



STATE OF MAINE

BUREAU OF INSURANCE

IT IS HEREBY CERTIFIED THAT THE ANNEXED REPORT OF
EXAMINATION FOR

Patriot Life Insurance Company

has been compared with the original on file in this bureau and that it is a correct transcript
therefrom and of the whole of said original.

IN WITNESS WHEREOF,

I have hereunto set my hand and affixed the official seal of this Office at the City of
Gardiner this

Thirtieth day of June, 2011

A handwritten signature in black ink, reading "Eric A. Cioppa".

Eric A. Cioppa
Acting Superintendent



Paul R. LePage
GOVERNOR

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

Eric A. Cioppa
Acting Superintendent

May 11, 2011

Eric A. Cioppa
Acting Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Acting Superintendent:

Pursuant to the provisions of 24-A M.R.S.A. §221 and in conformity with your instructions, a financial examination has been made of the

PATRIOT LIFE INSURANCE COMPANY

The following report is respectfully submitted.



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OFFICES LOCATED AT 76 NORTHERN AVENUE, GARDINER, MAINE 04345
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REPORT OF EXAMINATION
PATRIOT LIFE INSURANCE COMPANY
AS OF
DECEMBER 31, 2009

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Patriot Life Insurance Company dated May 11, 2011 was delivered to that insurer on June 7, 2011 and

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

WHEREAS I find such modifications proper, and

WHEREAS no hearing with respect to the Report of Examination has been requested by Patriot Life Insurance Company,

NOW THEREFORE, I accept the Report of Examination as modified and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S.A. §226(3).

Dated: June 30, 2011



Eric A. Cioppa
Acting Superintendent

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SCOPE OF EXAMINATION

Patriot Life Insurance Company (hereinafter, "Company") was last examined as of December 31, 2006, by the State of Maine Bureau of Insurance (hereinafter, "Bureau"). This examination covered the period from January 1, 2007 to December 31, 2009.

The Bureau conducted a limited scope risk-focused examination of the financial condition and affairs of the Company. This examination was conducted in accordance with 24-A M.R.S.A. §221 and the National Association of Insurance Commissioners' (hereinafter, "NAIC") Financial Condition Examiners Handbook (hereinafter, "FCEH") and Guidelines. This examination was performed concurrently with a coordinated examination of Patriot Insurance Company (hereinafter, "PIC") performed by the Bureau. The Bureau's examination of PIC was part of a coordinated examination of Frankenmuth Mutual Insurance Company (hereinafter, "FMIC"), the Company's ultimate parent, which was performed by the Michigan Office of Financial and Insurance Regulation (hereinafter, "OFIR"). The Bureau, for purposes of this examination, utilized certain corporate governance documentation prepared by the OFIR. This examination was conducted in the Bureau offices and on-site at the Company's main administrative office in Yarmouth, Maine.

The Company was running off a closed book of life business for the period under examination. The scope of this examination was limited to a detailed analysis and/or testing of certain key balance sheet items as of December 31, 2009 and, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts.

SUMMARY OF SIGNIFICANT FINDINGS

Prior Examination

1. Comment:

The Company is not in compliance with 24-A M.R.S.A. §1156, which limits investments in common stocks to 20% of total admitted assets. Common stock investments of the Company represent 33% of total admitted assets at December 31, 2006.

The Company is also not in compliance with its investment policy which limits investments in common stock to 20% of Statutory Surplus. Common stock investments represent 37% of Statutory Surplus at December 31, 2006.

The investment issues noted above appear to have resulted from a strategic initiative by senior management and the Board of Directors to manage investment assets on an aggregated basis with the Parent which resulted in an over-allocation of common stock to the Company.

Recommendation:

The Company should comply with 24-A M.R.S.A. §1156 as well as the Company's investment policy and communicate the investment policy to all parties involved in the management of the investment portfolio. All stock investments were sold during 2007.

Status:

The Company did not report any equity investments at December 31, 2009.

2. Comment:

The asset valuation reserve (hereinafter, "AVR") amount incorrectly excluded deferred taxes. The exclusion of deferred taxes results in the AVR being overstated by \$80,621 and deferred tax liability understated by the same amount. Netting deferred tax assets and liability results in a \$74,321 net deferred tax liability and eliminates the \$6,300 net deferred tax asset.

The Company's audited statutory financial statements were adjusted to reflect these changes; however, no examination adjustments were made as the amounts are not considered to be material or misleading.

Recommendation:

The Company should ensure that the AVR is calculated and reported correctly.

Status:

The Company's immaterial AVR appeared to be reasonably stated at December 31, 2009.

Current Examination

None noted.

SUBSEQUENT EVENTS

PIC acquired 100,000 shares of the Company's common stock for \$2,000,000 on July 1, 2010. The Company changed its domiciliary state from Maine to Michigan on October 11, 2010. The Company was acquired by FMIC for \$7,286,000 on October 27, 2010. The Company sold 35,000 shares of common stock to FMIC for \$3,500,000 on October 27, 2010. The Company entered into a guaranty agreement with FMIC on February 16, 2011.

THE COMPANY

HISTORY

The Company was incorporated on September 21, 1995 in the State of Maine and commenced operations on October 1, 1995. The Company assumed the insurance assets, related liabilities, duties and responsibilities of Maine National Life Insurance Company (hereinafter, "MNL"). The officers and directors of MNL, with the consent of the Maine Superintendent of Insurance,

then voluntarily liquidated MNL. Patriot Mutual Insurance Company owned all outstanding common stock of MNL and owned all outstanding stock of the Company.

On July 1, 2007, the Company's parent was acquired by and became a wholly owned subsidiary of FMIC. The Company is a wholly owned subsidiary of Patriot Insurance Company, with FMIC, the ultimate Parent.

CORPORATE RECORDS

The Company's articles of incorporation, bylaws, and minutes of the board of directors' meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

The Company is governed and overseen by its board of directors and the management team of the Company.

As of December 31, 2009, the Company's board of directors consisted of 16 individuals. The Company's board of directors approves the strategic direction of the Company's business and financial objectives, monitors the effectiveness of management's implementation of policies, and plans and provides oversight and support in achieving corporate objectives.

As of December 31, 2009, the board of directors of the Company consisted of the following members:

<u>Name</u>	<u>Title</u>
Gerald Lynn Stanton	Chairman
John Stewart Benson	Director
Kathleen Ann Case	Director
Morrall Manuel Claramunt	Director
Robert Payne Clark	Director
Dana Frank Connors	Director
Robert Clark Gowdy	Director
David Frederick Honold	Director
Brian Scott McLeod	Director
Lincoln Jerry Merrill, Jr.	Director
Richard Louis Pattenau, Ph. D.	Director
David Allen Pendleton	Director
David Lee Reinke	Director
Gregory St. Angelo, Jr.	Director
James Edward Wilds	Director
Drew Randall Zehnder	Director

Officers of the Company, as listed in the 2009 statutory annual statement, follow:

<u>Name</u>	<u>Title</u>
Lincoln Jerry Merrill, Jr.	President & CEO
Kevin Allen Marti	Senior Vice President & COO
Brian Scott McLeod	Vice President, Treasurer & Secretary
Charles Dilworth Brakeley, Jr.	Vice President
Alan Robert Small	Vice President

CODE OF CONDUCT AND CONFLICT OF INTEREST

Title 24-A M.R.S.A. §3413 identifies potential conflict of interest areas. As such, the Company requires that each director and officer of the Company complete a conflict of interest statement annually. The conflict of interest statement discloses any material interest or affiliation(s) which are likely to be in conflict with his/her official duties and responsibilities to the Company.

The conflict of interest guidelines are included in the Company's code of business conduct and ethics. All directors, officers and employees are required to sign a compliance certificate when hired/appointed that certifies that they have read, understand, and will adhere to the code of business conduct and ethics, and the conflict of interest policy. All directors and officers are also required to sign a compliance certificate annually.

FIDELITY BOND INSURANCE

The Company is protected by a fidelity bond in compliance with the NAIC recommended levels of coverage.

TERRITORY & PLAN OF OPERATION

The Company is licensed to transact business as a life insurer in the state of Maine and currently only writes ordinary life insurance contracts.

TRANSACTIONS WITH AFFILIATES

The Company has separate management agreements with FMIC and Patriot Insurance Company for the allocation of certain administration costs.

REINSURANCE

The Company does not participate in any reinsurance contracts.

STATUTORY DEPOSITS

As required by 24-A M.R.S.A. §412, the Company maintains the required security deposit with the Treasurer of Maine.

LITIGATION

The Company is not aware of potential lawsuits or other legal action beyond the ordinary course of business which would be considered material in relation to the financial position of the Company. The Company's representations in this regard were confirmed through external audit work-papers as provided by OFIR.

FINANCIAL STATEMENTS

The accompanying financial statements fairly present, in all material respects, the Company's statutory financial position as of December 31, 2009, and statutory results of operations for the period then ended. The financial statements as of December 31, 2008 and 2007 are unexamined and are presented for comparative purposes only.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES, AND SURPLUS
AS OF DECEMBER 31, 2009, 2008, AND 2007**

	<u>2009</u>	<u>2008</u> (unexamined)	<u>2007</u> (unexamined)
Assets			
Bonds	\$ 5,469,184	\$ 6,456,523	\$ 4,080,838
Common Stocks	-	-	-
Cash & Short-term investments	1,685,961	582,087	3,059,845
Contract loans	10,525	13,688	13,906
Investment income due and accrued	51,982	71,398	32,773
Premiums - Uncollected and Agents Balances	62	-	-
Premiums - Deferred	174	351	440
Reinsurance - Recoverable	-	-	-
Current Federal and Foreign Income Tax	39,904	-	-
Net Deferred Tax Asset	-	924	6,283
EDP Equipment and Software	1,231	-	-
Receivables from parent and affiliates	-	23,951	-
Aggregate Write-Ins	63	52	53
Total assets	<u>\$ 7,259,086</u>	<u>\$ 7,148,974</u>	<u>\$ 7,194,138</u>
Liabilities			
Reserves	\$ 152,479	\$ 159,777	\$ 162,361
Advance premiums	17	26	-
Interest maintenance reserve	103,823	111,565	116,736
General expenses	42,694	38,672	29,894
Taxes, licenses and fees	10,216	6,956	28
Current federal and foreign taxes	-	620	11,000
Net deferred tax liability	1,480	-	-
Asset valuation reserve	5,191	2,409	-
Payable to parent, subsidiaries and affiliates	136,864	3,825	80,750
Aggregate write-ins	-	-	-
Total liabilities	<u>452,764</u>	<u>323,850</u>	<u>400,769</u>
Surplus			
Common capital stock	2,500,000	2,500,000	2,500,000
Gross Paid-in and contributed surplus	2,722,461	2,722,461	2,722,461
Unassigned funds	1,583,861	1,602,663	1,570,908
Surplus	<u>6,806,322</u>	<u>6,825,124</u>	<u>6,793,369</u>
Liabilities and surplus	<u>\$ 7,259,086</u>	<u>\$ 7,148,974</u>	<u>\$ 7,194,138</u>

STATEMENT OF OPERATIONS
YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Revenue		(unexamined)	(unexamined)
Premiums for life	\$ 1,305	\$ 1,508	\$ 1,379
Net investment income	265,700	282,080	241,809
Amortization of interest maintenance reserve	<u>7,742</u>	<u>6,643</u>	<u>5,307</u>
Total Revenue	274,747	290,231	248,495
 Expenses			
Death benefits	4,000	6,910	6,500
Surrender benefits and withdrawals	3,757	-	1,545
Change in aggregate reserves	(7,298)	(2,584)	(4,051)
General expenses and taxes	<u>256,900</u>	<u>111,188</u>	<u>106,147</u>
Total Expenses	257,359	115,514	110,141
 Net gain before dividends and taxes	17,388	174,717	138,354
Federal income taxes	<u>(9,000)</u>	<u>136,208</u>	<u>18,000</u>
Net gain from operations	26,388	38,509	120,354
Net realized capital gain/(loss)	<u>-</u>	<u>-</u>	<u>322,864</u>
Net income	<u>\$ 26,388</u>	<u>\$ 38,509</u>	<u>\$ 443,218</u>

STATEMENT OF CAPITAL AND SURPLUS
YEARS ENDED DECEMBER 31, 2009, 2008, AND 2007

	<u>2009</u>	<u>2008</u>	<u>2007</u>
		(unexamined)	(unexamined)
Surplus, December 31 prior year	\$ 6,825,124	\$ 6,793,369	\$ 6,159,628
Net Income	26,388	38,509	443,218
Change in net unrealized capital gains/(losses)	-	-	(237,274)
Change in net deferred income tax	(3,135)	(4,628)	(1,091)
Change in nonadmitted assets	(39,273)	283	1,074
Change in asset valuation reserve	(2,782)	(2,409)	427,814
Dividends to stockholders	-	-	-
Change in surplus for the year	<u>(18,802)</u>	<u>31,755</u>	<u>633,741</u>
Surplus, December 31 current year	<u>\$ 6,806,322</u>	<u>\$ 6,825,124</u>	<u>\$ 6,793,369</u>

CONCLUSION

The Company's financial condition, as reported by management, is reflected in the statements and supporting exhibits contained in this report. The basis of preparation of such statements conforms to laws, rules, and regulations prescribed and/or permitted by the Bureau.

Acknowledgement of cooperation and assistance extended to the examiners by all Company personnel is hereby expressed.

**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Stuart E. Turney, being duly sworn according to law deposes and says that, in accordance with authority vested in him by Eric A. Cioppa, Acting Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, he has made an examination of the condition and affairs of the

PATRIOT LIFE INSURANCE COMPANY

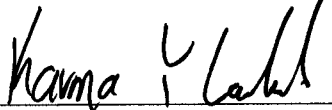
of Yarmouth, Maine as of December 31, 2009, and that the foregoing report of examination subscribed to by him is true to the best of his knowledge and belief. The following examiners from the Bureau of Insurance assisted:

James C. Williams, CPA, CFE
Margaret S. Boghosian, CPA, CFE
Debra L. Blaisdell, AFE
Audrey L. Wade, CFE



Stuart E. Turney, CPA, AFE

Subscribed and sworn to before me
This 30 day of June, 2011



Notary Public
My Commission Expires:

KARMA Y. LOMBARD
Notary Public, Maine
My Commission Expires June 12, 2016

