



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, 2023

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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MAURA HEALEY
GOVERNOR

MICHAEL T. CALJOUW
COMMISSIONER OF INSURANCE

KIMBERLY DRISCOLL
LIEUTENANT GOVERNOR

May 30, 2025

The Honorable Michael T. Caljouw
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
One Federal Street, Suite 700
Boston, MA 02110

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 175, Section 4, and other applicable statutes, 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 “MPMIC”) was last examined as of December 31, 2018, by the Massachusetts Division of Insurance (“Division”). The current examination was also conducted by the Division and covers the five-year period from January 1, 2019, through December 31, 2023, 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 examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and 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.

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 an adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in Massachusetts General Laws, Chapter 175, Section 4, 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.

The Company is audited annually by PricewaterhouseCoopers LLP (“PwC”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for calendar years 2019 through 2023. A review and use of the Certified Public Accountants’ work papers was made to the extent deemed appropriate and effective.

The firm of Baker Tilly was engaged by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division’s examination staff. The assistance included a review of accounting records, information systems, and actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

There were no significant findings identified during the examination.

COMPANY HISTORY

The Company was organized under the laws of the Commonwealth of Massachusetts. It was established by Section 6 of Chapter 362 of the Massachusetts Act of 1975 as a joint underwriting association (“JUA”). The Massachusetts legislature created the JUA to guarantee the continued availability of medical malpractice professional liability insurance within Massachusetts. The organization was renamed the Massachusetts Medical Professional Insurance Association (“MMPIA”) after legislation was enacted which eliminated all insurance company participation in JUA in 1992. The conversion to a mutual insurance company was completed on May 2, 1995 and the name was changed to Medical Professional Mutual Insurance Company. As a licensed property and casualty insurer, the Company is subject to the provisions of Massachusetts General Laws Chapter 175, Section 4 and other Massachusetts insurance laws.

The Company is the second largest writer for medical malpractice insurance in the Commonwealth of Massachusetts. It writes professional liability and ancillary general liability coverage for physicians, dentists and hospitals on both an occurrence and claims made basis.

The Company became part of the insurance holding company system on December 13, 1995, upon its acquisition of all the outstanding voting stock of ProMutual Group, Inc. (“ProMutual Group”), its Massachusetts downstream holding company, 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 (“PSIC”). The Company is the ultimate controlling entity, holding a 100% interest in ProMutual Group which itself holds a 100% interest in PSIC. PSIC re-domesticated from Massachusetts to Nebraska, effective September 22, 2016.

ProMutual Insurance Agency, Inc. (“PMIA”), is an indirectly wholly-owned insurance agency in Massachusetts that was formed and organized in 1995. Effective December 13, 2023, ProMutual Insurance Agency was dissolved.

Effective August 31, 2009, ProMutual Group purchased FinCor Holdings, Inc., which included the following subsidiaries: MHA Insurance Company (“MHAIC”), a Michigan-domiciled insurance company, Washington Casualty Company (“WCC”), a Washington state domiciled insurance company, FinCor Solutions, Inc., a Michigan insurance agency, The Risk Management and Patient Safety Institute, Inc. (“RMPSI”), a Michigan corporation, and Capital Risk Solutions, A Segregated Portfolio Company (“SPC”), a Cayman islands domiciled captive insurer that is regulated by the Cayman Island Monetary Authority.

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”).

Preferred Professional Insurance Company (“PPIC”), a Nebraska-domiciled insurance company, became part of the insurance holding company system on August 1, 2014, upon the acquisition of all of its outstanding stock by ProMutual Group. Effective December 22, 2014, Coverys Specialty Insurance Company (“CSIC”), a New Jersey domiciled surplus lines insurance company, was formed and became part of the insurance holding company system upon the issuance of all of its

Medical Professional Mutual Insurance Company

outstanding stock to ProMutual Group. CSIC received approval of its Certificate of Authority application to the New Jersey Department of Banking and Insurance (“NJDOBI”) to primarily provide medical professional liability insurance.

Preferred Professional RRG (“PPRRG”), a risk retention group, was licensed on December 4, 2012, and commenced business on January 1, 2013, as a mutual captive insurance company, operating as a risk retention group under the captive insurance laws of the District of Columbia. The Company’s formation was sponsored by PPIC, a wholly owned subsidiary of ProMutual Group. As such, PPRRG was deemed an affiliate under the insurance holding company system. Effective December 31, 2019, PPRRG was dissolved.

During 2016, the ownership of ProMutual Solutions Insurance Company (“PMSIC”), a Vermont-domiciled captive company with protected cell capabilities, was changed from the Company to ProMutual Group under a Contribution Agreement with an effective date of May 19, 2016. In 2018, unincorporated protected cells within PMSIC started writing employer medical stop loss coverage.

Coverys RRG, Inc. was incorporated on October 19, 2011, in the District of Columbia and was approved and licensed by the Department of Insurance, Securities and Banking (“DISB”) to write business as a non-assessable mutual captive insurance company and risk retention group on November 14, 2011. In December 2012, Coverys RRG, Inc. filed and the DISB approved a Disclaimer of Affiliation from MPMIC. Effective May 26, 2016, Coverys RRG, Inc. became part of the insurance holding company system upon approval of Coverys RRG, Inc.’s withdrawal of its previously approved Disclaimer of Affiliation. Effective February 22, 2023, the DISB approved a name change for the company from Coverys RRG, Inc. to Coverys Risk Retention Group, Inc. (“CRRG”)

MRM Group, LLC, a Connecticut patient safety education service company, was acquired by FinCor Holdings, Inc. on July 29, 2016. Effective October 1, 2016, OHAIS merged with and into MHAIC, with MHAIC as the surviving legal entity and OHA Holdings, Inc. was merged into FinCor Holdings, Inc. commensurate with this transaction. Med-IQ, LLC, a Maryland patient safety education services company, was acquired by FinCor Holdings, Inc. on October 31, 2016. FinCor Holdings, Inc. was merged into ProMutual Group on December 31, 2016.

Effective April 25, 2017, the Company increased its prior ownership interest in Archway Health Holdings, LLC (“Archway”) from 30% to 44%.

Effective June 8, 2017, Coverys UK Holding Co. Limited (“Coverys UK”) was formed. Effective September 28, 2017, ProMutual Group formed Coverys Capital Limited (“CCL”). On November 30, 2017, Coverys UK, acquired Randall & Quilter Managing Agency Ltd. (“RQMA”), a Lloyd’s of London managing agency, and its subsidiaries. Under the terms of the acquisition agreement RQMA was subsequently renamed Coverys Managing Agency Ltd. (“CMA”). Subsidiaries of CMA included the following: Coverys Managing Agency Limited (“CMAL”), Coverys 1975 Underwriting Limited, Coverys MA Services Limited (“CMAS”), CMAL LLC, and DTW 1991 Underwriting Limited.

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Effective November 30, 2017, Global Insurance Management Company, Inc. (“GIMC”), a Delaware holding company, and its subsidiary entities Healthcare Underwriters Group, Inc. (“HUG”), an Ohio-domiciled insurance company, and Global Insurance Agency Partners, LLC (“GIAP”), a Florida insurance agency, became members of the insurance holding company system, as they were acquired by ProMutual Group. Effective June 30, 2018, GIAP was dissolved. Effective July 1, 2019, GIMC merged into HUG, with HUG as the surviving entity. Effective November 1, 2022, HUG merged into PSIC, with PSIC as the surviving entity.

Effective December 29, 2017, ProMutual Group made an investment in Knowledge Diffusion Inc., which provided the right to receive a variable number of shares to be determined at a future date. ProMutual Group made an additional investment, effective May 15, 2019, with similar rights. Effective November 24, 2021, ProMutual Group sold its ownership interest in Knowledge Diffusion Inc. to a third party.

Effective December 31, 2017, the Company transferred its 100% ownership interest in Coverys Community Healthcare Foundation (“CCHF”), a Massachusetts corporation formed in 2013, and Coverys Research & Development Corporation (“CoRD”), a Massachusetts corporation formed in 2013, to ProMutual Group. The Company also transferred its minority interest in Archway and Strategic Risk Solutions, Inc. (“SRS”), a captive insurance manager in which the Company made a 25% minority investment effective March 16, 2016, to ProMutual Group.

Effective December 31, 2017, MHAIC and WCC merged with and into PSIC, with PSIC as the surviving legal entity.

Effective January 1, 2018, Elm Exchange, Inc., a Maryland company acquired effective July 1, 2014, Med-IQ, LLC, and MRM Group merged with RMPSI, with RMPSI being the surviving entity under its new name, Med-IQ, Inc. (“Med-IQ”).

Effective January 9, 2018, ProMutual Group acquired a 13.793% equity ownership of Pack Health, LLC, an Alabama company. Effective January 10, 2022, ProMutual Group sold its ownership interest in Pack Health to a third party.

Effective August 31, 2018, ProMutual Group acquired two Lloyd’s capital vehicles from RQMA for nominal consideration: R&Q Capital No. 2 Limited (renamed Coverys Capital No. 2 Limited) and R&Q Capital No. 5 Limited (renamed Coverys Capital No. 3 Limited).

Effective March 11, 2019, Coverys European Holdings Limited (“CEH”), registered in the UK, was formed as a subsidiary of Coverys UK. Effective October 30, 2019, Coverys Europe MGA Limited (“CEMGA”), registered in Ireland, was formed as a subsidiary of CEH.

Effective January 1, 2020, CoRD merged into PSIC, with PSIC as the surviving entity. Effective January 9, 2020, Coverys UK acquired AEC Underwriting Agency Insurance and Reinsurance S.p.A (“AEC”), registered in Italy.

Effective January 15, 2020, ProMutual Group obtained controlling interest in Archway, increasing its ownership from 44% to 79.7%. Effective November 23, 2022, ProMutual Group purchased the

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remaining outstanding shares of Archway, including Archway's subsidiaries Archway Health Advisors, LLC, ArchwayRe, LLC and Archway Consortium I, LLC. Effective January 2, 2024, Archway Health Holdings, LLC and Archway Re, LLC were dissolved. Archway Health Advisors, LLC, together with its subsidiary, Archway Consortium, LLC, was distributed to ProMutual Group prior to those dissolutions.

Effective March 12, 2020, CMAL sold CMAL LLC to a third party. Effective May 15, 2020, the ProMutual Group purchased a minority interest in Logical Images, Inc., doing business as VisualDx.

Effective October 21, 2020, Coverys International Insurance Company DAC ("CIIC"), registered in Ireland, was formed as a subsidiary of CEH. Effective December 23, 2020, CEMGA changed its name to Coverys Ireland Holdings Limited ("CIH") and ownership of CIIC was transferred from CEH to CIH.

Effective October 23, 2020, Coverys UK, acquired Bridge Insurance Broker s.r.l ("Bridge"), registered in Italy. Effective October 28, 2020, AEC acquired Gava S.r.l ("Gava"), registered in Italy. Effective April 30, 2021, Gava was merged into AEC, with AEC as the surviving legal entity. Effective November 1, 2023, Bridge merged into AEC, with AEC as the surviving legal entity.

Effective May 22, 2023, CEH acquired Viking Forsikringsagentur ApS ("Viking") located in Denmark. Effective October 31, 2024, Viking was dissolved.

Effective January 9, 2021, ownership of CMAS was transferred from CMAL to Coverys UK. Effective September 11, 2024, CMAS' name was changed to Coverys Services Limited.

Effective March 1, 2021, ProMutual Group and SRS entered into a Stock Repurchase Agreement, pursuant to which 40% of the shares owned by ProMutual Group were repurchased by SRS. ProMutual Group's ownership interest in SRS decreased from 25% to 9.92% during 2021. ProMutual Group sold its remaining shares back to SRS effective June 1, 2022.

On August 23, 2021, CEH acquired a 51% controlling interest in Joseph G. Brady Insurance Limited ("Brady Insurance"), registered in Ireland. On February 28, 2022, Brady Insurance acquired Loftus Insurance Brokers Limited ("Loftus"), registered in Ireland. Effective March 27, 2024, Loftus Brokers Limited was dissolved. Effective November 29, 2024, the 51% ownership interest in Brady Insurance was sold.

On November 17, 2023, ProMutual Group sold the agency operations of Coverys Insurance Services, Inc. ("CIS") to a third party. The transaction was structured as an asset sale, with ProMutual Group retaining ownership of the CIS legal entity. Effective November 25, 2024, CIS was dissolved.

Effective June 16, 2023, Coverys Limited, a UK entity, was formed as a subsidiary of Coverys UK.

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Effective November 28, 2023, CEH distributed its ownership interest in Coverys MGA to Coverys UK. Additionally, CEH contributed its ownership interest in Viking and Brady Insurance to CIH. Subsequent to these transactions, and also effective November 28, 2023, CEH transferred its ownership interest in CIH to ProMutual Group. Effective January 22, 2024, CEHL distributed its ownership interest in AEC to ProMutual Group. ProMutual Group subsequently contributed its ownership interest in AEC downstream to CIHL.

Effective September 10, 2024, DTW 1991 Underwriting Limited was dissolved. Effective September 17, 2024, Coverys 1975 Underwriting Limited was dissolved.

Effective June 21, 2024, Coverys UK acquired 22.816% of MCI Holdco (UK) Limited (MCI). MCI's subsidiaries include: Nameco Limited, Medical & Commercial International Limited, Medical and Commercial International (Europe) GmbH, and Medical & Commercial International (Europe) GmbH – UK Branch.

Dividends to Policyholders

During the exam period, MPMIC paid the following dividends to its policyholders.

2019	\$ 7,003,167
2020	6,584,906
2021	6,045,003
2022	6,269,178
2023	2,535,311

MANAGEMENT AND CONTROL

Board of Directors Minutes

The minutes of meetings of the Board of Directors (“Board”) 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 the meetings of the Board.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Company were reviewed. The bylaws were updated during the examination period on March 4, 2020, December 1, 2021, and September 13, 2023. The updates did not contain significant changes other than further defining the qualifications for those individuals eligible to serve on the Board and enhancing the term limitation and nomination procedures.

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Board of Directors

In accordance with the by-laws, amended as of September 13, 2023, the “business and the affairs of the company shall be managed by or under the direction of the directors, who shall have and exercise all such powers of the company as are not by law, the articles of organization or these by-laws required to be otherwise exercised.” The Board “shall consist of eleven (11) persons, the number to be determined from time to time, subject to Section 2 of Article III” of the by-laws. The Board “shall include the following persons: five (5) physicians all of whom shall be licensed, or previously licensed, to practice pursuant to applicable laws (the “physician directors”); one (1) health care provider licensed to practice pursuant to applicable laws (the “health care provider director”) (collectively, “providers” or the “provider directors”); one (1) representative of hospitals of healthcare facilities (the “hospital director”), who may sit on the nominating committee either as a provider director or a non-provider director in the event of vacancy, at the chair’s discretion (or in the event such vacancy is the office of the chair, at the vice chair’s discretion), and four (4) other persons none of whom shall be a provider currently engaged in the practice of medicine (the “non-provider directors”).

The by-laws further provide that: “[e]ach of the non-provider directors shall have or shall have had business experience as an officer, director, employee, producer or consultant in the insurance or health care industries, or other relevant experience which advances the best interests of the company and one (1) shall have or shall have had experience in the medical professional liability industry.” The Board shall divide its membership into three (3) classes, and directors are elected for a three (3) year term; with the terms being staggered.

At December 31, 2023, the Company’s Board consisted of the following:

<u>Director</u>	<u>Type of Director</u>
Craig L. Best	Provider
Theodore A. Calianos, II	Provider
Michael B. Driscoll, Secretary	Non-Provider
Alka Kohli	Provider
Daryl W. Bradley	Non-Provider
Alexander Strachan, Jr.	Provider
Michael W. Louge, Vice Chair	Hospital
John H. Gillespie	Non-Provider
Brenda E. Richardson, Chair	Provider
Brian J. Spero	Non-Provider
Michael Apkon	Provider

Officers

According to the bylaws, the “nominating committee of the Board shall nominate board officers, namely the chair, the vice chair, and the secretary, who shall also be the clerk unless the Board

Medical Professional Mutual Insurance Company

determines otherwise. Each of the chair, the vice chair and the secretary may be elected separately for one (1) term of three (3) years and elected separately for subsequent term(s) of three (3) years each with no limit on the number of terms. The chair, vice chair and secretary seats shall be divided into three (3) classes with the terms of office of one (1) class expiring each year. The Board may elect as officers of the company a president, a chief executive officer (who may be the president), a treasurer, a chief financial officer (who may be the treasurer), a chief operating officer, an assistant secretary, who shall also be assistant clerk unless the Board determines otherwise, one or more senior vice presidents, and such other company officers as the Board may determine, each of whom shall serve at the pleasure of the Board. Company officers need not be members, and no officer other than the chair, the vice chair and the secretary, need be a director. Two (2) or more offices may be held by the same person.”

The officers of the Company as of December 31, 2023 were as follows:

<u>Officer</u>	<u>Title</u>
Brenda E. Richardson	Chair
Michael W. Louge	Vice Chair
Michael B. Driscoll	Secretary/Clerk
Joseph G. Murphy	President and Chief Executive Officer
Todd C. Mills	Chief Financial Officer
Catherine A. Donahue	Chief Operating Officer
Joseph P. Sullivan, Jr.	Chief Underwriting Officer
Elizabeth B. Brodeur	Senior Vice-President, General Counsel and Assistant Secretary/Clerk
William A. Chapdelaine	Senior Vice-President, Business Development and Distribution
Annick Charles	Senior Vice-President, Medical Professional Liability
Eric M. Crockett	Senior Vice-President, Information Technology
Noreen F. Sarno	Senior Vice-President, Human Resources
Scott E. Weber	Head of Strategy and Corporate Development
Jose R. Zorola	Head of Diversity, Equity and Inclusion

Committees of the Board of Directors

The bylaws allow that the directors may designate any committee. In accordance therewith, the Board appointed the following committees as of December 31, 2023:

Audit Committee

Brian J. Spero, Chair	Daryl W. Bradley
Theodore A. Calianos, II	Alka Kohli
Michael B. Driscoll	John H. Gillespie
Michael W. Louge	Michael Apkon

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Brenda E. Richardson

Peter T. Robertson,
(Board Consultant)

Investment Committee

John H. Gillespie, Chair
Theodore A. Calianos, II
Michael B. Driscoll
Brenda E. Richardson

Brian J. Spero
Alexander Strachan, Jr.
Kenneth A. Heisler,
(Board Consultant)

Financial Operations

Michael W. Louge, Chair
John H. Gillespie
Brian J. Spero

Daryl W. Bradley
Craig L. Best
Brenda E. Richardson

Governance Committee

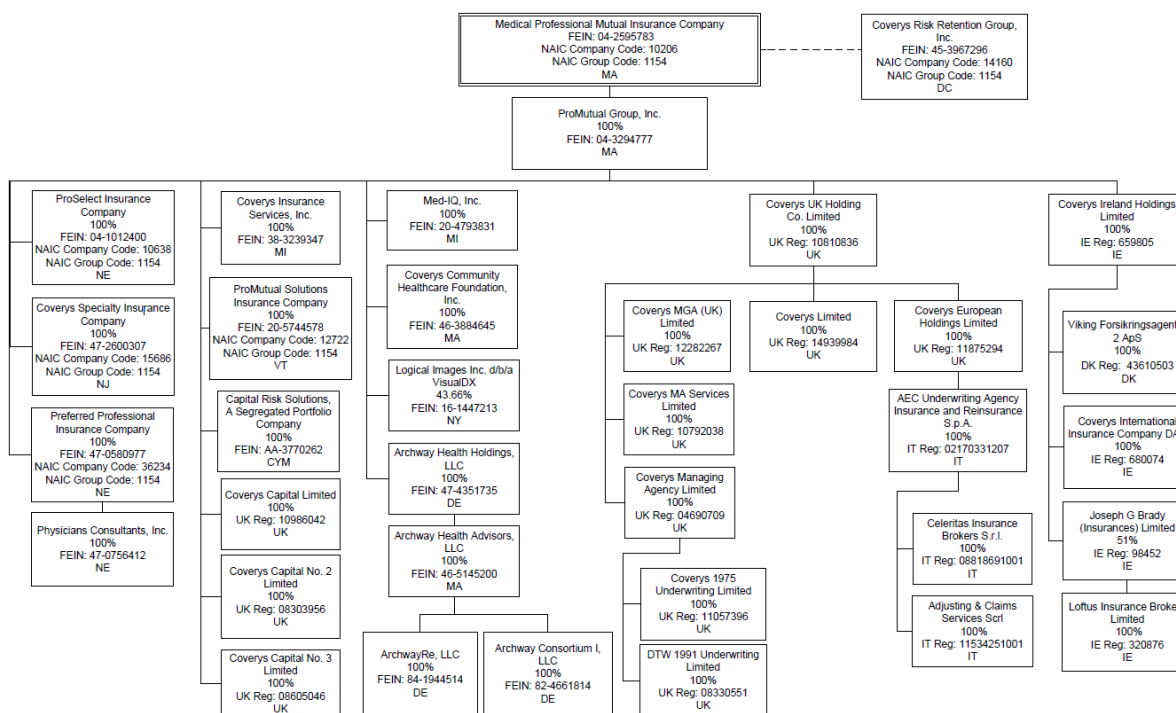
Michael B. Driscoll, Chair
Brenda E. Richardson
John H. Gillespie

Theodore A. Calianos, II
Peter T. Robertson,
(Board Consultant)

Organization Chart

At December 31, 2023, the following reflects the organizational structure of Coverys Group and its subsidiaries, affiliated and controlled entities:

Medical Professional Mutual Insurance Company



This organizational chart only includes entities where Medical Professional Mutual Insurance Company or its subsidiaries have at least a 10% ownership interest.

Effective January 2, 2024, Archway Health Holdings and Archway Re, LLC were dissolved and Archway Health Advisors, LLC, together with its subsidiary, Archway Consortium, LLC was distributed to ProMutual Group prior to those dissolutions.

Effective September 10, 2024, DTW 1991 Underwriting Limited was dissolved.

Effective September 17, 2024, Coverys 1975 Underwriting Limited was dissolved.

Effective November 25, 2024, Coverys Insurance Services, Inc. was dissolved.

Effective March 27, 2024, Loftus Brokers Limited was dissolved.

Effective October 31, 2024, Viking Forsikringsagentur was dissolved.

Effective November 29, 2024, Joseph G. Brady Limited was sold.

Effective June 21, 2024, MCI HoldCo, Nameco Limited, Medical & Commercial International Limited, Medical and Commercial International (Europe) GmbH, and Medical & Commercial International (Europe) GmbH – UK Branch were added under the Coverys UK Holding Co Limited Company.

Affiliated Companies

As stated in the Insurance Holding Company System Form B as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Laws, Chapter 175, Section 206C and 211 CMR 7.00. Ultimate control of the holding company system is held by Medical Professional Mutual Insurance Company, a Massachusetts mutual insurance company.

MPMIC is the ultimate controlling entity, holding a 100% interest in ProMutual Group, its insurance holding company. MPMIC has no shareholders and its voting policyholders, as members, are entitled to vote for each policy owned. No single policyholder holds or owns 10% or more of the policies of the Company. ProMutual Group owns PPIC, PSIC, CSIC, and several non-insurance companies

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MPMIC sponsors CRRG, a non-assessable mutual captive insurance company and risk retention group domiciled in the District of Columbia.

Transactions and Agreements with Subsidiaries and Affiliates

The following documents the Company's salient transactions and agreements with subsidiaries and affiliates executed and completed during the examination period.

Certain related party transactions occur during the regular course of business. These transactions follow guidelines established by various intercompany agreements between the Companies.

PPIC and PCI Employee Leasing Agreement

Effective January 1, 2000, PPIC and PCI entered into an employee leasing agreement whereby PCI leases the employees listed to PPIC. This agreement was terminated effective March 1, 2024.

PSIC and CMAL Delegated Claims Agreement

Effective January 1, 2020, PSIC and CMAL entered into a delegated claims agreement whereby PSIC agrees to perform specified claims management and administration services on behalf of CMAL, in respect of claims under insurance policies in accordance with all applicable laws and regulations and accepted claims practices, and with all due care and skill reasonably expected of an experienced claims manager and administrator.

PSIC, PPIC, CSIC, MPMIC and CRRG Treaty Reinsurance Premium Allocation Agreement

Effective January 1, 2019, PSIC, PPIC, CSIC, MPMIC and CRRG entered into a treaty reinsurance premium allocation agreement whereby the collective affiliates purchase common loss and awards made coverage as part of its enterprise risk management program to provide catastrophic protection to the group in its entirety.

PSIC and Physician's Consultants Inc. ("PCI") Administrative and Management Services Agreement

Effective March 1, 2024, PSIC and PCI entered into an administrative and management services agreement whereby PSIC shall provide the following general administrative services on behalf of PCI: network security, cybersecurity regulation, data warehousing, investment advisory, accounting, human resources, preparation and rendering of reports to any regulatory agency, communications, marketing, business referrals, and provision by PCI of agency related services.

CSIC and CMAS Administrative Services Agreement

Effective July 17, 2022, CSIC and CMAS entered into an administrative services agreement whereby CMAS agrees to provide services to CSIC including administrative and marketing relating to the referral of London-brokered underwriting business.

PSIC and Archway Health Holdings, LLC Services Agreement

Effective October 1, 2021, PSIC and Archway Health Holdings, LLC entered into a services agreement whereby PSIC agrees to provide services to Archway including the provision of necessary office accommodations, internet connectivity, virtual network, and network management services. Archway agrees to provide PSIC with data analytic advisory services. Archway Health Holdings, LLC was dissolved effective January 2, 2024.

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PPIC and PCI Services Agreement

Effective June 5, 2020, PPIC and PCI entered into a services agreement whereby PCI acts as an agent representative of PPIC for the solicitation, placement, renewal, and servicing of insurance policies and contracts issued by PPIC in states where PPIC is authorized to write insurance either on an admitted or surplus lines basis. This agreement was terminated effective March 1, 2024.

PSIC and PPIC Administrative and Management Services Agreement

PSIC and PPIC on January 1, 2020, entered into an administrative and management services agreement whereby PSIC shall provide the following services on behalf of PPIC: underwriting, policy issuance, billing and premium collection, claims handling, policy administration, actuarial, risk management, cyber security regulation, investment advisory and general administrative services. In 2023, the management fee expense was \$8,935,091 and in 2022, the management fee expense was \$8,205,706.

PSIC and Med-IQ Administrative and Management Services Agreement

Effective January 1, 2019, PSIC and Med-IQ entered into an administrative and management services agreement whereby PSIC shall provide the following general administrative services on behalf of Med-IQ: network security, cybersecurity regulation, data warehousing, investment advisory, accounting, human resources, preparation and rendering of reports to any regulatory agency, communications, marketing, business referrals, development and delivery of medical education content, and customer service.

PSIC and ProMutual Insurance Advisors (“PMIA”) Administrative Services Agreement

Effective January 1, 2019, PSIC and PMIA entered into an administrative service agreement whereby entities provide services to one another. PMIA was dissolved as of December 13, 2023.

MPMIC and PSIC Administration and Management Service Agreement

Effective January 1, 2017, MPMIC and PSIC entered into an administration and management service agreement whereby PSIC shall provide the following services on behalf of MPMIC: underwriting, policy issuance, billing and premium collection, claims handling, policy administration, actuarial, risk management, cyber security regulation, investment advisory and general administrative services. In 2023, the management fee expense allocation was \$1,665,564 and in 2022, the management fee expense allocation was \$2,141,819.

PSIC and CSIC Administrative and Management Services Agreement

Effective January 1, 2017, PSIC and CSIC entered into an administrative and management services agreement whereby PSIC shall provide the following services on behalf of CSIC: underwriting, policy issuance, billing and premium collection, claims handling, policy administration, actuarial, risk management, cyber security regulation, investment advisory and general administrative services. In 2023, the management fee expense was \$51,648,516 and in 2022, the management fee expense was \$40,224,717.

PSIC and CRRG Administrative and Management Service Agreement

Effective January 1, 2017, PSIC and CRRG entered into an administrative and management service agreement whereby PSIC shall provide the following services on behalf of CRRG:

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underwriting, policy issuance, billing and premium collection, claims handling, policy administration, actuarial, risk management, cyber security regulation, investment advisory and general administrative services. In 2023, the management fee expense allocation was \$12,115,276 and in 2022, the management fee expense allocation was \$10,453,556.

PSIC and PMSIC Administrative and Management Service Agreement

Effective January 1, 2017, PSIC and PMSIC entered into an administrative and management service agreement whereby PSIC shall provide the following services on behalf of PMSIC: underwriting, policy issuance, billing and premium collection, claims handling, policy administration, actuarial, risk management, cyber security regulation, investment advisory and general administrative services.

MPMIC and Affiliates Federal Income Tax Allocation Agreement

Effective September 1, 2009, MPMIC and its affiliates entered into an amended federal income tax allocation agreement whereby federal income tax returns are filed on a consolidated basis.

MPMIC and PMGI Revolving Line of Credit Agreement

Effective January 1, 2019, MPMIC and ProMutual Group entered into a Revolving Line of Credit Agreement, Effective January 1, 2020, the Line of Credit Agreement was amended to provide that either party may be a designated “Lender” or “Borrower” under the Agreement. The outstanding balance due from ProMutual Group to MPMIC was \$34,934,863 at December 31, 2023. There was no outstanding balance at December 31, 2022.

Capital Contributions / Dividends

During 2023, ProMutual Group made capital contributions of cash totaling \$70,500,000 to Coverys UK.

During 2023, Coverys UK made capital contributions of cash totaling \$56,500,000 and \$9,436,078 to Coverys Limited and CMAS, respectively. During 2023, Coverys UK received \$4,857,702 of return of capital from CMAL.

During 2023, ProMutual Group made capital contributions of cash totaling \$3,400,000 to CCHF. An additional capital contribution of cash totaling \$1,500,000 was made by ProMutual Group to CCHF in January 2024.

During 2023, ProMutual Group received returns of capital of cash totaling \$17,362,187 from CCL, reducing the total contributed capital to approximately \$92 million. On March 25, 2024, ProMutual Group made capital contributions of cash totaling \$2,425,000 to CCL.

On December 27, 2023, ProMutual Group received a return of capital of \$38,000,000 from PSIC.

Effective November 14, 2011 and August 31, 2012, MPMIC loaned \$200,000 and \$4,800,000, respectively, to CRRG under the terms of a Subordinated Surplus Note Agreement to capitalize CRRG. Effective January 4, 2017, MPMIC loaned an additional \$10,000,000 to CRRG in the form

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of a Surplus Note. Under the terms of these surplus notes, subject to approval of the District of Columbia DISB, CRRG is to pay 6% interest annually and to repay the principal amount in full on August 31, 2037. MPMIC has certain rights under these surplus notes, including the right to appoint two individuals to CRRG's Board of Directors. In addition, CRRG's CEO may not be dismissed without the consent of MPMIC. These rights survive until the surplus notes are paid in full with interest. The surplus notes were approved by the District of Columbia DISB.

TERRITORY AND PLAN OF OPERATION

The Company is licensed and writes business in Massachusetts. The Company reported \$66,016,020 of 2023 direct premium written in Massachusetts.

Treatment of Policyholders

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to policyholders and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination.

REINSURANCE

Ceded Reinsurance

The Company purchases reinsurance to limit its risk on individual exposures, protect against catastrophic losses, and stabilize underwriting results. The Company has purchased per claim excess of loss reinsurance coverage of \$24 million in excess of a \$2 million retention for 2023, 2019 and several years prior to 2019, \$25 million in excess of \$1 million retention for 2022, 2021 and 2020. These contracts include various percentage co-participation. The Company also maintains an aggregate excess of loss coverage for Extra Contractual Obligations and Excess Policy Limits, providing \$5 million in excess of \$2 million with a \$15 million aggregate limit.

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

MPMIC and CIIC Reinsurance Agreement

As of April 27, 2022, MPMIC and CIIC established a Reinsurance Agreement applicable to all policies issued by CIIC on or after that date. According to the terms of this agreement, CIIC will retain responsibility for 20% of the ultimate gross loss, while the remaining 80% will be ceded to MPMIC net of third-party reinsurance, if applicable.

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MPMIC and Coverys Syndicate 1975 Loss Portfolio Transfer Agreement and Amendment

On December 31, 2021, MPMIC entered into the original Loss Portfolio Transfer Agreement, under which it assumed Coverys Syndicate 1975 net underwriting liabilities for the 2018 and 2019 years of account. On January 1, 2022, MPMIC and Coverys Syndicate 1975 amended their Loss Portfolio Transfer Agreement, expanding its scope to include the assumption by MPMIC of all net underwriting liabilities from policies issued, renewed, or assumed by Coverys Syndicate 1975 for all policies issued through December 31, 2021.

MPMIC and Coverys Syndicate 1975 Quota Share Agreement

On January 1, 2022, MPMIC entered into a Quota Share Agreement with Coverys Syndicate 1975 in which MPMIC will assume Coverys Syndicate 1975 net underwriting liabilities under policies issued, renewed or assumed by Coverys Syndicate 1975 through December 31, 2024 for years of account 2020, 2021 and 2022.

MPMIC and PPIC, PSIC & CSIC Group Reinsurance Agreement

On January 1, 2021, the Company entered into an intercompany pooling agreement under which its members including PSIC, CSIC, and PPIC, cede and transfer to MPMIC, as group leader, 100% of gross assets and liabilities under, or in connection with, all policies issued by PSIC and CSIC, and net of third-party reinsurance, where applicable.

MPMIC and CRRG Reinsurance Agreement and Amendments

On January 1, 2020, MPMIC and CRRG amended their previously established Reinsurance Agreement. Under the revised terms, CRRG's business is ceded to MPMIC before applying any enterprise-wide reinsurance program within the Coverys group but after the application of other third-party reinsurance. Further, CRRG retains 5% of the first \$1 million of ultimate net loss plus its proportionate share of loss adjustment expenses. All other excess amounts are ceded to MPMIC. Additionally, MPMIC will pay its proportionate share of the underwriting expenses incurred by CRRG in proportion to its share of assumed written premium to gross written premium.

Initially, on January 1, 2012, MPMIC entered into a Reinsurance Agreement with CRRG, under which CRRG ceded 95% of its net underwriting assets and liabilities to MPMIC, net of primary reinsurance. MPMIC compensated CRRG with a 30% commission on ceded premiums under the agreement. Additionally, as CRRG's reinsurer, MPMIC assumed liability for certain obligations under a cut-through.

On January 1, 2017, the agreement was modified to increase the ceding commission from 30% to 36%. Further amendments, effective January 1, 2018, replaced the 36% ceding commission with a 95% pro-rata share of net underwriting expenses and expanded the 95% pro-rata share of loss and allocated loss adjustment expenses to include unallocated loss adjustment expenses.

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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, 2023. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2023

Statement of Income for the Year Ended December 31, 2023

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2023

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Statement of Assets
As of December 31, 2023

Assets	Per Annual Statement
Bonds	\$2,088,120,895
Preferred stocks	21,174,567
Common stocks	620,588,498
Cash, cash equivalents and short-term investments	155,989,078
Other invested assets	372,771,740
Receivable for securities	8,535,917
Securities lending reinvested collateral assets	60,408,384
Total cash and investments	3,327,589,079
Investment income due and accrued	18,639,118
Uncollected premiums and agents' balances in the course of collection	103,489,029
Deferred premiums, agents' balances and installments booked but deferred and not yet due	49,241,688
Accrued retrospective premiums	28,596
Amounts recoverable from reinsurers	16,048,901
Funds held by or deposited with reinsured companies	109,407,483
Other amounts receivable under reinsurance contracts	187,318
Current federal and foreign income tax recoverable and interest thereon	28,799,071
Net deferred tax asset	9,189,809
Electronic data processing equipment and software	42,712
Receivables from parent, subsidiaries and affiliates	101,773,594
Aggregate write-ins for other than invested assets	20,184,772
Total assets	\$3,784,621,171

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Statement of Liabilities and Surplus
As of December 31, 2023

Liabilities and Surplus	Per Annual Statement
Losses	\$1,258,204,723
Reinsurance payable on paid losses and loss adjustment expenses	32,683,252
Loss adjustment expenses	473,020,941
Commissions payable, contingent commission and other similar charges	28,129,094
Other expenses	7,491,961
Taxes, licenses and fees	118,769
Borrowed money	39,930,566
Unearned premiums	260,371,744
Advance premium	4,710,736
Dividends declared and unpaid policyholder	4,648,389
Ceded reinsurance premiums payable	44,082,780
Amounts withheld or retained by company for account of others	(80,316)
Provision for reinsurance	2,610,135
Payable to parent, subsidiaries and affiliates	9,419,513
Payable for securities	7,099,336
Payable for securities lending	60,413,180
Aggregate write-ins for liabilities	24,571,566
Total liabilities	<u>2,257,426,370</u>
Total surplus	<u>1,527,194,801</u>
Total liabilities, surplus and other funds	<u><u>\$3,784,621,171</u></u>

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Statement of Income
For the Year Ended December 31, 2023

	Per Annual Statement
Premiums earned	\$568,101,609
Deductions:	
Losses incurred	312,972,100
Loss adjustment expenses incurred	124,727,311
Other underwriting expenses incurred	189,948,933
Net underwriting loss	<u>(59,546,735)</u>
Net investment income earned	102,180,196
Net realized capital gains less capital gains tax	33,054,521
Net investment gain	<u>135,234,717</u>
Net loss from agents' or premium balances charged off	(1,153,977)
Finance and service charges not included in premiums	389,526
Aggregate write-ins for miscellaneous income	(501,840)
Total other loss	<u>(1,266,291)</u>
Net income before dividends to policyholders, after capital gains tax and before all federal and foreign income taxes	74,421,691
Dividends to policyholders	2,535,311
Federal and foreign income taxes incurred	(2,207,731)
Net income	<u>\$74,094,111</u>

Medical Professional Mutual Insurance Company

Reconciliation of Capital and Surplus
For Each Year in the Five-Year Period Ended December 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and surplus, December 31 prior year	\$1,465,957,645	\$1,632,392,799	\$1,563,636,274	\$1,628,375,012	\$1,586,637,326
Net income (loss)	74,094,111	(56,390,001)	93,518,772	(5,625,380)	16,967,990
Change in net unrealized capital gains or (losses)	(19,263,102)	(118,233,269)	(10,793,299)	(66,903,754)	24,717,124
Change in net deferred income tax	(7,981,168)	6,030,805	6,187,338	7,469,323	1,043,604
Change in nonadmitted assets	10,374,996	6,601,231	(17,958,262)	(721,098)	1,989,451
Change in provision for reinsurance	3,159,884	(5,770,020)	17,677	7,771	(25,448)
Aggregate write-ins for gains or (losses) in surplus	852,435	1,326,101	(2,215,701)	1,304,400	(2,955,035)
Net change in capital and surplus for the year	<u>61,237,156</u>	<u>(166,435,153)</u>	<u>68,756,525</u>	<u>(64,738,738)</u>	<u>41,737,686</u>
Capital and surplus, December 31 current year	<u><u>\$1,527,194,801</u></u>	<u><u>\$1,465,957,645</u></u>	<u><u>\$1,632,392,799</u></u>	<u><u>\$1,563,636,274</u></u>	<u><u>\$1,628,375,012</u></u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There have been no changes made to the financial statements as a result of the examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

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

Losses	\$1,258,204,723
Loss Adjustment Expenses	\$473,020,941

The Division engaged Baker Tilly Advisory Group, LP (“Baker Tilly”) to review the reasonableness of the loss and LAE reserves of the Company as of December 31, 2023. The review was conducted in a manner consistent with the Code of Professional Conduct and the Qualification Standards of the American Academy of Actuaries and the Standard of Practice adopted by the Actuarial Standards Board.

Baker Tilly performed an independent analysis of the loss and LAE reserves evaluated as of December 31, 2023, on a gross and ceded basis using data included in the Appointed Actuary’s Actuarial Report. The MPMIC net carried loss and LAE reserves are within the Baker Tilly range of estimates of net loss and LAE reserves. The MPMIC gross carried loss and LAE reserves are within the Baker Tilly range of estimates of gross loss and LAE reserves. Baker Tilly found that the methodologies and assumptions employed by the Appointed Actuary in the Actuarial Report are reasonable.

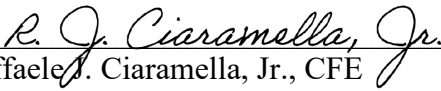
SUBSEQUENT EVENTS

No subsequent material events were identified as a result of this examination.

SIGNATURE PAGE

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

The assistance rendered by Baker Tilly who participated in this examination hereby is acknowledged:



Raffaele J. Ciaramella, Jr., CFE
Supervising Examiner
Commonwealth of Massachusetts
Division of Insurance