



COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
MEDICAL PROFESSIONAL MUTUAL INSURANCE COMPANY

Boston, Massachusetts

As of December 31, 2013

NAIC GROUP CODE 1154

NAIC COMPANY CODE 10206

EMPLOYER ID NUMBER 04-2595783

Medical Professional Mutual Insurance Company

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE

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GARY D. ANDERSON
ACTING COMMISSIONER OF INSURANCE

March 1, 2015

Gary D. Anderson
Acting Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, an examination has been made of the financial condition and affairs of

MEDICAL PROFESSIONAL MUTUAL INSURANCE COMPANY

at its home office located at One Financial Center, Boston, MA 02111-2621. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Medical Professional Mutual Insurance Company ("Company" or "ProMutual") was last examined as of December 31, 2008 by the Massachusetts Division of Insurance (the "Division"). The current examination was also conducted by the Division and covers the five-year period from January 1, 2009 through December 31, 2013, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*. 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 the company, including corporate governance, identifying and assessing inherent risks within the company, and evaluating system controls and procedures used to mitigate those risks. An 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 accounts and activities of the Company were considered in accordance with the risk-focused examination process.

In addition to a review of the financial condition of the Company, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bond and other insurance, employees' benefits plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Company is audited annually by PricewaterhouseCoopers, LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2009 through 2013. A review and use of the Certified Public Accountants' workpapers were made to the extent deemed appropriate and effective. Representatives from the firm of KPMG LLP ("KPMG") were retained by the Division to assist in the examination by performing certain examination procedures at the direction and under the overall management of the Division's examination staff. The assistance included a review of accounting records, information systems, investments and actuarially determined loss and loss adjustment expense reserves.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings identified during the examination.

SUBSEQUENT EVENTS

Coverys Specialty Insurance Company ("CSIC") is an indirect, wholly-owned subsidiary of ProMutual. In December 2014, CSIC sought approval of its Certificate of Authority application to the New Jersey Department of Banking and Insurance (the "NJDOBI"), and adoption and NJDOBI approval of a CSIC Board resolution to operate as a surplus lines insurer which will primarily provide medical professional liability insurance. CSIC will provide this insurance in various states in which it becomes surplus lines eligible.

On January 1, 2014, FinCor Holdings, Inc., a member of Coverys, completed the acquisition of OHA Holdings, Inc. and its wholly-owned subsidiary OHA Insurance Solutions ("OHAIS"). The transaction has been approved by all parties and all customary regulatory approvals have been finalized.

On August 1, 2014, ProMutual finalized the acquisition of Preferred Professional Insurance Company ("PPIC"). Through the acquisition of PPIC, Coverys will expand its presence across the country and as a leading medical professional liability insurer in the United States. The acquisition also supports its strategy to broaden delivery of innovative products and services within the medical professional liability insurance marketplace on a national basis.

COMPANY HISTORY

General

The Company is organized under the laws of the Commonwealth of Massachusetts. ProMutual was originally organized as a Joint Underwriting Association ("JUA") established by Section 6 of Chapter 362 of the Massachusetts Acts of 1975 ("Section 6"). The Massachusetts legislature created the JUA to guarantee the continued availability of medical malpractice professional liability insurance within Massachusetts. As a licensed property and casualty insurer, the Company is subject to the provisions of Massachusetts General Laws ("M.G.L."), Chapter 175, Section 4 and other Massachusetts insurance laws.

In July 1992, the name of the JUA was changed to the Medical Malpractice Professional Insurance Association ("MMPIA"), to reflect that the entity was no longer a joint underwriting association. In January of 1995, Governor William F. Weld signed into law Chapter 330 of the Acts of 1994. This law in part stated that "The Massachusetts Medical Professional Insurance Association is converted to a mutual insurance company to be known as the Medical Professional Mutual Insurance Company, which shall succeed to and assume all of the assets and liabilities of the Association". On May 2, 1995, ProMutual received its certificate to transact business in Massachusetts as a mutual insurance company.

ProMutual formed a downstream holding company named ProMutual Group, Inc., which acquired the licenses of the Abington Mutual Insurance Co. from the state liquidator on January 2, 1996, in the form of a clean shell. The entity was then converted to a stock company and named ProSelect Insurance Company ("ProSelect"). ProMutual has a 100% interest in

Medical Professional Mutual Insurance Company

ProMutual Group Inc. and ProSelect Insurance Company. Effective August 31, 2009, ProMutual Group Inc. purchased FinCor Holdings Inc., which included the following subsidiaries; MHA Insurance Company, Washington Casualty Company, FinCor Solutions, The Risk Management and Patient Safety Institute Inc. and Capital Risk Solutions.

Dividends to Policyholders

During the period of this examination the Board of Directors declared policyholder dividends to dental professionals as follows:

- The Company declared dividends of \$500,000 to dental professionals in 2009
- The Company declared dividends of \$900,000 to dental professionals in 2010
- The Company declared dividends of \$1,370,000 to dental professionals in 2011
- The Company declared dividends of \$400,000 to dental professionals in 2012

The Company did not declare a dividend to dental professionals in 2013.

During the period of this examination the Board of Directors declared policyholder dividends to Physicians and Surgeons as follows:

- On December 9, 2009, the Company voted to pay a dividend to physician and surgeon professional liability policyholders in the Commonwealth of Massachusetts on policies expiring between July 1, 2010 and June 30, 2011, in the amount of 6% of the premium paid by such policyholders.
- On December 8, 2010, the Company voted to pay a dividend to physician and surgeon professional liability policyholders in the Commonwealth of Massachusetts on policies expiring between July 1, 2011 and June 30, 2012, in the amount of 6% of the premium paid by such policyholders.
- On December 7, 2011, the Company voted to pay a dividend to physician and surgeon professional liability policyholders in the Commonwealth of Massachusetts on policies expiring between July 1, 2012 and June 30, 2013, in the amount of 7.5% of the premium paid by such policyholders.
- On December 5, 2012, the Company voted to pay a dividend to physician and surgeon professional liability policyholders in the Commonwealth of Massachusetts on policies expiring between July 1, 2013 and June 30, 2014, in the amount of 10% of the premium paid by such policyholders.
- On December 4, 2013, the Company voted to pay a dividend to physician and surgeon professional liability policyholders in the Commonwealth of Massachusetts on policies expiring between July 1, 2014 and June 30, 2015, in the amount of 10% of the premium paid by such policyholders.

During the period of this examination the Board of Directors declared policyholder dividends to healthcare facilities as follows:

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- On February 24, 2010 the Company voted to pay a dividend to healthcare facility professional liability policyholders in the Commonwealth of Massachusetts on policies expiring between September 1, 2010 and August 31, 2011, in the amount of 5% of the premium paid by such policyholders.
- On March 2, 2011 the Company voted to pay a dividend to healthcare facility professional liability policyholders in the Commonwealth of Massachusetts on policies expiring between September 1, 2011 and August 31, 2012, in the amount of 5% of the premium paid by such policyholders.
- On February 29, 2012 the Company voted to pay a dividend to healthcare facility professional liability policyholders in the Commonwealth of Massachusetts on policies expiring between September 1, 2012 and August 31, 2013, in the amount of 5% of the premium paid by such policyholders.
- On February 27, 2013 the Company voted to pay a dividend to healthcare facility professional liability policyholders in the Commonwealth of Massachusetts on policies expiring between September 1, 2013 and August 31, 2014, in the amount of 5% of the premium paid by such policyholders.

The Company did not declare a dividend to healthcare facility professional liability policyholders in The Commonwealth of Massachusetts in 2009.

CORPORATE RECORDS

Board of Directors Minutes

The minutes of meetings of the Board of Directors and its Committees for the period under examination were read and they indicated that all meetings were held in accordance with the Company's bylaws and the Laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified at meetings of the Board of Directors.

Articles of Incorporation and Bylaws

The Company's Articles of Incorporation and bylaws may be altered, amended or repealed at any annual or special meeting of the Directors, notice of which shall specify the subject matter of the proposed alteration, amendment or repeal of the sections to be affected thereby, by vote of a majority of the Directors then in office. Our review of the bylaws indicated that they were amended as of April 24, 2013; however, they did not contain significant changes.

Conflict of Interest Procedures

The Company has a policy pertaining to conflict of interest. In support of its answer to Question 14 of Part 1 Common Interrogatories of the annual statement, the Company has an established procedure for the disclosure to the Board of Directors of any material interest or affiliation on the part of any officer or director or responsible employee which is in or is likely to conflict with his/her official duties. Annually, each officer or director or responsible employee completes a

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questionnaire disclosing any material conflicts of interests. The completed questionnaires were reviewed and no discrepancies were noted to contradict the Company's response to the General Interrogatory regarding conflicts of interests reported in the Company's 2013 Annual Statement.

Disaster Recovery and Business Continuity

The Company provides for the continuity of management and operations in the event of a catastrophe or national emergency in accordance with M.G.L. Chapter 175, Sections 180M-180Q.

MANAGEMENT AND CONTROL

Board of Directors

According to the Company's bylaws, the business of the Company shall be managed by the Board of Directors who may exercise all such powers of the Company except such powers as are not permitted by law, the Company's articles of organization or the bylaws. The Board of Directors may from time to time, to the extent permitted by law, delegate any of their powers to committees, officers, attorneys or agents of the Company, subject to such limitations as the articles of organization, the bylaws or the Directors may impose. The Board of Directors has the power to fix the compensation of members of the Board of Directors for their services and shall fix or approve the manner of fixing the compensation of officers and employees of the Company.

From the effective date of conversion of MMPIA into the Company, and in accordance with the Company bylaws, the Board of Directors shall consist of not less than thirteen persons, the number to be determined from time to time by a vote of two-thirds of the Directors then in office or by the affirmative vote of two-thirds of the members present in person or by proxy, but not less than an affirmative vote of at least 10% of the total number of members, at a meeting called for that purpose.

The Board of Directors shall include the following persons: seven physicians licensed to practice in the Commonwealth of Massachusetts ("Commonwealth") or in another state in which the Company operates pursuant to the applicable laws of those states (the "physician directors"); at least one whom shall be from the western Massachusetts geographical area, one dentist licensed to practice in the Commonwealth pursuant to M.G.L. Chapter 112, Section 45 (the "dentist director"); one representative of hospitals licensed in the Commonwealth (the "hospital director"), (collectively, the "provider directors"); and four other persons none of whom shall be a physician licensed to practice in the Commonwealth, a dentist licensed to practice in the Commonwealth or an officer employee of a hospital licensed to operate in the Commonwealth or an association of licensed hospitals (the "non provider directors"). Three of the non-provider directors shall have experience in the business of insurance either as director, officer or employee of or a consultant to an insurance company or an employee of a regulatory agency with direct responsibility for the oversight of insurance companies; and one shall have experience as an insurance agent or broker. Except as otherwise determined by the Board of Directors, the physicians and dentist directors shall be members of the Company.

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At December 31, 2013, the Company's Board of Directors consisted of the following Company officers:

<u>Name of Director</u>	<u>Title</u>
Brenda E. Richardson, M.D.	Chair
Bruce S. Auerbach, M.D., FACEP	Secretary/Clerk
Erwin A. Stuebner Jr., M.D.	Vice Chair
Donna M. Norris, M.D.	
Ronald W. Dunlap, M.D.	
Robert K. Sheridan	
Maryanne C. Bombaugh, M.D., MS, FACOG	
John H. Gillespie	
Theodore A. Calianos II, M.D., FACS	
Deanna P. Ricker, M.D.	
Michael B. Driscoll	
James J. Moran Jr., Esq., CPCU, ARe	
Paul A. Schnitman, D.D.S., MSD, FACD	

Committees of the Board of Directors

According to the Company's bylaws, the Board of Directors may, by the affirmative vote of a majority of the Directors then constituting a full Board, (provided that a quorum is present for such vote) elect from its membership an Executive Committee. The Board of Directors may form an audit committee of directors who are not employees of the Company. The Board of Directors may establish such additional committees as it may determine, comprised of such numbers of its members as it may from time to time determine, and delegate to such committee some or all of its powers, except those which by law, the Articles of Organization or the bylaws, are prohibited from being delegated. The Board of Directors shall have the power at any time to fill vacancies in, change the membership of, or discharge any such committee.

Officers

According to the Company's bylaws, the officers of the Company shall consist of a chairman of the board, a vice chairman of the board and a secretary, who shall also be the clerk (unless the Board determines otherwise), each of whom shall serve one term of two years or two terms of two years, with an option for an additional term of two years as the Board shall determine, and until the officer's successor is duly elected and qualified. The Board may designate as officers a president, a chief executive officer, who may be the president, a treasurer, a chief financial officer, who may be treasurer, a chief operating officer, an assistant secretary, who shall be assistant clerk unless the Board determines otherwise, one or more senior vice presidents, and such other officers as the Board may determine, each of whom shall serve at the pleasure of the Board of Directors.

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Officers need not be members, and no officer other than the chairman of the board, vice chairman and secretary, need be a Director. Two or more offices may be held by the same person. Unless otherwise determined by the Board of Directors, the chairman (when present) shall preside at all meetings of the Board of Directors, and of the Members Annual Meetings. The vice chairman shall preside in the absence of the chairman, and the president shall have general supervision and control of the business of the Company subject to the direction of the Board of Directors.

Officers of the Company at December 31, 2013, in addition to those Directors above are as follows:

<u>Name of Officer</u>	<u>Title</u>
Gregg L. Hanson	President & CEO
Richard G. Hayes	VP, CFO & Treasurer
John J. Donehue	COO
Donna M. Miele-Cesario	CIO & Chief Claims Officer
Theodore G. Kelley	Senior Vice President
Michael R. Kubik	Senior Vice President
Eric M. Crockett	Vice President
Tara R. Gibson	Vice President
Stephen J. Langlois	Vice President
Mark W. Lynch	Vice President
Elizabeth M. Murphy	Vice President
Barbara L. Staples	Vice President
José R. Zorola	Vice President

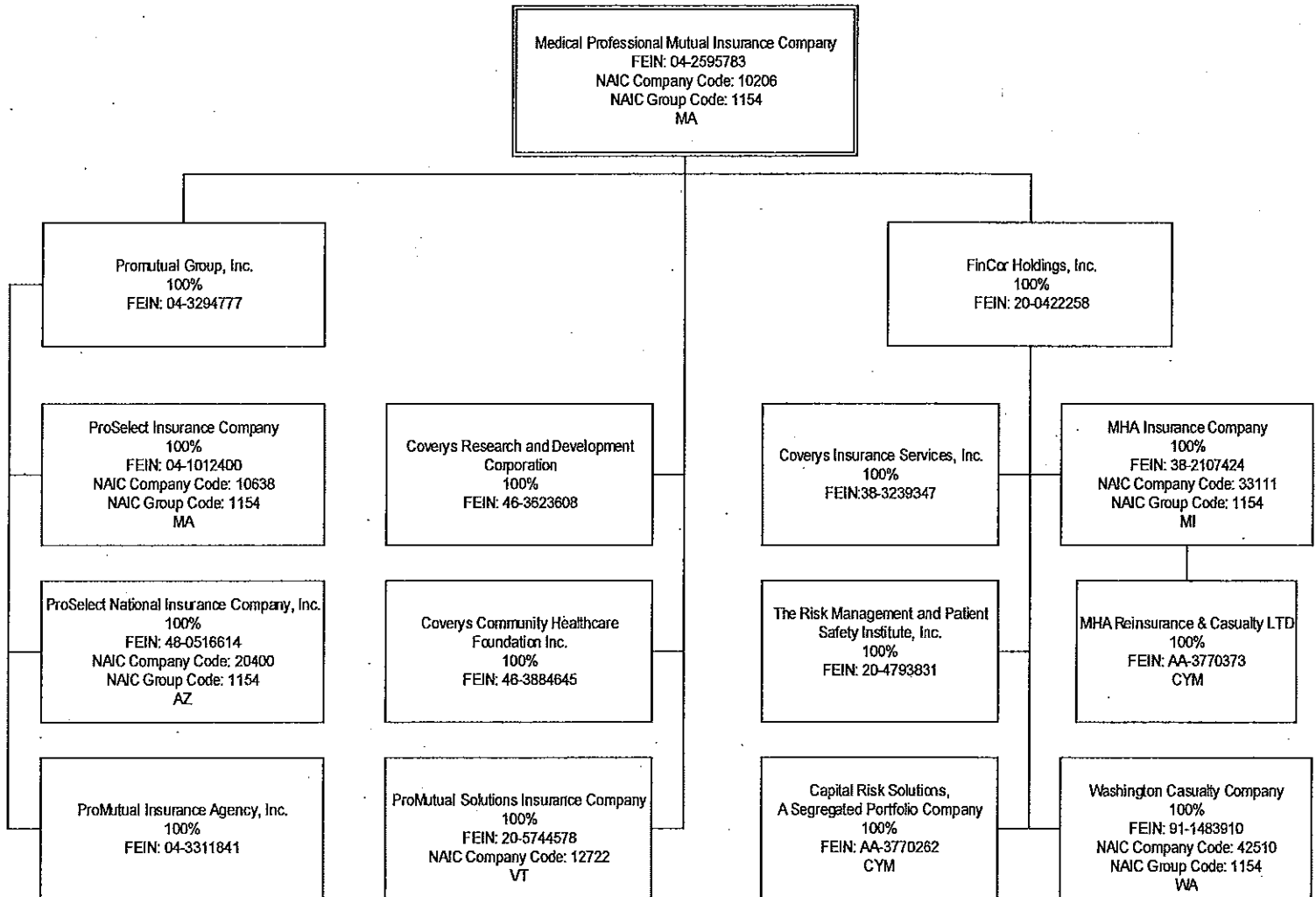
Affiliated Companies

The Company is a member of an insurance holding company system as defined in Section 206 of M.G.L. Chapter 175 and is subject to the registration requirements thereof. During the examination period, the Company filed Form B with the Division pursuant to Regulation 211 CMR 7.00, and section 206C of M.G.L. Chapter 175. Ultimate control of the holding company system is held by Medical Professional Mutual Insurance Company d/b/a ProMutual, a Massachusetts mutual insurance company.

Medical Professional Mutual Insurance Company

Organization Chart

At December 31, 2013, the following companies were part of the following organizational structure:



Medical Professional Mutual Insurance Company

Transactions and Agreements with Subsidiaries and Affiliates

Administrative Services Agreements

The Company has Administration and Management Services Agreements (the "Agreement") with ProSelect and ProSelect National Insurance Company Inc. ("ProSelect National"). Under this agreement, ProMutual agrees to provide various services in connection with underwriting and management of ProSelect and ProSelect National. These include underwriting, policy issuance, billing and premium collection, claims handling, policy administration, actuarial, risk management, investment advisory and all general administrative services relating to the business of ProSelect and ProSelect National. ProSelect, ProSelect National and the Company further agree that, subject to certain limitations set forth in the Agreement, the Company shall be the sole and exclusive provider of the services and that ProSelect and ProSelect National shall not accept applications for insurance except through the Company.

Reinsurance Agreements

See the Reinsurance Section for a discussion of intercompany reinsurance agreements.

Tax Sharing Agreement

The Company files its Federal Income Tax Return on a consolidated basis with ProSelect Insurance Company and its other subsidiaries. The method of allocation between companies is subject to written agreement, approved by the Board of Directors.

FIDELITY BONDS AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized Massachusetts insurer, consistent with M.G.L. Chapter 175, Section 60. The aggregate limit of liability exceeds the NAIC suggested minimum.

The Company has further protected its interests and property by policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts, and the policies were in force as of December 31, 2013.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

Employee Benefit Plan

The Company's employees are covered by a qualified defined contribution pension plan sponsored by the company. The Company also sponsors a 401(k) Employee Savings Plan. Substantially all employees of the Company are eligible to participate in the Company's Employee Savings Plan under which a portion of employee contributions are matched by the Company. The Company implemented a long term incentive compensation plan for the Company's executives effective January 1, 2009.

TERRITORY AND PLAN OF OPERATION

Medical Professional Mutual Insurance Company operates as a property and casualty insurance company and is licensed only in Massachusetts to write medical professional liability coverage for physicians, hospitals, dentists and new healthcare entities, as authorized in Chapter 330 of the Acts of 1994 of the Commonwealth of Massachusetts. The Company is authorized to write under

Medical Professional Mutual Insurance Company

M.G.L. Chapter 175 Section 47 the following types of coverages: (4) Fidelity and Surety, (6A) Accident – All kinds, (6B) Health – All Kinds, (6F) Liability other than Auto, (9) Elevator Property Damage and Collision and (54BX) Reinsurance except Life. The company is licensed and is the largest writer of medical professional liability insurance in the Commonwealth of Massachusetts. The Company has limited its writings primarily to Medical Malpractice – Occurrence, Medical Malpractice – Claims-Made, Other Liability – Occurrence, and Other Liability – Claims-Made.

Policy Forms and Underwriting Practices

The Company offers primarily medical malpractice coverage utilizing policy forms, riders and endorsements that are subject to the approval by the Commonwealth of Massachusetts, Division of Insurance.

Treatment of Policyholders

Claim Settlement Practices

During our claims test work, it was noted that the Company investigates and settles claims on a timely and fair basis.

GROWTH OF COMPANY

The growth of the Company for the years 2009 through 2013 is shown in the following schedule, which was prepared from the Company's annual statements.

	Admitted			Net
<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Surplus</u>	<u>Premiums</u> <u>Written</u>
2013	\$3,151,400,708	\$1,728,000,395	\$1,423,400,313	\$276,950,708
2012	3,103,723,842	1,820,922,926	1,282,800,916	280,254,348
2011	2,955,237,247	1,823,027,194	1,132,210,053	291,637,756
2010	2,799,747,459	1,822,254,326	977,493,133	303,021,567
2009	2,425,122,432	1,632,741,964	792,380,468	301,855,710

REINSURANCE

Ceded Reinsurance

The Company and ProSelect purchased excess of loss agreements in 2013 and 2012, providing coverage of 100% of \$3 million in excess of \$2 million along with 100% of \$11 million in excess of \$5 million and 100% of \$10 million in excess of \$16 million. The principal reinsurers for these contracts are Hanover Ruckversicherungs, Odyssey America, NCMIC, SCOR and various Lloyds syndicates.

ProMutual participates in the Massachusetts Medical Malpractice Reinsurance Plan (MMMRP), a residual market pool. The Company, as well as other insurance companies, cede policies into

Medical Professional Mutual Insurance Company

the pool on a facultative basis. The MMMRP assesses each participant an amount based on the profitability of the pool and its respective market share by policy year.

Assumed Reinsurance

ProMutual has a quota share agreement with ProSelect Insurance Company. Under the agreement, ProMutual assumes 100% of the ProSelect net liabilities under all insurance business written. ProSelect pays the Company 100% of the premiums received on all direct business written by ProSelect after deducting return premiums payable, reinsurance, and 100% of the net underwriting and claims expense. The terms of the agreement are automatically extended for additional one-year terms. The agreement may be terminated at any time a) by the mutual written consent of the parties or, b) by either party upon 60 days' prior written notice.

ACCOUNTS AND RECORDS

The internal control structure was discussed with management through questionnaires, interviews and through a review of the work performed by the Company's Independent Certified Public Accountants. Testing of key underwriting and claim internal controls was performed. No material deficiencies were noted.

The NAIC provides a questionnaire covering the evaluation of the controls in the IT systems environment. The questionnaire was completed by the Company and reviewed by the Division to evaluate the adequacy of the IT controls. In addition to the questionnaire, interviews with Company staff were conducted to gather supplemental information and corroborate the Company's responses to the questionnaire. A review was also made of the documentation supporting Management and Organization Controls, Application Systems Development and Maintenance Controls, Operating and Processing Controls, Logical and Physical Security Controls, Contingency Planning Controls, Personal Computer, Local Area Network, Wide Area Network and Internet Controls. No material deficiencies were noted.

The Company maintains its accounts and records on an electronic data processing basis. All entries are input to this data processing system, which then generates general ledger and supporting reports as well as other reports common to the insurance industry. No material exceptions were noted.

The books and records of the Company are audited annually by PricewaterhouseCoopers LLP, independent Certified Public Accountants, in accordance with 211 CMR 23.00 and 211 CMR 26.00.

Medical Professional Mutual Insurance Company

STATUTORY DEPOSITS

The Company's statutory deposits as of December 31, 2013 are as follows:

<u>Jurisdiction</u>	<u>Description of Deposit</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Massachusetts	U.S. Treasury Bond 8.125% Due 8/15/19	500,000	579,727	666,133
		<u>\$500,000</u>	<u>\$579,727</u>	<u>\$666,133</u>

FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2013. The financial statements are the responsibility of Company management. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2013

Statement of Income for the Year Ended December 31, 2013

Statement of Capital and Surplus for the Year Ended December 31, 2013

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2013

Medical Professional Mutual Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2013

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	\$ 1,898,884,134	\$ 0	\$ 1,898,884,134
Preferred stocks	19,288,867	-	19,288,867
Common stocks	747,599,972	-	747,599,972
Cash & short term investments	39,865,981	-	39,865,981
Other invested assets	119,041,100	-	119,041,100
Receivables for securities	53,177	-	53,177
Securities lending	186,689,952	-	186,689,952
Subtotals, cash and invested assets	3,011,423,183	0	3,011,423,183
Investment income due and accrued	17,937,077	-	17,937,077
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	63,425,887	-	63,425,887
Deferred premiums, agents balances not yet due	25,115,691	-	25,115,691
Reinsurance:			
Amounts recoverable from reinsurers	251,891	-	251,891
Net deferred tax asset	18,578,919	-	18,578,919
Electronic data processing equipment	1,237,658	-	1,237,658
Receivable from parent, subsidiaries and affiliates	594,707	-	594,707
Aggregate write-ins for other than invested assets	12,835,696	-	12,835,696
Total assets	<u>\$ 3,151,400,708</u>	<u>\$ 0</u>	<u>\$ 3,151,400,708</u>

Medical Professional Mutual Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds (continued)
As of December 31, 2013

Liabilities	As Reported by the Company	Examination Changes	Per Statutory Examination	Notes
Losses	\$ 946,345,789	\$ 0	\$ 946,345,789	(1)
Reinsurance payable on paid losses and loss adjustment expenses	19,563,237	-	19,563,237	
Loss adjustment expenses	306,095,083	-	306,095,083	(1)
Commissions payable, contingent commissions and other similar charges	4,001,251	-	4,001,251	
Other expenses	21,264,471	-	21,264,471	
Taxes, licenses and fees	153,066	-	153,066	
Current federal and foreign income taxes	22,945,328	-	22,945,328	
Unearned premiums	146,477,728	-	146,477,728	
Advance premium	1,293,630	-	1,293,630	
Dividends declared and unpaid: Policyholders	5,619,445	-	5,619,445	
Ceded reinsurance premiums payable	29,031	-	29,031	
Funds held by co. under reinsurance treaties	3,544	-	3,544	
Amounts withheld or retained by company for the account of others	38,368	-	38,368	
Provision for reinsurance	247,792	-	247,792	
Payable to parent, subsidiaries and affiliates	996,891	-	996,981	
Payable for securities	58,841,155	-	58,841,155	
Payable for securities lending	186,540,000	-	186,540,000	
Aggregate write-ins for liabilities	7,544,587	-	7,544,587	
Total liabilities	1,728,000,395	0	1,728,000,395	
Unassigned funds (surplus)	1,423,400,313	-	1,423,400,313	
Surplus as regards policyholders	1,423,400,313	-	1,423,400,313	
Total Liabilities, Surplus and Other Funds	\$ 3,151,400,708	\$ 0	\$ 3,151,400,708	

Medical Professional Mutual Insurance Company

Statement of Income

For the Year Ended December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums earned	\$ 293,212,602	\$ 0	\$ 293,212,602
Deductions:			
Losses incurred	103,831,989	-	103,831,989
Loss adjustment expenses incurred	72,495,875	-	72,495,875
Other underwriting expenses incurred	60,771,081	-	60,771,081
Total underwriting deductions	237,098,945	0	237,098,945
Net underwriting gain (loss)	56,113,656	0	56,113,656
Net investment income earned	80,903,978	0	80,903,978
Net investment gain (loss) less capital gains tax of \$17,188,060	37,025,925	0	37,025,925
Net investment gain	117,929,903	-	117,929,903
Net gain (loss) from agents' or premium balances charged off	(99,819)	0	(99,819)
Finance and service charges not included in premiums	1,356,532	0	1,356,532
Aggregate write-ins for miscellaneous income	(3,214,009)	-	(3,214,009)
Total other income	(1,957,296)	-	(1,957,296)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	172,086,264	0	172,086,264
Dividends to policyholders	9,841,018	-	9,841,018
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	162,245,246	0	162,245,246
Federal and foreign income taxes incurred	26,921,071	0	26,921,071
Net income (loss)	\$ 135,324,175	\$ 0	\$ 135,324,175

Medical Professional Mutual Insurance Company
Statement of Capital and Surplus
For the Year Ended December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus as regards policyholders, December 31 prior year	\$ 1,282,800,916	\$ 0	\$ 1,282,800,916
Net income (loss)	135,324,175		135,324,175
Change in net unrealized capital gains or (losses)	4,096,412	-	4,096,412
Change in net deferred income tax	(5,615,201)	-	(5,615,201)
Change in nonadmitted assets	7,038,459	-	7,038,459
Aggregate write-ins for gains and losses in surplus:	-		-
Change in provision for reinsurance	(244,448)	-	(244,448)
Change in surplus as regards policyholders for the year	140,599,397	0	140,599,397
Surplus as regards policyholders, December 31 current year	<u>\$ 1,423,400,313</u>	<u>\$ 0</u>	<u>\$ 1,423,400,313</u>

Medical Professional Mutual Insurance Company
Reconciliation of Capital and Surplus
For Each Year in the Five-Year Period Ended December 31, 2013

	2013	2012	2011	2010	2009
Capital and surplus, December 31 prior year	\$1,282,800,916	\$1,132,210,053	\$977,493,133	\$792,380,468	\$612,105,094
Net income (loss)	135,324,175	87,513,839	146,278,921	117,094,857	138,128,060
Change in net unrealized capital gains or (losses)	4,096,412	9,290,603	(6,573,737)	35,593,016	87,615,915
Change in net deferred income tax	(5,615,201)	(3,131,795)	(6,340,362)	(13,110,262)	(4,653,844)
Change in nonadmitted assets	7,038,459	12,703,651	21,746,456	45,535,054	(39,769,157)
Change in provision for reinsurance	(244,448)	391,014	(394,358)	-	512
Cumulative effect of changes in accounting principles	-	9,613,996	-	-	(1,046,112)
Aggregate write-ins for gains and losses in surplus	-	34,209,556	-	-	-
Net change in capital and surplus for the year	140,599,397	150,590,863	154,716,920	185,112,665	180,275,374
Capital and surplus, December 31 current year	<u>\$1,423,400,313</u>	<u>\$1,282,800,916</u>	<u>\$1,132,210,053</u>	<u>\$977,493,133</u>	<u>\$792,380,468</u>

Medical Professional Mutual Insurance Company

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1 – Summary of Loss and Loss Adjustment Expense Reserves (“Loss and LAE Reserves”)

Losses	\$946,345,789
Loss Adjustment Expenses	\$306,095,083

The Board of Directors of Medical Professional Mutual Insurance Company (“MPMIC” or “the Company”) appointed an actuary from Towers Watson, an independent actuarial consulting firm, to render a Statement of Actuarial Opinion as of December 31, 2013, on the Company’s loss and loss adjustment expense (LAE) reserves. Among the items in the Opinion for the Company and in the similar Opinion for ProSelect Insurance Company (“ProSelect”), the appointed actuary specifically listed the following amounts for each respective insurer separately:

Reserve Category	Company (Including Assumed from ProSelect)	ProSelect
<i><u>Net of Reinsurance</u></i>		
Reserve for Unpaid Losses	\$946,345,789	\$0
Reserve for Unpaid Loss Adjustment Expenses	<u>306,095,083</u>	0
Aggregate Total—Net Basis	1,252,440,872	0
<i><u>Gross of Reinsurance</u></i>		
Reserve for Unpaid Losses	960,721,000	470,264,000
Reserve for Unpaid Loss Adjustment Expenses	310,244,000	139,317,000
Aggregate Total—Direct and Assumed	1,270,965,000	609,581,000

After reviewing the above reserves and other items, the Company’s appointed actuary concluded that, in his opinion, the amounts identified above:

- a) Meet the requirements of the insurance laws of the Commonwealth of Massachusetts;
- b) Are stated consistent with amounts computed in accordance with the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards or practice promulgated by the Actuarial Standards Board; and,

Medical Professional Mutual Insurance Company

- c) Make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

As part of the examination, the Division engaged KPMG LLP to provide independent estimates for the Company's loss and LAE liabilities as of December 31, 2013.

The following table summarizes the KPMG reserve ranges, our actuarial central reserve estimates, the carried loss and loss adjustment expense reserves as of December 31, 2013 for both Companies.

Loss & Loss Adjustment Expense Reserves as of December 31, 2013
(000's)

Reserve Category	KPMG Indicated			Company Carried
	Low	Central	High	
<i>MPMIC</i>				
Gross of Reinsurance	1,057,997	1,218,789	1,345,590	1,271,000
Net of Reinsurance	1,042,107	1,201,134	1,326,169	1,252,440
<i>ProSelect</i>				
Gross of Reinsurance	485,065	594,376	653,918	609,600
Net of Reinsurance	0	0	0	0

In our opinion, the gross and net loss and loss adjustment expense reserves carried by MPMIC and ProSelect as of December 31, 2013 make a reasonable provision for the unpaid loss and loss adjustment expense obligations of each Company as of that date.

SUMMARY OF RECOMMENDATIONS

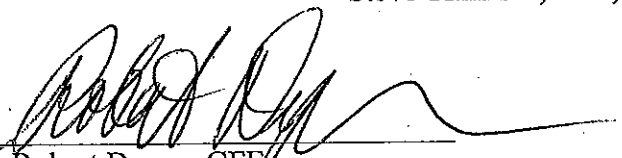
There are no material recommendations included in this examination report.

ACKNOWLEDGEMENT

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by KPMG LLP and by the following Division examiner who participated in this examination is hereby acknowledged.

Steve Tsimitsos, CFE, Financial Examiner II

A handwritten signature in dark ink, appearing to read 'Robert Dynan', is written over a horizontal line.

Robert Dynan, CFE
Supervising Examiner and
Examiner-in-Charge
Commonwealth of Massachusetts
Division of Insurance