ODI
Ohio Department of Insurance
John R. Kasich, Governor
Mary Taylor, Lt. Governor/Director

50 West Town Street
Third Floor – Suite 300
Columbus, OH 43215-4186
(614) 644-2658
www.insurance.ohio.gov

December 14, 2015

Mr. Frederick Eppinger
President and Chief Executive Officer
The Hanover Insurance Company
440 Lincoln Street
Worcester, MA 01653-0002

Dear Mr. Eppinger,

The Ohio Department of Insurance ("Department") has completed the financial examination of Citizens Insurance Company of Ohio and prepared the enclosed final Report of Examination ("Report"), as of December 31, 2014.

Pursuant to Section 3901.07 of the Ohio Revised Code, any written objectives to the Report may be filed with the Department within thirty days after the postmark on the envelope in which the Report was mailed. The objections shall be attached to and made a part of the Report, which then shall be placed in the files of the Department as a public record.

If you have any questions, please feel free to call me at 614-728-1263 or e-mail me at tracy.snow@insurance.ohio.gov.

Very truly yours,

Tracy L. Snow, CPA, CFE
Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Enc.

Report of Examination of

Citizens Insurance Company of Ohio
Columbus, Ohio

As of December 31, 2014

Table of Contents

Subject	Page
Salutation	1
Description of Company	1
Scope of Examination	1
Management and Control:	
Board of Directors	2
Officers	3
Insurance Holding Company System	3
Territory and Plan of Operations	4
Reinsurance	4
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds	5
Statement of Income	6
Statement of Changes in the Capital and Surplus Account	6
Notes to Financial Statements:	
Investments	7
Loss and Loss Adjustment Expense Reserves	7
Conclusion	7
Subsequent Events	7
Acknowledgement	8

Columbus, Ohio
September 4, 2015

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code ("ORC"), the Ohio Department of Insurance ("Department") conducted an examination of

Citizens Insurance Company of Ohio

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the "Company."

Scope of Examination

The Department last examined the Company as of December 31, 2011. The Department's current examination covers the period of January 1, 2012 through December 31, 2014.

Representatives from the firm of AGI Services were engaged by the New Hampshire Department of Insurance ("NHDI"), as the Lead State regulator of The Hanover Insurance Group, Inc. ("THG") and its subsidiaries, facilitated the multi-state coordinated examination. The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* ("Handbook"). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in Section 3901.07 of the ORC and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For all years under examination, the Certified Public Accounting firm of PricewaterhouseCoopers, LLP provided an unqualified opinion on the Consolidated Statutory-Basis Financial Statements of the Citizens Insurance Company of America, Citizens Insurance Company of the Midwest, and the Company, collectively referred to as "Citizens Insurance Operations" based on Statutory Accounting Principles. Representatives of AGI Services reviewed the independent auditors' reports and supporting work papers during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
George K. Agyen	Assistant Regional President, The Hanover Insurance Company
Mark L. Berthiaume	Senior Vice President and Chief Administration Officer, The Hanover Insurance Company
Frederick H. Eppinger	President and Chief Executive Officer, The Hanover Insurance Company
Andrew C. Furman	Vice President and Treasurer, The Hanover Insurance Company
David B. Greenfield	Executive Vice President and Chief Financial Officer, The Hanover Insurance Company
Janet T. Heidenthal	Territory Sales Manager, The Hanover Insurance Company
J. Kendall Huber	Executive Vice President and General Counsel, The Hanover Insurance Company
Steven E. Morris	Executive General Adjuster, The Hanover Insurance Company

Name	Principal Occupation
John C. Roche	Senior Vice President, The Hanover Insurance Company
Christine Bilotti-Peterson	Senior Vice President and Chief Human Resources Officer, The Hanover Insurance Company
Ann K. Tripp	Senior Vice President and Chief Investment Officer, The Hanover Insurance Company
Mark J. Welzenbach	Senior Vice President and Chief Claims Officer, The Hanover Insurance Company

Officers

As of the examination date, the following executive and senior officers were serving in the designated position:

Name	Title
Frederick H. Eppinger	President
David B. Greenfield	Executive Vice President and Chief Financial Officer
J. Kendall Huber	Executive Vice President and General Counsel
Andrew S. Robinson	Executive Vice President
Mark L. Berthiaume	Senior Vice President
Richard W. Lavey	Senior Vice President
John C. Roche	Senior Vice President
Mark J. Welzenbach	Senior Vice President
Andrew C. Furman	Vice President & Treasurer
Charles F. Cronin	Secretary

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. The Company is a wholly-owned subsidiary of The Hanover Insurance Company ("HIC"), domiciled in New Hampshire. Hanover is a wholly-owned subsidiary of Opus Investment Management, Inc., which, in turn, is a wholly-owned non-insurance subsidiary of THG. The common stock of THG is traded on the New York Stock Exchange.

Territory and Plan of Operations

The Company is licensed to transact business in Ohio and Michigan. The principal lines of business are homeowners and workers' compensation marketed through independent agents. The table below illustrates the Company's 2014 premiums written, by line of business:

Line of Business	Direct	Assumed	Ceded	Net
Homeowners multiple peril	$ 10,987,669	$ 0	$ 10,987,669	$ 0
Workers' compensation	3,694,937	264,668	3,959,605	0
Commercial multiple peril	936,589	0	936,589	0
Inland marine	244,505	0	244,505	0
Other liability – occurrence	201,167	0	201,167	0
Auto physical damage	67,406	0	67,406	0
Private passenger auto liability	62,631	0	62,631	0
Commercial auto liability	56,439	0	56,439	0
Earthquake	50,183	0	50,183	0
Other	68	0	68	0
Totals	$16,301,594	$ 264,668	$16,566,262	$ 0

Reinsurance

The Company entered into a 100% quota share reinsurance agreement with Citizens Insurance Company of America ("CICA"), domiciled in Michigan, with an initial effective date of January 1, 1998. The reinsurance agreement was restated with an effective date of December 31, 2007. The Company continues to cede all liabilities and obligations of insurance in force on the initial effective date or issued on or after the effective date to CICA.

The assumed business represents the Company's participation in the Michigan Workers' Compensation Placement Facility, a mandatory pool.

Financial Statements

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2014. The Department made no adjustments to the Company's surplus as a result of the examination.

Statement of Assets, Liabilities, Surplus and Other Funds
December 31, 2014

Assets	
Bonds	$ 14,859,096
Cash, cash equivalents and short-term investments	62,453
Subtotal, cash and invested assets	14,921,549
Investment income due and accrued	157,613
Total admitted assets	$ 15,079,162
Liabilities	
Losses and loss adjustment expenses	$ 0
Current federal and foreign income taxes	1,323
Net deferred tax liability	14,769
Payable to parent, subsidiaries and affiliates	2,127
Total liabilities	18,219
Capital and Surplus	
Common capital stock	1,000,000
Gross paid in and contributed surplus	7,535,850
Unassigned funds	6,525,093
Total capital and surplus	15,060,943
Total liabilities, capital and surplus	$ 15,079,162

Statement of Income
For the Year Ended December 31, 2014

Premiums earned	$ 0
Losses and loss adjustment expenses incurred	0
Net underwriting gain	0
Net investment income earned	$ 569,213
Net realized capital gains	(4,399)
Net investment gain	564,814
Net income before federal income taxes	564,814
Federal income taxes incurred	189,030
Net income	$ 375,784

Statement of Changes in the Capital and Surplus Account

	2014	2013	2012
Capital and surplus, prior year end	$ 14,687,892	$ 14,309,192	$ 13,912,852
Net income	375,784	378,638	397,215
Change in net deferred income tax	(2,733)	62	(875)
Dividends to stockholders	0	0	0
Net change in capital and surplus	373,051	378,700	396,340
Capital and surplus, current year end	$ 15,060,943	$ 14,687,892	$ 14,309,192

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Loss and Loss Adjustment Expense Reserves

The Company's Board of Directors appointed Gary Bujaucius, FCAS, MAAA, Vice President and Lead Reserving Actuary and long-term employee of HIC, to render the Company's Statement of Actuarial Opinion. Mr. Bujaucius conducts his actuarial analysis and loss reserve estimates at the Group level, consisting of a number of affiliated insurance companies that reinsure 100% of their business through either HIC or CICA. All of the net exposures and liabilities for the Group are held in either HIC or CICA.

The NHDI retained Alan Kaliski, FCAS, MAAA, of AGI Services, to perform an actuarial analysis at a Group level, similar to the Appointed Actuary. Based on the results of the analysis, the carried loss and loss adjustment expense reserves for the Group are well within the range of AGI Services' reserve estimates at December 31, 2014.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2014, and is summarized as follows:

Total Admitted Assets	$ 15,079,162
Liabilities	18,219
Capital and Surplus	15,060,943
Total Liabilities, Capital and Surplus	$ 15,079,162

Subsequent Events

On September 15, 2015, THG announced that Frederick H. Eppinger plans to step down as president, chief executive officer, and a director of THG and its subsidiaries. Mr. Eppinger will continue to serve in his current role until his successor is appointed and then will be available to assist with the transition as needed until June 30, 2016. The THG board has initiated a search for Mr. Eppinger's replacement.

Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of THG and its subsidiaries during the course of this examination.

In addition to the undersigned, Stephen W. Bishel, CPA, of the Department, participated in this examination.

Respectfully,

Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2014.

Assistant Chief Examiner Date 12/9/15

State of Ohio
County of Franklin

Personally appeared before me the above named, Jeffrey K. Ebert, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 9 day of December, 2015.

Elizabeth Chase
(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017

My Commission Expires