



**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, 2018**

**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**  
COMMISSIONER OF INSURANCE

January 10, 2020

The Honorable Gary D. Anderson  
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, 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, 2013 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, 2014 through December 31, 2018, 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 adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the 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 2014 through 2018. A review and use of the Certified Public Accountants’ work papers was made to the extent deemed appropriate and effective.

The firm of The INS Companies (“INS”) was retained 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, investments 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 indirect wholly-owned insurance agency in Massachusetts that was formed and organized in 1995.

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 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

## Medical Professional Mutual Insurance Company

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 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 is deemed an affiliate under the Coverys insurance holding company system.

During 2016, the ownership of ProMutual Solutions Insurance Company ("ProMutual Solutions"), 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. ProMutual Solutions was not actively writing business during the examination period.

Coverys RRG, Inc. ("CRRG") 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, CRRG filed and the DISB approved a Disclaimer of Affiliation from MPMIC. Effective May 26, 2016, CRRG became part of the ProMutual Group insurance holding company system upon approval of CRRG's withdrawal of its previously approved Disclaimer of Affiliation.

MRM Group, LLC, a Connecticut patient safety education service company, was acquired by FinCor Holdings, Inc. on July 29, 2016. OHA Holdings, Inc. was merged into FinCor Holdings, Inc. on October 1, 2016. Med-IQ, LLC ("Med-IQ"), 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 ("Archway") from 30% to 44%. Effective June 8, 2017, Coverys UK Holding Co. Limited was formed.

Effective November 30, 2017, UK entities Coverys Managing Agency Limited, Coverys 1975 Underwriting Limited, Coverys MA Services Limited, CMAL LLC, and DTW 1991 Underwriting Limited became Coverys entities. Effective November 30, 2017, ProSelect National Insurance Company, Inc. ("PSNIC"), an Arizona shell company, was sold and is no longer a Coverys company. Effective November 30, 2017, Global Insurance Management Company, Inc. ("GIMC, Inc."), a Delaware holding company, and its subsidiary entities Healthcare Underwriters Group, Inc. ("HUG"), an Ohio P&C insurance company, and Global Insurance Agency Partners, LLC ("GIAP"), a Florida insurance agency, became members of the Coverys insurance holding

## Medical Professional Mutual Insurance Company

company system, as they were acquired by ProMutual Group. Effective June 30, 2018, GIAP was dissolved.

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. 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 to ProMutual Group.

Effective December 31, 2017, MHAIC and WCC merged with and into PSIC, with PSIC as the surviving legal entity. In accordance with statutory reporting requirements, upon merger, the combined results of PSIC, MHAIC and WCC were presented within PSIC’s Annual Statement for both 2017 and 2016. Prior to the merger, MHAIC retained the net underwriting results of its direct written policies, after third party reinsurance, and assumed the net underwriting results of WCC. Accordingly, the net underwriting results on PSIC’s Annual Statement reflect the net underwriting results of MHAIC and WCC that were experienced prior to the merger date. Under the terms of the existing 100% quota share agreement between MPMIC and PSIC, and because the merger with MHAIC and WCC occurred on December 31, 2017, the merger date represents the point at which PSIC became obligated with respect to the legacy MHAIC and WCC reserves.

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

Effective January 9, 2018, ProMutual Group acquired a 13.793% equity ownership of Pack Health, LLC, an Alabama company.

Effective August 31, 2018, R & Q Capital No. Limited’s name was changed to Coverys Capital No. 2 Limited, and R & Q Capital No. 5 Limited’s name was changed to Coverys Capital No. 3 Limited.

### Dividends to Policyholders

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

2014	\$ 9,215,834
2015	10,411,722
2016	6,702,014
2017	8,795,673
2018	6,984,927

## **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 August 6, 2014, April 27, 2016, and October 4, 2017. 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.

### **Board of Directors**

In accordance with the bylaws, the "business of the company shall be managed by the directors who may exercise all such powers of the company as are not by law, the articles of organization or these bylaws required to be otherwise." The Board shall consist of not less than thirteen (13) persons, the number to be determined from time to time. The Board "shall include the following persons: seven (7) physicians all of whom shall be licensed to practice pursuant to applicable laws (the "physician directors"); one (1) non-physician health care provider licensed to practice pursuant to applicable laws (the "health care provider director") (collectively, "provider" or the "provider directors"), all of whom shall be policyholders of the company or one of its affiliates or subsidiaries; one (1) representative of hospitals licensed pursuant to applicable laws (the "hospital director"), which shall be a policyholder of the company or its affiliates, and four (4) other persons none of whom shall be a provider currently engaged in the practice of medicine (the "non-provider directors").

Each 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.



## Medical Professional Mutual Insurance Company

At December 31, 2018, the Company's Board consisted of the following:

<u>Director</u>	<u>Type of Director</u>
Maryanne C. Bombaugh	Physician
Theodore A. Calianos	Physician
Paul J. Desjardins	Health Care Provider
Michael B. Driscoll	Non-Provider
Ronald W. Dunlap	Physician
John H. Gillespie	Non-Provider
Elizabeth H. Johnson	Physician
Michael W. Louge	Hospital
James J. Moran, Secretary	Non-Provider
Donna M. Norris	Physician
Brenda E. Richardson, Chair	Physician
Robert K. Sheridan	Non-Provider
Erwin A. Stuebner, Vice Chair	Physician

### 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 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, 2018 were as follows:

<u>Officer</u>	<u>Title</u>
Brenda E. Richardson	Chair
Gregg L. Hanson	President and Chief Executive Officer
Joseph G. Murphy	Chief Operating Officer
James J. Moran	Secretary/Clerk
Todd C. Mills	Chief Financial Officer and Treasurer
Jose R. Zorola	Chief Underwriting Officer
Erwin A. Stuebner	Vice Chair

## Medical Professional Mutual Insurance Company

Erin B. Bagley

William A. Chapdelaine

Vice President, General Counsel and  
Assistant Secretary/Clerk  
Senior Vice President

### 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, 2018.

#### *Audit Committee*

Robert K. Sheridan, Chair  
Theodore A. Calianos  
Michael B. Driscoll  
Michael W. Louge  
Brenda E. Richardson

Maryanne C. Bombaugh  
Paul J. Desjardins  
John H. Gillespie  
Donna M. Norris  
Peter T. Robertson,  
Non Board Member

#### *Investment Committee*

James J. Moran, Chair  
Theodore A. Calianos  
Michael B. Driscoll  
Brenda E. Richardson  
Richard G. Hayes,  
Non-Board Member

Maryanne C. Bombaugh  
Ronald W. Dunlap  
Robert K. Sheridan  
Kenneth A. Heisler,  
Non Board Member

#### *Financial Operations*

Erwin A. Stuebner, Chair  
John H. Gillespie  
James J. Moran  
Brenda E. Richardson

Maryanne C. Bombaugh  
Michael W. Louge  
Donna M. Norris  
Robert K. Sheridan

#### *Charitable Giving Committee*

Donna M. Norris, Chair  
Elizabeth H. Johnson

Paul J. Desjardins  
Robert K. Sheridan

# Medical Professional Mutual Insurance Company

## Governance Committee

Michael B. Driscoll, Chair  
John H. Gillespie  
Peter T. Robertson,  
Non-Board Member

Ronald W. Dunlap  
Brenda E. Richardson

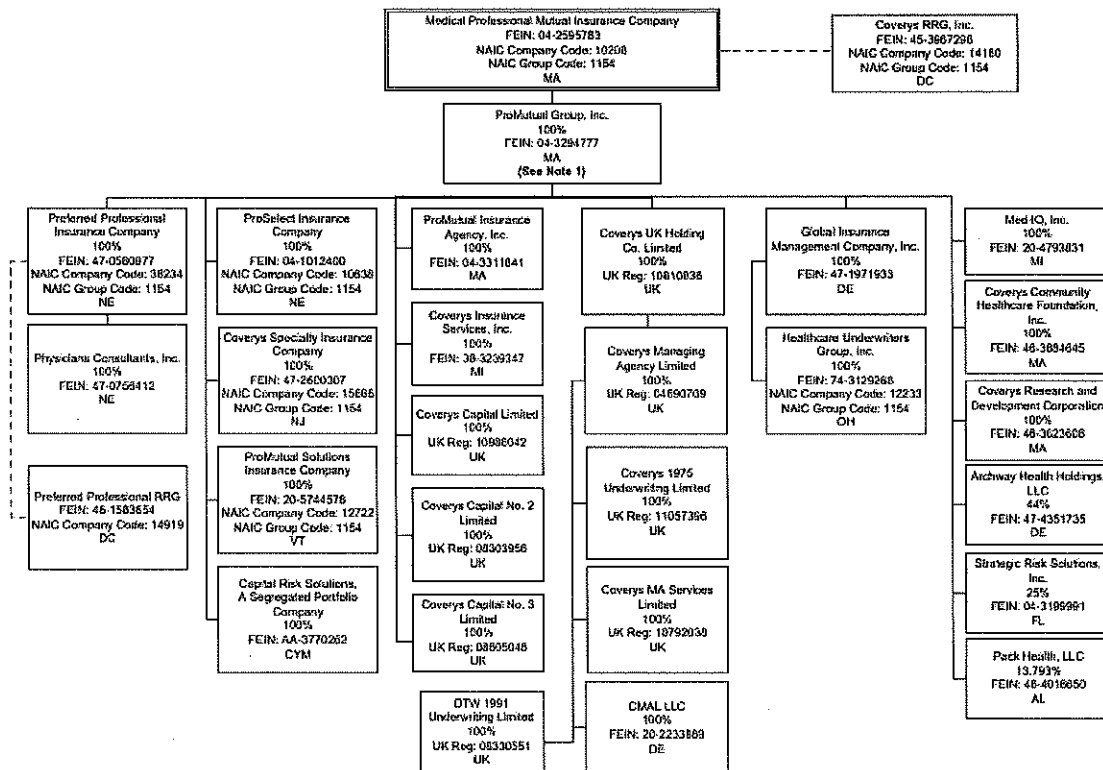
## Nominating Committee

Erwin A. Stuebner, Chair  
John H. Gillespie

Michael B. Driscoll  
Donna M. Norris

## Organization Chart

At December 31, 2018, the following reflects the organizational structure of Coverys Group and its subsidiaries, affiliated and controlled entities:



### Notes

1) Effective December 29, 2017, ProMutual Group, Inc. made an investment in Knowledge Diffusion Inc., DE: FEIN: 46-0710111 which provides the right to receive a variable number of shares to be determined at a future date.

## Medical Professional Mutual Insurance 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, HUG, and several non-insurance companies

MPMIC sponsors Coverys RRG, Inc. ("CRRG"), a non-assessable mutual captive insurance company and risk retention group domiciled in the District of Columbia. PPIC sponsors Preferred Professional RRG ("PPRRG"), a captive company domiciled in the District of Columbia.

ProMutual Group, the holding company owned 100% by MPMIC, owns PPIC, which owns Physicians Consultants, Inc. ProMutual Group owns PSIC, CSIC, ProMutual Solutions, Capital Risk Solutions, SPC, PMIA, CISI, Coverys Capital Limited, Coverys Capital No. 2 Limited, Coverys Capital No. 3 Limited, and Coverys UK Holding Co. Limited, which owns 100% of Coverys Managing Agency Limited, Coverys 1975 Underwriting Limited, Coverys MA Services Limited, CMAL LLC, DTW 1991 Underwriting Limited. ProMutual Group also owns GIMC, (which at December 31, 2018 owns HUG), Med-IQ, Inc., CCHF, CoRD, and holds a 44% interest in Archway Health Holdings, Inc., a 25% interest in Strategic Risk Solutions, Inc., a 13.79% interest in Pack Health, LLC, and interest in Knowledge Diffusion Inc. to be determined at a future date.

### 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. Effective January 4, 2017, MPMIC loaned \$10,000,000 to CRRG, Inc. in the form of a Surplus Note. Under the terms of the Surplus Note, CRRG is to pay 6% interest annually and to repay the principal amount in full on August 31, 2037. MPMIC has certain rights under the Surplus Note, including the right to appoint two individuals to CRRG's Board of Directors. In addition, CRRG's chief executive officer may not be dismissed without the consent of MPMIC. These rights survive until the Surplus Note is paid in full with interest. The Surplus Note was approved by DISB. Two previous Surplus Notes were issued to CRRG and approved by DISB during the prior examination period totaling \$5,000,000 that are still outstanding. There were no material related party transactions disclosed during the examination period.

## Medical Professional Mutual Insurance Company

Effective January 1, 2019, MPMIC and affiliate PMG entered into a Line of Credit Agreement to document the transfer of funds from MPMIC to PMG. The Agreement was previously noticed to the Division in a Form D.

### *Administrative and Management Services Agreement*

MPMIC and ProSelect entered into an Amended Administration and Management Services Agreement, effective January 1, 2007, to add a due date for the settlement of monthly balances. Effective January 1, 2017, the Agreement was replaced with a new Administration and Management Services Agreement, which was disclosed to the Nebraska Insurance Department and Massachusetts Division of Insurance in a Form D.

Effective January 1, 2017, the January 15, 2015 Administrative and Management Services Agreement between MPMIC and CSIC was replaced by an Administrative and Management Services Agreement between ProSelect and CSIC. The Agreement was previously disclosed to the New Jersey Department of Banking and Insurance and Nebraska Insurance Department in a Form D.

Effective January 1, 2017, the December 20, 2011 Administrative and Management Services Agreement between MPMIC and CRRG was replaced by an Administrative and Management Services Agreement between ProSelect and CRRG. The Agreement was previously disclosed to the Nebraska Insurance Department and DISB in a Form D.

### *Federal Tax Allocation Agreement*

MPMIC, the ultimate controlling entity, and its affiliates ProSelect National Insurance Company, Inc., PSIC, ProMutual Group, and ProMutual Insurance Agency, Inc., entered into an amended Federal Income Tax Allocation Agreement ("Agreement"), effective September 1, 2009, under which federal income tax returns are filed on a consolidated basis, to include the newly acquired entities FinCor Holdings, Inc., FinCor Solutions, Inc., RMPSI, MHAIC, and WCC, and to reflect a new methodology in the allocation by Company. The Agreement was amended effective June 30, 2013, to reflect the name change of FinCor Solutions, Inc. to Coverys Insurance Services, Inc., and to provide that any entity which may in the future be acquired, created or otherwise be required to become a member of the affiliated group and a participant in the affiliated group consolidated federal tax return, will automatically join in and be bound by the Agreement. Effective as of January 1, 2014, OHA Insurance Solutions, Inc., became a participant in the Agreement. Effective as of August 1, 2014, PPIC became a participant. Effective as of December 22, 2014, CSIC became a participant in the Agreement. Effective as of November 30, 2017, HUG, GIMC, LLC, GIMC, Inc. and GIAP became participants in the Agreement.

### *Capital Contributions / Dividends*

Effective August 17, 2018, ProMutual Group paid a dividend of \$18,000,000 to MPMIC. Effective June 11, 2018, ProMutual Group paid a dividend of \$2,722,241 and returned capital of \$139,277,759 to MPMIC. Effective December 27, 2018, ProMutual Group paid a dividend of \$45,000,000 to MPMIC.

## **TERRITORY AND PLAN OF OPERATION**

The Company is licensed and writing business in Massachusetts. The Company reported \$72,511,199 of 2018 direct premium written in Massachusetts.

### **Treatment of Policyholders – Market Conduct**

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 risk on individual exposures, protect against catastrophic losses, and stabilize underwriting results. The Company has purchased per claim excess of loss reinsurance agreements providing claim coverage of 93% of \$3 million in excess of its \$2 million retention, 100% of \$11 million excess of \$5 million, and 100% of \$10 million excess of \$16 million. The Company has purchased aggregate excess of loss reinsurance agreements providing claim coverage of 100% of \$22 million in excess of its \$4 million retention per policy. Effective January 1, 2018, the Company entered into a quota share agreement with its affiliate, Lloyd's Syndicate 1975. Under the terms of this agreement, the Company cedes 7% of its net insurance liabilities and premiums to the Syndicate.

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**

Effective April 1, 2018, MPMIC and HUG, as cedent, entered into a 100% Quota Share Reinsurance Agreement. This agreement was not previously disclosed since the transaction did not trigger a Form D requirement.

Effective January 1, 2018, MPMIC and Coverys Syndicate 1975 entered into a Quota Share Reinsurance Contract. Previous notice was provided to the Massachusetts Division of Insurance. Effective January 1, 2019, the Agreement was amended to modify the quota share percentage and exclude certain lines of business. The modification was previously provided to the Massachusetts Division of Insurance in a Form D.

## Medical Professional Mutual Insurance Company

Effective January 1, 2015, MPMIC and CSIC entered into a 100% Quota Share Reinsurance Agreement. The Reinsurance Agreement was previously disclosed in a Form D filing to the Massachusetts Division of Insurance and the New Jersey Department of Banking and Insurance.

Effective January 1, 2012, MPMIC entered into a Reinsurance Agreement with CRRG under which CRRG cedes to MPMIC 95% of the net underwriting assets and liabilities of CRRG net of primary reinsurance, and MPMIC pays CRRG a commission of 30% of premium ceded by CRRG under the Agreement. DISB approved the Reinsurance Agreement in connection with approval of CRRG's application for admission. As CRRG's reinsurer, MPMIC assumes liability for CRRG's obligations under certain circumstances under a cut-through endorsement approved by DISB. A change to increase the ceding commission from 30 to 36% was made effective January 1, 2017. Previous notice was provided to DISB and the Massachusetts Division of Insurance. The reinsurance agreement was amended effective January 1, 2018 to (1) replace the 36% ceding commission with a 95% pro-rata share of net underwriting expenses, and (2) expand the current 95% pro-rata share of loss and allocated loss adjustment expenses to include unallocated loss adjustment expenses. Previous notice was provided to DISB and the Massachusetts Division of Insurance.

Effective January 1, 2005, MPMIC and ProSelect entered into an Amendment to the Quota Share Reinsurance Agreement to change the quota share percentage from 90% to 100%, and an Amendment effective January 1, 2009, to clarify certain terms.

Medical Professional Mutual Insurance Company

**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, 2018. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2018

Statement of Income for the Year Ended December 31, 2018

Reconciliation of Capital and Surplus for Each Year in the Five-Year Period Ended December 31, 2018



Medical Professional Mutual Insurance Company

Statement of Assets, Liabilities, Capital and Surplus  
As of December 31, 2018

	Per Annual <u>Statement</u>
<b>Assets</b>	
Bonds	\$1,912,432,657
Stocks	
Preferred stocks	23,977,386
Common stocks	776,961,430
Cash, cash equivalents and short-term investments	26,955,253
Other invested assets	337,342,412
Receivables for securities	498,124
Securities lending reinvested collateral assets	28,925,262
Subtotals, cash and invested assets	<u>3,107,092,524</u>
Investment income due and accrued	18,401,622
Premiums and considerations:	
Uncollected premiums and agents' balances	20,036,742
Deferred premiums, agents' balances and installments booked but deferred and not yet due	117,967,943
Reinsurance:	
Amounts recoverable from reinsurers	215,747
Current federal and foreign income tax recoverable and interest thereon	11,182,519
Net deferred tax asset	16,537,029
Electronic data processing equipment and software	775,779
Receivables from parent, subsidiaries and affiliates	74,706
Aggregate write-ins for other than invested assets	6,053,513
Total assets	<u><u>\$3,298,338,124</u></u>

# Medical Professional Mutual Insurance Company

## Statement of Assets, Liabilities, Capital and Surplus (Continued) As of December 31, 2018

	Per Annual Statement
<b>Liabilities</b>	
Losses	\$943,122,095
Reinsurance payable on paid losses and loss adjustment expenses	73,538,254
Loss adjustment expenses	410,138,742
Commissions payable, contingent commissions and other similar charges	3,150,763
Other expenses (excluding taxes, licenses and fees)	6,014,332
Taxes, licenses and fees (excluding federal and foreign income taxes)	11,674
Current federal and foreign income taxes	3,686,196
Borrowed money	26,736,149
Unearned premiums	179,320,229
Advance premiums	1,339,966
Dividends declared and unpaid	
Policyholders	6,703,055
Ceded reinsurance premiums payable (net of ceding commissions)	5,413,440
Funds held by company under reinsurance treaties	10,588
Payable to parent, subsidiaries and affiliates	6,845,640
Payable to securities	1,210,433
Payable to securities lending	28,927,334
Aggregate write-ins for liabilities	15,531,910
Total liabilities	<u>1,711,700,799</u>
Unassigned funds (surplus)	<u>1,586,637,326</u>
Surplus as regards policyholders	<u>1,586,637,326</u>
Total liabilities, surplus and other funds	<u>\$3,298,338,124</u>

# Medical Professional Mutual Insurance Company

## Statement of Income For the Year Ended December 31, 2018

	Per Annual Statement
<b>Premiums earned</b>	\$354,026,557
<b>Deductions:</b>	
Losses incurred	141,863,355
Loss adjustment expenses incurred	148,129,883
Other underwriting expenses incurred	113,136,966
Total underwriting deductions	<u>403,130,204</u>
Net underwriting gain (loss)	<u>(49,103,647)</u>
Net investment income earned	153,219,662
Net investment capital gains (losses) less capital gains tax of \$4,815,964	21,553,193
Net investment gain (loss)	<u>174,772,855</u>
Net gain (loss) from agents' or premium balances charged off	(2,593,948)
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	<u>(3,462,685)</u>
Total other income	<u>(6,056,633)</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	119,612,575
Dividends to policyholders	6,984,927
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>112,627,648</u>
Federal and foreign income taxes incurred	<u>(5,284,085)</u>
Net income	<u><u>\$117,911,733</u></u>

Medical Professional Mutual Insurance Company

Reconciliation of Capital and Surplus  
For Each Year in the Five-Year Period Ended December 31, 2018

	2018	2017	2016	2015	2014
Capital and surplus, December 31 prior year	\$1,638,868,928	\$1,594,397,561	\$1,538,249,122	\$1,474,039,874	\$1,423,400,313
Net income	117,911,733	46,415,872	29,381,620	72,911,013	107,770,191
Change in net unrealized capital gains or (losses)	(180,269,700)	24,098,835	33,115,540	(28,443,569)	(29,950,628)
Change in net deferred income tax	(4,998,035)	(29,737,017)	437,328	1,659,407	9,360,960
Change in nonadmitted assets	15,124,400	4,171,478	(6,773,049)	17,834,605	(36,540,962)
Change in provision for reinsurance		13,000	(13,000)	247,792	
Aggregate write-ins for gains or (losses) in surplus		(490,801)			
Net change in capital and surplus for the year	(52,231,602)	44,471,367	56,148,439	64,209,248	50,639,561
Capital and surplus, December 31 current year	\$1,586,637,326	\$1,638,868,928	\$1,594,397,561	\$1,538,249,122	\$1,474,039,874

**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**

As a result of the examination, no adverse findings, or changes to the financial statements were identified.

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

<b>Losses</b>	<b>\$943,122,095</b>
<b>Loss Adjustment Expenses</b>	<b>\$410,138,742</b>

The Division engaged INS to review the reasonableness of the loss and LAE reserves of the Company as of December 31, 2018. 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.

INS performed an analysis of the loss and LAE reserves evaluated as of December 31, 2018 on a gross and ceded basis using data included in the Appointed Actuary’s Actuarial Report. The MPMIC net carried loss and LAE reserves of \$1,353.261 million falls within the INS range of estimates of net loss and LAE reserves of \$1,288.926 million to \$1,398.936 million. The INS Actuarial Central Estimate (ACE) is lower than the MPMIC carried reserves of \$1,353.261 million by \$23.522 million, or 1.7% of December 31, 2018 net Annual Statement reserves. The MPMIC gross carried loss and LAE reserves of \$1,378.377 million falls within the INS range of estimates of gross loss and LAE reserves of \$1,314.041 million to \$1,424.051 million. The INS ACE is lower than the MPMIC carried reserve of \$1,378.377 million by \$23.523 million, or 1.7% of December 31, 2018 gross Annual Statement reserves.

INS found that the methodologies and assumptions employed by the Appointed Actuary in the Actuarial Report are reasonable. Also, the Company’s carried net loss and LAE reserves as of December 31, 2018 are above the Appointed Actuary’s ACE by approximately 2.0%. INS found the MPMIC carried loss and LAE reserves as of December 31, 2018 were reasonable.

The table below summarizes a comparison of INS’s range of reasonable estimates for loss and LAE reserve to MPMIC’s carried loss and LAE reserves as of December 31, 2018.

Summary of Indicated Reserves (\$000s)							
	INS Estimate				Difference		
	Low	Central	High	MPMIC Carried	Low	Central	High
Net	1,288,926	1,329,739	1,398,936	1,353,261	(64,335)	(23,522)	45,676
Gross	1,314,041	1,354,854	1,424,051	1,378,377	(64,336)	(23,523)	45,674

**SUBSEQUENT EVENTS**

MPMIC as the Lender, and ProMutual Group as the Borrower, entered into a Revolving Line of Credit Agreement, effective January 1, 2019, in the principal amount of \$100 million. A Form D was filed with the Division and the executed agreement was submitted. Effective January 1, 2019, two protected cells were formed within ProMutual Solutions. Coverys European Holdings Limited, a UK company, was formed effective March 11, 2019. During the second quarter of 2019, ProMutual Group determined its ownership of Knowledge Diffusion Inc. was approximately 8%. Therefore, it was concluded Knowledge Diffusion Inc. was not an affiliate and removed from Schedule Y. Effective July 1, 2019, GIMC, Inc. was merged into HUG. Coverys MGA (UK) Limited, a UK company, was formed effective October 25, 2019, and it is wholly owned by Coverys European Holdings Limited.

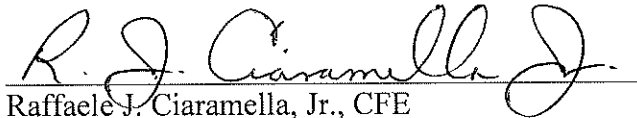
Medical Professional Mutual Insurance Company

**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 INS and the following Division examiner who participated in this examination hereby is acknowledged:

Guangping Wei Examiner III

A handwritten signature in black ink, reading "R. J. Ciaramella, Jr.", written over a horizontal line.

Raffaele J. Ciaramella, Jr., CFE  
Supervising Examiner & Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance