("Amica Life") and Amica Property and Casualty Insurance Company ("Amica P&C"). Concurrent examinations were also made of these subsidiaries, and reports thereon are submitted under separate cover.

HISTORY AND CORPORATE RECORDS

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 the Company 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 the Company authority to issue either dividend or non-dividend policies, or both, as the Board of Directors may determine.

The records of meetings of the Policyholders, Board of Directors, and all Committees thereof were reviewed as part of this examination. The meetings appeared to be held in accordance with the Company bylaws and did not contain evidence of any actions contrary to the Company's charter, bylaws, or laws of the State of Rhode Island.

MANAGEMENT

Members

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

The bylaws provide that the annual meeting of the members of the Company 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 the Company may be convened by the President, or shall be called upon the written request of 1/2 of 1% of the members of the Company, or of five (5) of the directors, addressed to the Secretary, setting forth the subjects thereof.

At all meetings of the members of the Company, 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.

Board of Directors

The charter provides that the management of the business and affairs of the Company shall be vested in a Board of Directors ("Board"), to be elected by the 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 twelve (12) members. The term of office of each director 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 Company's charter, as amended, requires that the bylaws establish a mandatory retirement age for directors. The bylaws specify that directors shall retire no later than the annual meeting following their 72^{nd} birthday.

The bylaws provide that the Board of Directors shall hold a meeting within ten days after each annual meeting of the Company 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.

Five (5) 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. The members of the Board of Directors serving at December 31, 2010 were as follows:

Name	**Business Affiliation**	**Term Expires**
Robert A. DiMuccio, Chairman	Chairman, President and Chief Executive Officer Amica Mutual Insurance Company	2014
Jeffrey P. Aiken	Attorney & Shareholder Whyte Hirschboeck Dudek S.C.	2013
Patricia W. Chadwick	President Ravengate Partners, LLC	2012
Edward F. DeGraan	Retired – Vice Chairman The Gillette Company	2011*
Andrew M. Erickson	Retired - Senior Executive Vice President Amica Mutual Insurance Company	2015
Barry G. Hittner	Of Counsel Cameron & Mittleman LLP	2015
Michael D. Jeans	President New Directions, Inc.	2012
Ronald K. Machtley	President Bryant University	2014

Richard A. Plotkin	Director CBIZ Tofias	2013
Donald J. Reaves	Chancellor Winston-Salem State University	2011*
Cheryl W. Snead	President and Chief Executive Officer Banneker Industries, Inc.	2015
Thomas A. Taylor	Retired - President and Chief Executive Officer Amica Mutual Insurance Company	2014

** Director subsequently re-elected for the term of 2011 – 2016.*

Committees

The bylaws provide that the Board of Directors may elect, from their own number, an executive committee, a finance committee, an investment committee, a compensation committee, a 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 now nominates members to the Compensation Committee, the Audit Committee, and the Governance and Nominating Committee. The Governance and Nominating Committee will also nominate the chairmen for the compensation, audit, governance and nominating, and investment committees.

At December 31, 2010 the Investment Committee was comprised of all members of the Board of Directors with Robert A. DiMuccio serving as Chairman. The other existing committees consisted of the following members at December 31, 2010:

Governance and Nominating Committee	**Compensation Committee**
Patricia W. Chadwick, Chair	Richard A. Plotkin, Chair
Jeffrey P. Aiken	Edward F. DeGraan
Cheryl W. Snead	Barry G. Hittner

Audit Committee

Donald J. Reaves, Chair	Michael D. Jeans
Andrew M. Erickson	Ronald K. Machtley
Thomas A. Taylor	

Officers

Officers with the rank of Vice President or higher are designated as Senior Officers. The Board of Directors elects Senior Officers, as well as all other officers. The Senior Officers serving at December 31, 2010 were as follows:

Robert A. DiMuccio	Chairman, President and Chief Executive Officer
Paul A. Pyne	Executive Vice President
James P. Loring	Senior Vice President, Chief Financial Officer and Treasurer
Robert K. MacKenzie	Vice President and Secretary
Robert K. Benson	Senior Vice President and Chief Investment Officer
Robert P. Suglia	Senior Vice President and General Counsel
Jill H. Andy	Senior Vice President
James A. Bussiere	Senior Vice President
Theodore C. Murphy	Senior Vice President
Mary Q. Williamson	Vice President and Controller
Peter E. Moreau	Vice President and Chief Information Officer
Kathleen F. Curran	Vice President
Stephen F. Dolan	Vice President

The Company implemented a mandatory retirement policy effective January 1, 1991, for all employees at the level of Vice President and higher, whose employment history includes service for two years prior to retirement in either a bona fide executive or high policy making capacity, and who are eligible to receive a Company provided retirement benefit of at least $44,000, exclusive of social security. These employees must retire by the end of the calendar year in which they reach age 65.

Conflict of Interest

The Company has implemented formal procedures for the disclosure of any conflicts of interest for all officers, directors, and other key employees. These procedures require that a questionnaire be completed annually by the aforementioned individuals, to disclose any possible conflicts of interest that may exist. The questionnaires are reviewed by the Assistant Vice President in the Secretary's department. All questionnaires which indicate or note any type of potential conflict are brought to the attention of the Ethics Officer who determines the need for any further action. Any questionnaire determined to present a conflict is brought to the attention of the Board of Directors.

As part of this examination, the Company's conflict of interest procedures were reviewed by obtaining a sample of the completed questionnaires for the years 2009 and 2010 to verify that that they were properly completed. In addition, the overall procedures were discussed with management. Based upon our review and discussion with management, no conflicts of interest appear to have occurred between the Company, its officers, directors and other key employees during the examination period.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2010, the Company and its subsidiaries were named insureds on a Financial Institution Bond ("Bond") issued by an insurer authorized to transact business in Rhode Island. The following is a summary of the coverages provided under the Bond:

Insuring Clause	Single Loss Limit of Liability	Deductible Amount
Dishonesty – Employee	$10,000,000	$200,000
Trade or Loan	10,000,000	200,000
On Premises	10,000,000	200,000
In Transit	10,000,000	200,000
Forgery or Alteration	10,000,000	200,000
Extended Forgery	10,000,000	200,000
Counterfeit Money	10,000,000	200,000
Audit Expense	50,000	None
Claims Expense	50,000	None

This coverage provided under the Bond to Amica Mutual Insurance Company and its subsidiaries exceeds the minimum amount suggested by the NAIC for the level of exposure.

Additional insurance policies provide coverage for workers' compensation, travel accident, building fire, automobile liability, directors' and officers' liability, and pension and employee welfare fiduciary responsibility.

As part of its risk management program and due to significant surplus levels, the Company has elected to self-insure for certain risks including computer crime, errors and omissions, and general liability. With the exception of mainframe computer equipment, the Company also self-insures its furniture, fixtures, equipment, and all other personal property.

Management has determined the adequacy of coverage for all insurable risks and assets of the Company.

OFFICERS' AND EMPLOYEES' WELFARE AND PENSION PLANS

The Company provides group life, long-term disability and business travel accident insurance to all employees with the Company bearing the entire cost. Basic hospitalization, surgical-medical, dental and prescription drug coverage are offered with employees paying approximately 20% of the cost. The Company also provides retirement benefits to its employees under a non-contributory pension plan. The "Amica Pension Fund" provides a normal retirement benefit for employees who have completed 10 years of vesting service and who have attained age 55 or 62 (depending on most recent date of hire), or have attained age 65 with at least 5 years of vesting service. Any employee who has completed 5 or 10 years of vesting service and who is not eligible for a normal pension may be eligible for a deferred pension, either at age 55 or 62 (depending on most recent date of hire) with greater than 10 years of service, or at age 65 with at least 5 but less than 10 years of service.

A supplemental retirement benefit plan is available to certain employees of the Company, and is referred to as a "Pension Benefit Equalization Plan." The purpose of this plan is to provide an excess benefit plan and an unfunded, non-qualified deferred compensation plan for senior management or highly compensated employees.

For directors that retired after June 18, 1997 and before September 30, 2007, there is an unfunded pension plan (Directors' Pension Plan) that pays at normal retirement age an amount equal to the current retainer at the time of payment for a period of time equal to the number of years served by the director. This benefit is paid out of the Company's general funds. Effective October 1, 2007 the Directors' Retirement Account Plan (the Plan) was established and all active/current non-management Directors became participants in the Plan and ceased accruing benefits in the Directors' Pension Plan. The Plan is intended to provide non-management members of the Board of Directors of the Company with additional income after they have ceased performing services for the Company. The Company makes quarterly contributions to the Plan.

The Company also offers a non-qualified deferred compensation plan intended to provide members of the Board of Directors and senior officers of the Company with an opportunity to defer a portion of their cash compensation.

Salaried employees are eligible to join the "Amica 401(k) Retirement Savings Plan" as of the first day of employment. Hourly employees are eligible after completing one year of vesting service in any employment year. This plan allows employees to save up to 50% of their gross earnings through payroll deduction, with important tax advantages. Contributions may be made on a before and/or after-tax basis. The Company makes a matching contribution of one dollar for every dollar an employee contributes up to 6% of the employee's salary. Contributions may be invested in various funds, including a self-directed brokerage fund.

There is also a "Success Sharing" bonus plan for all full time employees. A bonus ranging from 0.25% to 9.0% (for 2010) will be paid to all eligible employees if predetermined company-wide combined ratio, growth goals and service goals are met. Management has the authority to deny a success sharing bonus to an employee when it is determined that the employee has not met performance expectations as documented in the personnel file. If a success sharing bonus is paid, it will be distributed by March 15th of the following year, subject to all normal payroll tax withholdings. The success sharing plan is approved annually by the Company's Board of Directors and amended or terminated by the Board upon recommendation of its Compensation Committee. The Compensation Committee is responsible for the annual oversight of the plan.

For senior management there is an additional incentive plan in place. This plan is documented in the Board of Directors' minutes and includes various goals and objectives that have been established and that are periodically revised as deemed appropriate. Upon reaching the various goals, the Board awards the payment of bonuses to eligible officers.

TERRITORY AND PLAN OF OPERATION

Amica Mutual Insurance Company is licensed to transact business in all states and the District of Columbia, with the exception of Hawaii. Amica is a mutual company. The Company Charter grants the power to write both assessable and non-assessable policies, however, it issues only non-assessable policies.

The Charter also allows the Company to insure any and all risks except life and title insurance, however, the Company'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 the Company's writings.

The Company has no policy writing agents, except as required by the Commonwealth of Massachusetts. Business is acquired by the Company primarily through the mail, telephone and internet. Company employees are appointed as agents in any state where the Company is licensed to write property and casualty insurance. In certain states, resident agents are appointed if the countersigning of policies is required.

Amica 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, the Company maintains three call centers for after hours customer service and two sales centers to focus on new business development. The call centers are located in Lincoln, R.I., Carmel, Indiana, and Spokane, Washington. The sales centers are located in Lincoln, RI and Henderson, NV. The processing of premiums and the payment of all large losses are handled at the Company's Corporate Office in Lincoln, RI.

The Company 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 voted by the Board of Directors.

In 2010, approximately 50.9% of the Company's direct premiums written were derived from five (5) states as the table below illustrates:

State	Direct Premiums Written (000's)	% of Total Direct Written Premiums
Massachusetts	$194,677	14.0
Connecticut	140,642	10.1
New York	137,436	9.9
Florida	122,183	8.8
Rhode Island	112,835	8.1
Total	$707,773	50.9

GROWTH OF COMPANY

The Company's gross and net premiums written increased in each year during the period from 2007 to 2010 with the exception of a slight decrease in gross written premium from year 2007 to 2008. Net underwriting gains have decreased each year when compared to the previous year as losses incurred have continued to increase. During the four-year period under examination, the combined loss ratio increased each year from 92.1% in 2007 to 104.4% in 2010. The Company experienced positive net income in all years under examination. Total surplus increased each year under examination with the exception of year 2008, which was the result of a declining capital market.

The following table reflects the Company's growth since December 31, 2007 (000's omitted):

Year	Gross Premiums Written	Net Premiums Written	Net Underwriting Gain / (Loss)	Total Admitted Assets	Net Income / (Loss)	Surplus as Regards Policyholders
2007	$1,353,744	$1,303,593	$224,161	$4,077,430	$246,687	$2,289,876
2008	1,349,938	1,321,662	116,323	3,582,232	112,656	1,909,601
2009	1,383,660	1,356,736	95,008	3,912,039	121,427	2,234,117
2010	1,475,075	1,446,433	40,631	4,089,089	99,815	2,340,329

UNDERWRITING

The Company is a member of Insurance Services Office, Inc. ("ISO") and uses ISO in the development of its automobile, fire, homeowners, and inland marine rates. ISO also provides the Company with state filing services for forms and is generally the Company's statistical agent for all lines of business noted in the 'Territory and Plan of Operation' section of this report.

The Company also belongs to the Automobile Insurance Plans Service Office ("AIPSO") which provides rates and forms for the Company's automobile assigned risks. In addition, the Company is a member of or subscriber to various state rating organizations and participates in other residual market mechanisms for automobile and property insurance as required in certain states (e.g. joint underwriting associations, FAIR plans, and reinsurance facilities).

REINSURANCE

Ceded Reinsurance

At December 31, 2010, the Company's ceded reinsurance portfolio consisted primarily of a Property Catastrophe Excess ("CAT") program. The following is a summary of the primary provisions of the CAT program in effect at December 31, 2010:

Property Catastrophe Excess Reinsurance

The CAT program consists of one contract providing three layers of coverage totaling $500,000,000 coverage in excess of $100,000,000. The contract became effective on January 1, 2010 and is administered by two separate reinsurance intermediaries. Amica Lloyd's of Texas and Amica Property and Casualty Insurance Company are both named insureds under the CAT program.

Under the terms of the CAT program, the reinsurers agree to reinsure the excess liability which may accrue to the Company 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 Company's policies.

The following summarizes the CAT program structure at December 31, 2010:

Layer	Limit and Retention	Percent Placed / Coverage	Co-Participation
Underlying Excess	$100,000,000	0%	100%
First Layer	$75,000,000 in excess of $100,000,000	37.65% (coverage of $28,237,500)	62.35%
Second Layer	$125,000,000 in excess of $175,000,000	53.15% (coverage of $66,437,500)	46.85%
Third Layer	$300,000,000 in excess of $300,000,000	56.05% (coverage of $168,150,000)	43.95%

The Company also maintains coverage through the Florida Hurricane Catastrophe Fund (“FHCF”), recoveries under which shall inure to the benefit of Amica. For purposes of the CAT program, such FHCF coverage shall be 90% of $84,000,000 in excess of $35,000,000 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, the Company agrees to pay additional premium equal to the product of the following:

1) The percentage of the occurrence limit for the excess layer reinstated; times
2) The 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 the Company will receive a portion of the broker’s annual brokerage fees when certain thresholds are exceeded. The Company received $746,000 under this provision in 2010 for the 2009 Catastrophe Reinsurance Program.

Excess of Loss Reinsurance:

The company has not purchased Excess of Loss Reinsurance coverage since December 31, 2005 because company management has determined that, due to its capitalization and underwriting, it was no longer prudent to insure against large individual losses.

<u>Assumed Reinsurance</u>

<u>Amica Lloyd’s of Texas</u>

The Company participates in the following three reinsurance agreements with its wholly owned subsidiary, Amica Lloyd’s of Texas (“Amica Lloyd’s”):

- Multi-Line Excess of Loss Reinsurance Contract
- Property Catastrophe Excess Reinsurance Contract
- Quota Share Reinsurance Contract.

Under the terms of the Multi-Line Excess of Loss Reinsurance Contract, Amica Mutual provides coverage of $3,000,000 ($3,500,000 for Section A below) in excess of $1,000,000 for all business written by Amica Lloyd’s and classified as follows:

Section A:

Homeowners Multiple Peril (Section II)
Ocean Marine (Protection and Indemnity)
Worker’s Compensation and Employers’ Liability
Other Liability (including Personal Umbrella)
Auto Liability (including No-Fault Benefits and Medical Payments Benefits)

Section B-1:

Fire
Allied Lines
Homeowners Multiple Peril (Section I)
Inland Marine (including Personal Articles Floaters)
Earthquake

Section B-2:

Ocean Marine (Yachts and/or Boats in storage locations)

The Property Catastrophe Excess Reinsurance Contract provides coverage of $13,000,000 in excess of $2,000,000, for all business written by Amica Lloyd's. All business classified by Amica Lloyd's as Fire, Allied Lines, Earthquake, Homeowners Multiple Peril (property perils), Inland Marine, Automobile Physical Damage (Comprehensive only) and Ocean Marine (Pleasure Watercraft) is covered under the contract.

Under the terms of the Quota Share Reinsurance Contract, Amica Lloyd's cedes an 80% share of its net liability on risks under all policies covered. In return, Amica Mutual pays Amica Lloyd's a 20% ceding commission on all premiums ceded by Amica Lloyd's.

Amica Property and Casualty Insurance Company

The Company participates in a Quota Share Reinsurance Agreement with its wholly owned subsidiary, Amica Property and Casualty Insurance Company ("Amica P&C"). Under the terms of the Quota Share Reinsurance Agreement, Amica P&C shall cede and Amica Mutual shall accept an 80% quota share participation of Amica P&C's net liability on risks under all binders, policies, contracts, certificates and other obligations of insurance or reinsurance. In return, Amica Mutual pays Amica P&C a 20% ceding commission on all premiums ceded by Amica P&C.

The Company 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. The Company also participates in pools where it is necessary to meet statutory obligations.

ACCOUNTS AND RECORDS

The accounts and records of the Company are processed and maintained by personnel and information systems primarily located at the home office. The initial data entry for policies and claims may occur at either the home office, one of the Company's three call centers or one of thirty-eight (38) branch offices located throughout the country. All information systems and processing are located and performed at the Company's home office utilizing IBM mainframe and Microsoft SQL server computing platforms.

The Company is audited by an independent accounting firm on an annual basis. Audited financial reports were filed with the Insurance Division for all years under examination as required. The accounting firm's work papers were reviewed, and utilized as part of our examination where deemed applicable. There were no material internal control weaknesses noted or financial statement adjustments made, as a result of the independent audits conducted during the period under review.

STATUTORY DEPOSITS

At December 31, 2010, a U.S. Treasury Bond with a book value of $2,603,038 is on deposit with the General Treasurer's Office in Rhode Island, for the protection of all policyholders of the Company. The Company also maintains a $282,939 U.S. Treasury Bond on deposit with the Rhode Island Department of Labor, as a pledge for surety for Rhode Island workers' compensation claims of the Company. In addition, various other U. S. Treasury Bonds, with a total book value of $961,993, are on deposit with various states for the protection of policyholders within those particular states.

INSURANCE HOLDING COMPANY SYSTEM

The Company, as required under Title 27, Chapter 35 of the Rhode Island General Laws entitled "Insurance Holding Company Systems," filed consolidated registration statements "Form B" and "Form C" with the Rhode Island Insurance Division on its own behalf, and on behalf of its affiliates, for all years under examination.

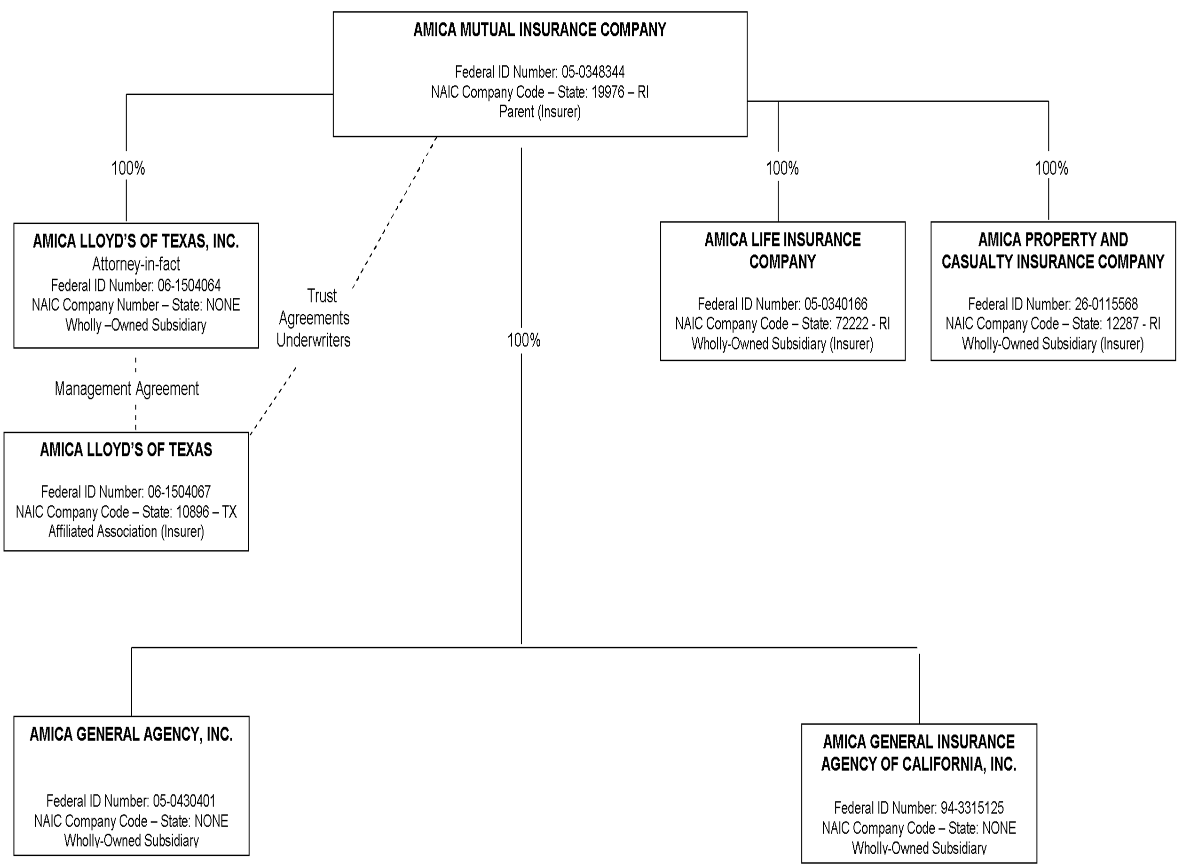
Organizational Structure

Amica Mutual is the ultimate parent in the Amica Mutual Group Insurance Holding Company System. At December 31, 2010, the Company owned 100% of the outstanding stock of Amica Life Insurance Company, Amica Property and Casualty Insurance Company and Amica Lloyd's of Texas, Inc. The Company also owns 100% of the outstanding stock of Amica General Agency, Inc. and Amica General Insurance Agency of California, Inc.

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 group's competitive position in the Texas insurance market. Through its ownership in Amica Lloyd's of Texas, Inc., the Company is the ultimate controlling entity of Amica Lloyd's of Texas.

An investment of $14.5 million was made during 2005 to start a new subsidiary, Amica Property and Casualty Insurance Company. The investment was $3.5 million in capital stock and $11 million in gross paid-in surplus. Amica P&C began writing new policies by renewing Amica Mutual's New Jersey auto policies with effective dates of March 1, 2006 and later.

The following presentation of the holding company system as of December 31, 2010 reflects the identities and interrelationships between the Company and its subsidiaries:



Inter-Company Agreements

The Company and its affiliates have entered into a Cost Allocation Agreement whereby the Company provides personnel, office space, equipment and facilities to its affiliated companies. Under the terms of the agreement, the affiliates will reimburse the Company 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 in accordance with Amica standards and generally accepted accounting practices. 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.

The Company and all of its subsidiaries (excluding Amica Life Insurance Company) have also entered into a 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 inter-company 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.

Capital Maintenance Agreements are in place between the Company and both Amica Lloyd’s and Amica P&C. Under the capital maintenance agreements, when the ratio of net premiums written (“NPW”) to surplus is greater than or equal to 150% for Amica Lloyd’s and 200% for Amica P&C, Amica Mutual will infuse capital to restore the ratio of NPW to surplus to

100% for Amica Lloyd's and 150% for Amica P&C. The agreements have an annual limitation of three contributions, and a lifetime limit of six. There were no capital contributions made during the examination period, other than for the initial capitalization of Amica P&C.

INFORMATION SYSTEMS CONTROLS

As part of the examination planning process, the Rhode Island Division of Insurance conducted a review of the internal controls surrounding the Company's financially significant information systems. The review was performed in accordance with standards established by the NAIC and included procedures to obtain reasonable assurance that:

1. The Company's responses to the NAIC's 'Evaluation of Controls in Information Systems Questionnaire' ("Exhibit C") present fairly, in all material respects, the aspects of policies and procedures that may be relevant to its internal control structure;

2. The control structure policies and procedures were suitably designed to achieve the control objectives implicit in Exhibit C; and

3. Such policies and procedures had been in operation from January 1, 2010 to December 31, 2010.

The following were noted as a result of examination procedures performed. During our last financial examination, the Company indicated that it would add statements addressing the risks and controls related to wireless technology to its Information Security Policy. Our review of this policy revealed that the Company has not included any statements related to wireless technology.

Recommendation #1

It is recommended that the Company include statements in its Information Security Policy addressing the risks and controls associated with wireless technology.

During our review of the Company's Information Controls System, it was noted that the Company does not have a formal written IT Strategic Plan or an IT Steering Committee. These are recommended controls that an organization should have in place and are modeled after the COBIT Framework, which is widely accepted in the IT community.

Recommendation #2

It is recommended that the Company establish a formal IT Steering Committee that:

a) Meets on a regularly scheduled basis and whose undertakings/actions are formally documented including meeting agendas, minutes and other applicable documents.
b) Is responsible for developing a formal long-term IT Strategic Plan to be incorporated in the overall Strategic Plan.

During our review, it was noted that the Company's Information Security Standards indicate that user accounts must be locked out after three unsuccessful login attempts. However, the Windows Active Directory is set to six unsuccessful attempts before the user is locked out. This is not in compliance with the Company's Information Security Standards.

Recommendation #3

It is recommended that the Windows Active Directory user accounts lockout setting be modified (currently six unsuccessful attempts) to reflect the setting as indicated in the Company's Information Security Standards (three unsuccessful attempts).

FINANCIAL STATEMENTS

The results of the examination are set forth in the following exhibits and schedules:

AMICA MUTUAL INSURANCE COMPANY
Comparative Statement of Assets
December 31, 2010 and December 31, 2006

	December 31, 2010	December 31, 2006	Increase (Decrease)
Bonds	$1,807,633,338	$1,904,160,716	$(96,527,378)
Common stocks	1,519,554,771	1,363,439,222	156,115,549
Real estate	54,128,504	61,191,663	(7,063,159)
Cash	12,858,187	18,010,648	(5,152,461)
Short-term investments	69,685,596	11,023,953	58,661,643
Other invested assets	110,790,517	75,074,447	35,716,070
Investment income due and accrued	23,240,835	23,337,820	(96,985)
Uncollected premiums and agents' balances in the course of collection	60,428,641	50,084,023	10,344,618
Deferred premiums, agents' balances and installments booked but deferred and not yet due	343,275,472	313,062,857	30,212,615
Amounts recoverable from reinsurers	1,481,266	10,172,303	(8,691,037)
Current federal and foreign income tax recoverable and interest thereon	12,596,389	18,338,196	(5,741,807)
Net deferred tax asset	19,012,765	0	19,012,765
Amica Companies Supplemental Retirement Trust	34,516,394	23,578,624	10,937,770
Equities and deposits in pools and associations	18,157,461	18,586,743	(429,282)
Receivable for Lexington	23,992	9,880	14,112
Receivable for other surcharges	1,234,548	0	1,234,548
Miscellaneous receivable	470,035	0	470,035
Total Assets	$4,089,088,711	$3,890,071,095	$199,017,616

AMICA MUTUAL INSURANCE COMPANY
Comparative Statement of Liabilities and Surplus and Other Funds
December 31, 2010 and December 31, 2006

	December 31, 2010	December 31, 2006	Increase (Decrease)
Losses	$707,741,999	$729,386,772	$(21,644,773)
Reinsurance payable on paid loss and loss adjustment expenses	10,289,406	6,433,682	3,855,724
Loss adjustment expenses	176,713,482	193,092,161	(16,378,679)
Other expenses	31,209,627	47,522,070	(16,312,443)
Taxes, licenses and fees	9,166,788	6,579,596	2,587,192
Current federal and foreign income taxes	41,000	0	41,000
Net deferred tax liability	0	85,174,852	(85,174,852)
Borrowed money	421,543	1,771,888	(1,350,345)
Unearned premiums	754,136,516	675,049,815	79,086,701
Advance premium	8,029,957	6,200,979	1,828,978
Dividends declared and unpaid: policyholders	8,063,929	8,734,700	(670,771)
Ceded reinsurance premiums payable	63,548	5,597,891	(5,534,343)
Amounts withheld or retained by company for account of others	2,416,065	631,250	1,784,815
Remittances and items not allocated	1,008,022	1,709,982	(701,960)
Provision for reinsurance	0	681,000	(681,000)
Payable to parent, subsidiaries and affiliates	1,241,183	2,259,230	(1,018,047)
Reserve for other surcharges	0	(1,855,401)	(1,855,401)
Reserve for non-funded pensions and deferrals	34,516,394	26,904,943	7,611,451
Reserve for unassessed insolvencies	3,700,000	3,700,000	0
Total Liabilities	1,748,759,459	1,799,575,410	(50,815,951)
Guaranty fund	3,000,000	3,000,000	0
Voluntary reserve	3,000,000	3,000,000	0
Unassigned funds (surplus)	2,334,329,252	2,084,495,685	249,833,567
Surplus as regards policyholders	2,340,329,252	2,090,495,685	249,833,567
Total Liabilities, Surplus and Other Funds	$4,089,088,711	$3,890,071,095	$199,017,616

AMICA MUTUAL INSURANCE COMPANY
Statement of Income
Year Ended December 31, 2010

UNDERWRITING INCOME		
Premiums earned		$1,396,528,691
DEDUCTIONS		
Losses incurred	872,074,251	
Loss expenses incurred	160,641,263	
Other underwriting expenses incurred	323,682,322	
Aggregate write-ins for underwriting deductions	(500,000)	
Total underwriting deductions		1,355,897,836
Net underwriting gain or (loss)		40,630,855
INVESTMENT INCOME		
Net investment income earned	116,272,561	
Net realized capital gains or (losses)	41,853,545	
Net investment gain or (loss)		158,126,106
OTHER INCOME		
Net gain or (loss) from agents' or premium balances charged off	(5,413,241)	
Finance and service charges not included in premiums	7,821,561	
Discount earned on accounts payable	50,250	
Penalties of regulatory authorities	(3,424)	
Total other income		2,455,146
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		201,212,107
Less: Dividends to policyholders		112,579,496
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		88,632,611
Less: Federal and foreign income taxes incurred		(11,182,835)
Net Income		$99,815,446

AMICA MUTUAL INSURANCE COMPANY
Capital and Surplus Account
December 31, 2009 to December 31, 2010

Surplus as regards policyholders, December 31, 2009	$2,234,116,799
Net income	99,815,446
Change in net unrealized capital gains or (losses)	67,090,840
Change in net deferred income tax	(4,087,201)
Change in nonadmitted assets	(58,760,502)
Change in provision for reinsurance	604,000
Change in Amica Companies Supplemental Retirement Trust	2,607,183
Miscellaneous surplus adjustment	(1,057,313)
Change in surplus as regards policyholders for the year	106,212,453
Surplus as regards policyholders, December 31, 2010	$2,340,329,252

AMICA MUTUAL INSURANCE COMPANY

Reconciliation of Surplus
December 31, 2006 to December 31, 2010

	Gains	Losses	
Capital and Surplus, December 31, 2006			$2,090,495,685
Net Income	$580,585,175		
Change in net unrealized capital gains or(losses) less capital gains tax		$8,816,996	
Change in deferred income tax	30,704,231		
Change in non-admitted assets		327,653,977	
Change in provision for reinsurance	681,000		
Change in aggregate write-ins for gains and losses		25,665,866	
	611,970,406	362,136,839	
Net (decrease) in capital and surplus			249,833,567
Capital and surplus December 31, 2010			$2,340,329,252

AMICA MUTUAL INSURANCE COMPANY
Analysis of Examination Adjustments
December 31, 2010

The examination of the Company, performed as of December 31, 2010, did not disclose any material misstatements to the financial statements contained in its 2010 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

ASSETS

Bonds **$1,807,633,338**

The above amount is the net admitted value of bonds held by the Company at December 31, 2010 and is the same as that reported in its 2010 Annual Statement. The majority of the bonds are held by State Street Bank and Trust Company under the terms of a custodial agreement. Approximately 0.21% ($3,847,970) of the bond portfolio is held by various states in the form of special deposits.

The quality ratings of all securities included in the Company's bond portfolio were reviewed based upon criteria established by the National Association of Insurance Commissioners. It was noted that nearly 100% of the bond portfolio represents either class 1 or class 2 securities that are bonds of the "highest" and "high" quality, respectively. Two bonds (same issuer) with a combined book value of $4,425,856 were designated by the NAIC as class 3 securities and represented 0.24% of the bond portfolio. The book/adjusted carrying value of the class 3 bond was properly valued in accordance with NAIC requirements.

The book cost, par value, fair value and actual cost of the bond portfolio as of December 31, 2010, are as follows:

Book Value	Par Value	Fair Value	Actual Cost
$1,807,633,338	$1,790,652,156	$1,903,298,514	$1,808,963,039

Common Stocks **$1,519,554,771**

The above amount is the net admitted value of common stocks held by the Company at December 31, 2010, and is the same as that reported in its 2010 Annual Statement. The majority of the Company's common stocks are held by State Street Bank and Trust Company under the terms of a custodial agreement. Mutual funds, which make up approximately 19% of the stock portfolio, are held by the fund issuer. The common stocks of affiliates are held directly by the Company in a vault located at the home office.

The book value, fair value, and cost of the Company's investment in common stocks at December 31, 2010, are as follows:

Book Value	Fair Value	Actual Cost
$1,519,926,961	$1,519,926,961	$855,576,404

Stocks are valued in accordance with the procedures and values published by the Securities Valuation Office ("SVO") of the NAIC.

The Company's subsidiaries, Amica Life and Amica P&C, are valued based on the statutory equity method, and all other subsidiaries are valued on a GAAP equity basis in accordance with SVO guidelines. As stated under the 'Scope of Examination' caption of this report, an examination of Amica Life was performed concurrently with the examination of Amica Mutual. There was no adjustment to the value of Amica Life as a result of the examination. Comments and recommendations made with regard to Amica Life are fully explained in the examination report of said Company, issued under separate cover.

LIABILITIES

Losses and Loss Adjustment Expenses **$884,455,481**

Losses:	$707,741,999
Loss Adjustment Expenses:	$176,713,482

The reserves for losses and loss adjustment expenses as reflected above are the same as that reported by the Company in its 2010 Annual Statement. The Company's recorded reserves were reviewed for adequacy by Oliver Wyman Actuarial Consulting, Inc. ("Oliver Wyman"), the consulting actuaries for the Rhode Island Insurance Division. In forming their opinion, Oliver Wyman performed the following procedures:

1. A review of KPMG's December 31, 2010 loss reserve analysis.
2. A review of direct and assumed incurred loss and allocated loss adjusting expenses and paid loss and allocated loss adjusting expenses historical triangle data, with the most recent valuation date of December 31, 2010.
3. A review of ceded incurred loss and allocated loss adjusting expenses and paid loss and allocated loss adjusting expenses historical triangle data, with the most recent valuation date of December 31, 2010

On the basis of the review performed by Oliver Wyman, the Company's recorded reserves are conservative in comparison to reserves computed in accordance with accepted loss reserving standards and principles. Oliver Wyman concluded that the Company's held reserves were in excess of the high end of the range of reasonable estimates as determined by the Company's appointed actuary, KPMG LLP ("KPMG"). KPMG concluded that the reported reserves are stated conservatively relative to reserves computed in accordance with accepted loss reserving standards and principles, and are in excess of the high end of their range of reserve estimates, and therefore do not make reasonable provision for all unpaid loss and loss adjustment expense reserves carried by the Company. Oliver Wyman agreed with KPMG's conclusion.

The amount of the carried reserves that exceeded the high end of the reserve estimate was approximately $29.4 million. Since this amount fell below our tolerable error amount, no adjustment has been made in this examination report. However, the company should record carried reserves that are within the range of their own actuaries reserve calculation.

Recommendation #4

It is recommended that the Company, within a reasonable time period, report unpaid loss and loss adjustment reserves that are not excessive in comparison to reserves computed in accordance with generally accepted actuarial standards and principals, and make reasonable provision for all unpaid loss and loss adjustment expense obligations.

In assisting Oliver Wyman with the reserve analysis, the examiners performed various procedures to verify the integrity of the Company's loss data, including completeness testing. In testing the loss data, a combination of subjective and statistical sampling techniques was utilized.

We reviewed the actuarial opinions prepared by Amica's external actuary, KPMG, and the Amica Board of Director's minutes for the period under examination. Our review focused on various compliance issues as well as compliance with the Annual Statement Instructions for

Property and Casualty Companies. As a result of our review, it was noted that the external actuary was not appointed by the Board of Directors or its equivalent for three out of the four years under examination.

Recommendation #5

It is recommended that Amica's Board of Directors, or its equivalent, appoint the external actuary on a yearly basis.

POLICYHOLDERS' SURPLUS

Policyholders' Surplus **$2,340,329,252**

The above balance is the same as that reported by the Company in its 2010 Annual Statement and consists of the following:

Voluntary Reserve	$3,000,000
Guaranty Fund	3,000,000
Unassigned Funds (Surplus)	2,334,329,252
Surplus as Regards Policyholders	$2,340,329,252

The Voluntary Reserve was established by vote of the Board of Directors in 1973 after the consolidation of the Automobile Mutual Insurance Company of America and Factory Mutual Liability Insurance Company of America. This reserve is merely a segregation of surplus and has been presented as such in this report.

The Guaranty Fund is also a segregation of surplus funds that was established by vote of the Board of Directors in 1973 after consolidation of the two insurance companies discussed in previously in this report.

SUMMARY OF RECOMMENDATIONS

No.	Recommendation	Page #
1	It is recommended that the Company include statements in its Information Security Policy addressing the risks and controls associated with wireless technology.	26
2	It is recommended that the Company establish a formal IT Steering Committee that: a) Meets on a regularly scheduled basis and whose undertakings/actions are formally documented including meeting agendas, minutes and other applicable documents. b) Is responsible for developing a formal long-term IT Strategic Plan to be incorporated in the overall Strategic Plan.	27
3	It is recommended that the Windows Active Directory user accounts lockout setting be modified (currently six unsuccessful attempts) to reflect the setting as indicated in Amica's Information Security Standards (three unsuccessful attempts).	27
4	It is recommended that the Company, within a reasonable time period, report unpaid loss and loss adjustment reserves that are not in excessive in comparison to reserves computed in accordance with generally accepted actuarial standards and principals, and make reasonable provision for all unpaid loss and loss adjustment expense obligations.	38
5	It is recommended that the Amica's Board of Directors or its equivalent appoint the external actuary on a yearly basis.	39

SUBSEQUENT EVENTS

A review of the minutes of the Board of Directors' meetings 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 Company's operations or financial statements. In addition, an inquiry was made of the Company's management regarding subsequent events. Based upon our review, there were no significant events that occurred subsequent to the period covered by this examination:

CONCLUSION

We have applied verification procedures to the data contained in this report using both subjective and statistical sampling techniques as deemed appropriate. While sampling techniques 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. We were not informed of, and did not become aware of any error or irregularity which could have a material effect on the financial condition of the Company as presented in this report.

Assisting in the examination with the undersigned were Theodore J. Hurley, CPE, CPA, Insurance Examiner-In-Charge, Gianfranco Monaco, CISA, Principal Insurance Examiner, EDP & Automated Systems, Debra Almeida, CFE, Senior Insurance Examiner, and Douglas Fowler, Insurance Examiner of the Rhode Island Insurance Division. Acknowledgment is also made of the services rendered by Oliver Wyman Actuarial Consulting, Inc., the Insurance Division's consulting actuary.

Respectfully submitted,

Louis A. Gabriele Jr. CFE, CPA

Louis A Gabriele Jr., CFE, CPA
Examiner-In-Charge
State of Rhode Island
Representing Northeastern Zone, NAIC