



COMMONWEALTH OF MASSACHUSETTS

Office of Consumer Affairs and Business Regulation DIVISION OF INSURANCE

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			Joseph G. Murphy Commissioner of Insurance

June 16, 2010

The Honorable Alfred N. Gross
Chairman, NAIC Financial Condition (E) Committee
Commissioner, Bureau of Insurance
Commonwealth of Virginia
P.O. Box 1157
1300 East Main Street
Richmond, VA 23219

The Honorable Joseph G. Murphy
Commissioner of Insurance
The Commonwealth of Massachusetts •
Office of Consumer Affairs and Business Regulation
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118

Honorable Commissioners:

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

MEDICAL PROFESSIONAL MUTUAL INSURANCE COMPANY

at its statutory home office located at 101 Arch Street, Boston, Massachusetts 02110. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Medical Professional Mutual Insurance Company, ("ProMutual" or the "Company") was last examined as of December 31, 2003, in accordance with the Association Plan of the National Association of Insurance Commissioners ("NAIC") and by the Massachusetts Division of Insurance (the "Division"). The current Association examination has been performed by the Division under the authority of Section 4, Chapter 175 of the Massachusetts General Laws, and covers the transactions of the Company in the five-year period from January 1, 2004 to December 31, 2008, plus any material transactions or events occurring subsequent to the examination date.

The current examination was conducted at the direction of, and under the overall management and control of the examination staff of the Massachusetts Division of Insurance. Representatives from Deloitte & Touche LLP, Deloitte Consulting LLP, and Deloitte Tax LLP (collectively called "Deloitte") were engaged by the Division to assist in the examination by performing certain examination procedures including an information systems review and an actuarial review of the Company's actuarially determined items.

This risk-focused examination was conducted in accordance with standards and procedures established by the NAIC Financial Condition (E) Committee and prescribed by the current NAIC Financial Condition Examiners Handbook.

As part of the risk-focused surveillance process, the examination included a review of the Company's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bonds and other insurance, as well as employees' pension and benefit plans, disaster recovery plan, treatment of policyholders, and other pertinent matters to provide reasonable assurance that the Company is in compliance with applicable NAIC and Massachusetts laws, rules, and regulations and minimum requirements. In planning and conducting the examination, consideration was given to the assessment of the materiality of risks identified and examination efforts were directed accordingly.

ProMutual was audited annually by the independent certified public accounting firm of PricewaterhouseCoopers LLP ("PwC") for all of the years under examination. The firm expressed unqualified opinions on the Company's financial statements for the years ending December 31, 2004 through 2008. The Division reviewed PwC's 2008 audit workpapers and relied, when considered appropriate, on PwC's IT controls review, internal control valuations and account balance testing as part of its statutory compliance examination.

The examiners also relied, when considered appropriate, on the Company's internal auditors, Ernst & Young LLP's ("E&Y") IT general controls review, internal control evaluations and account balance testing as part of our statutory compliance examination.

This examination was performed in conjunction with and concurrent with the examination of its wholly-owned subsidiary, ProSelect Insurance Company ("ProSelect"), also a Massachusetts domestic insurance company.

This examination included a review to verify the current status of any exception conditions noted in the prior Report of Examination.

HISTORY

General:

Medical Professional Mutual Insurance Company 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. Under Section 6, the JUA was authorized to issue policies covering medical malpractice professional liability and incidental coverages to physicians and hospitals. Section 6 also provided that other types of health care providers would be eligible to apply to the JUA for coverage if the Commissioner of Insurance issued an order, after notice and hearing, that coverage for the particular health care provider was not adequately available in the Commonwealth. Dentists were added in 1986.

Until July 1, 1992, membership in the JUA was required of all insurance companies authorized to write personal liability insurance in the Commonwealth. The JUA, by statutory authority, was scheduled to expire on June 30, 1992. Chapter 65 of the Acts of 1992, signed on June 16, 1992, removed the insurance industry responsibility for JUA liability. In July of 1992, the name of the JUA was changed to the Medical Malpractice Professional Insurance Association (“MMPIA”), to reflect the fact that the entity was no longer a joint underwriting association.

On January 11, 1995, Governor William F. Weld signed into law Chapter 330 of the Acts of 1994. This law, in pertinent part, stated that “The Massachusetts Medical Professional Insurance Association is hereby 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”. Medical Professional Mutual Insurance Company remained contractually bound to all the policies of insurance issued by the Association, and no claims, suits or other obligations were affected. The conversion was completed on May 2, 1995, when the Commissioner issued ProMutual its certificate of authority to transact business as a mutual insurance company. The change from an Association to a mutual insurance company did not have any financial impact upon the Company.

ProMutual formed a downstream holding company named ProMutual Group, Inc. (the “Group”), which in turn acquired the licenses of the Abington Mutual Insurance Company from the state liquidator on January 2, 1996, in the form of a clean shell. The shell was subsequently converted to a stock company and named ProSelect Insurance Company (“ProSelect”). ProSelect is currently writing business in eight of the nine mid-Atlantic and New England states in which it is licensed. On June 5, 1998, Group purchased Cimarron Insurance Company from American Mercury Insurance Company and on July 16, 1998, changed the name to ProSelect National Insurance Company, Inc.

On August 31, 2009, ProMutual purchased 100% of FinCor Holdings, Inc. (“FinCor”), which included five wholly owned subsidiaries, MHA Insurance Company, Washington Casualty

Company, FinCor Solutions, Inc., The Risk Management and Patient Safety Institute and Capital Risk Solutions.

Additionally, ProMutual has a 100% interest in the Group, ProSelect Insurance Company, ProSelect National Insurance Company, Inc., ProMutual Insurance Agency, Inc and ProMutual Solutions Insurance Company.

As of December 31, 2008, ProMutual is a Massachusetts mutual insurance company that 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. Coverage is offered on both a claims made and occurrence basis. ProMutual is authorized to write under Massachusetts General Laws Chapter 175 Section 47 the following types of coverage: (4) Fidelity and Surety, (6A) Accidents – All Kinds, (6B) Health – All Kinds, (6F) Liability other than Auto, (9) Elevator Property Damage and Collision, (54BX) Reinsurance except Life. ProMutual is the largest writer of medical malpractice insurance in the traditional market in the Commonwealth of Massachusetts.

Dividends to Policyholders:

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

DATE DECLARED	DIVIDEND AMOUNT
June 2, 2004	\$1.4 million
June 1, 2005	3.2 million
June 7, 2006	1.9 million
June 6, 2007	1.6 million
June 4, 2008	3.2 million

On December 10, 2008, the Board of Directors declared a dividend to be paid to each Medical Professional Mutual Insurance Company physician and surgeon professional liability policyholder on policies expiring between July 1, 2009, and June 30, 2010, in the amount of 6% of the premium paid.

Growth of the Company:

The growth of the Company throughout the examination period is indicated in the following schedule which was prepared from information in the Company's Annual Statements:

DEC. 31,	ADMITTED ASSETS	LIABILITIES	SURPLUS	PREMIUMS EARNED	LOSSES AND LAE INCURRED	NET INCOME
2008	\$2,246,106,520	\$1,634,001,426	\$612,105,094	\$298,015,413	\$165,075,942	\$45,952,867
2007	2,228,411,414	1,624,596,046	602,815,368	322,838,698	217,548,841	108,892,971
2006	2,097,554,438	1,592,864,483	504,689,955	337,730,822	270,187,290	63,994,777
2005	1,940,162,640	1,522,199,856	417,962,784	318,981,420	282,362,466	39,691,501
2004	1,663,278,789	1,284,817,547	378,461,242	232,340,602	220,797,451	25,266,706

MANAGEMENT

Membership: Each policyholder of the Company, except the holder of reinsurance, shall be a member of the Company, such membership to begin upon the effective date of the policy and to continue until the expiration date or cancellation date of the policy, whichever occurs first. Each member shall be entitled to cast one vote for each policy held by such member at the time of any regular or special meeting. A member may vote in person or by proxy, provided that any proxy shall be dated and executed within three months, and returned and recorded on the books of the Company three days or more prior to the meeting at which such vote is to be cast.

Annual Meetings of Members: According to ProMutual's By-laws, the annual meeting of members of the Company shall be held on the first Wednesday in June of each year at the home office of the Company or at such time and place within the Commonwealth of Massachusetts as is determined by the Board of Directors. At an annual meeting of the members, only such business shall be conducted and only such proposals shall be acted upon, as shall have been set forth in the notice of the meeting and brought before the meeting at the direction of the Board of Directors or as otherwise prescribed by law. Annual meeting minutes document that a quorum was obtained at each annual meeting held during the examination period.

Special meetings may be called by the Board of Directors or otherwise as provided by law upon the giving of notice in the same manner as required for the annual meeting. Only those matters set forth in the notice of special meeting may be considered or acted upon at such special meeting, unless otherwise provided by law.

Board of Directors: According to the Company's By-laws, 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 By-laws. 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 By-laws 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 By-laws, 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 pursuant to Massachusetts General Laws Chapter 112, Section 2, (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 MGL 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”). Two 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; one shall have experience as an insurance agent or broker; and one shall have at least three years experience as an advocate for the rights and interest of consumers of healthcare in Massachusetts. Except as otherwise determined by the Board of Directors, the physicians and dentist directors shall be members of the Company.

The members of the Board, with their business or professional affiliations and their residential addresses, are as follows:

<u>Name of Director</u>	<u>Business Affiliation</u>
Bruce Solomon Auerbach, MD	Senior Manager Sturdy Memorial Hospital
Maryanne Clasby Bombaugh, MD	Atlantic Women’s Health
John MacArthur Crowe, MD	Retired
Dwight Emmanuel Golann, Esq.	Professor of Law Suffolk University Law School
Kenneth Avery Heisler, MD.	Falmouth Hospital
Richard Joseph Matteis	Retired
Philip Edward McCarthy, MD	Caritas Norwood Hospital
Robert Paul Powers	President Robert P. Powers Ins. Agency
Brenda Eliza Richardson, MD	Partner Harmony First, LLC
Deanna P. Ricker	Deanna P. Ricker, M.D., P.C.

Peter Thomson Robertson, Esq.	Attorney
Paul Ashein Schnitman, DDS	Wellesley Hills Medical Center
Erwin August Stuebner, Jr., MD	Williamstown Medical Associates

According to the Company's By-laws, at any meeting of the Board of Directors, a majority then in office shall constitute a quorum for the transaction of business. An in-depth review of the Company minutes showed that a quorum was obtained for all meetings of the Board of Directors held during the examination period.

COMMITTEES of the BOARD of DIRECTORS: According to the Company's By-laws, 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 By-laws, 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 By-laws, 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 for a term not exceeding 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.

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.

The Officers of the Company at December 31, 2008, were as follows:

<u>Name of Officer:</u>	<u>Title:</u>
Kenneth Avery Heisler, MD	Chairman
Brenda Eliza Richardson, MD	Vice Chairwoman
Richard William Brewer	President and CEO
*John Joseph Donehue	Senior Vice President, CFO, Treasurer
Gregg Lee Hanson	Senior Vice President
Erwin August Stuebner Jr., MD	Secretary
Janice Wilson Allegretto, Esq.	Assistant Secretary

* Effective March 1, 2010 John J. Donehue retired and Richard G. Hayes, Controller was appointed Vice President, CFO and Treasurer.

CONFLICT of INTEREST PROCEDURE: The Company has a written Conflict of Interest Policy with an established procedure for disclosure to the Board of Directors of any material interest or affiliation of any Officer or Director which is likely to conflict with his or her official duties. Annually, employees of the Company sign a Conflict of Interest Disclosure Statement wherein each attests that he or she does not have such a conflict, except as expressly noted. No exceptions were noted in the review of the certification forms supporting the Company's responses to the General Interrogatories in its Annual Statements.

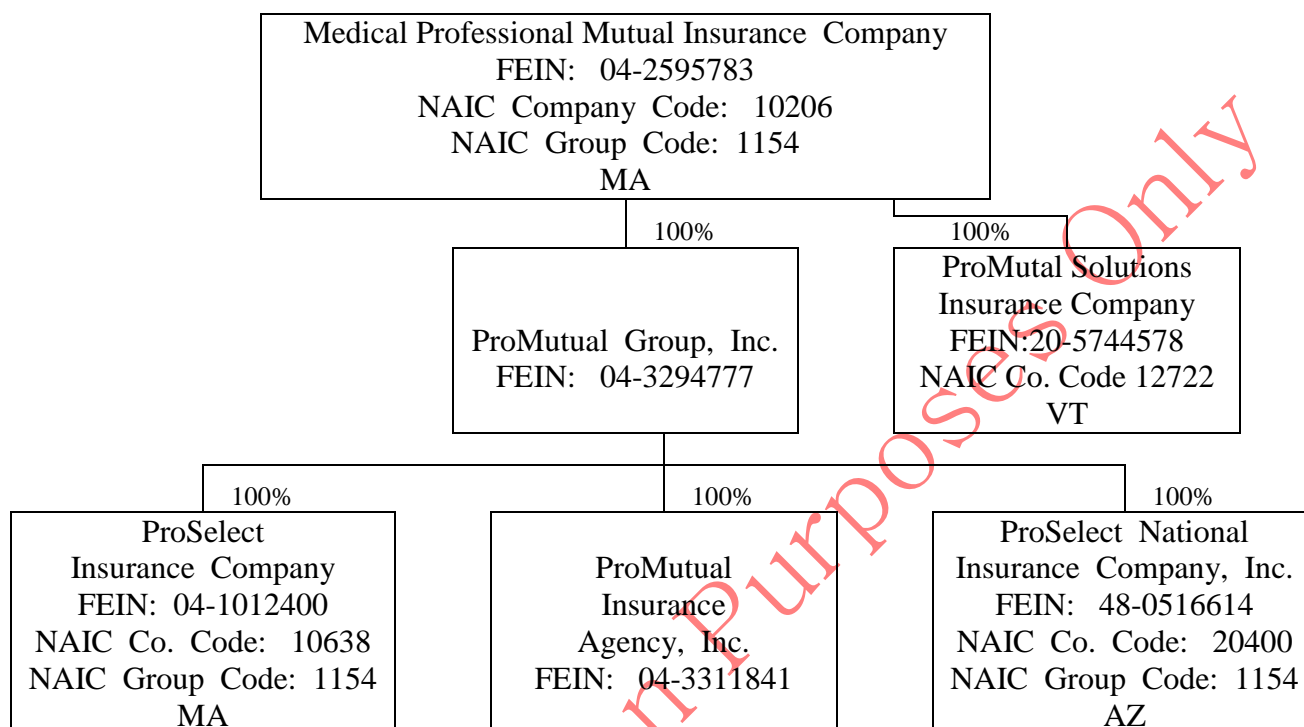
CORPORATE RECORDS: The Company's corporate records were reviewed for the period covered by this examination. They were assessed for accuracy and compliance with the Company's By-laws, Articles of Incorporation, as well as for compliance with Massachusetts General Laws, and the Commonwealth of Massachusetts Regulations ("211 CMR"). All activity related to the Company's funds, including all investments activity, was examined for proper approval.

The Company has disaster recovery and business continuity plans, however, its By-laws do not contain explicit provisions for the continuity of operations in the event of a national emergency; hence, under such circumstances, the succession of officers will be as prescribed in Sections 180M through 180Q of MGL Chapter 175.

AFFILIATED COMPANIES

HOLDING COMPANY FILINGS: The Company is a member of an insurance holding company system as defined in Section 206 of Massachusetts General Laws 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 Massachusetts General Law 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.

CHART of ORGANIZATION: The ownership interests and hierarchy of companies in this corporate organization at December 31, 2008, are represented as follows:



On August 31, 2009, ProMutual purchased 100% of FinCor Holdings, Inc. (“FinCor”), which included five wholly owned subsidiaries; MHA Insurance Company, Washington Casualty Company, FinCor Solutions, Inc., The Risk Management and Patient Safety Institute and Capital Risk Solutions.

INTERCOMPANY MANAGEMENT AGREEMENTS

MANAGEMENT SERVICES: The predominant management service agreement involving the Company is a management services agreement amended January 1, 2007 between ProSelect and Medical Professional Mutual Insurance Company (“the Manager”). ProSelect will be transacting insurance business in the Commonwealth of Massachusetts and in various other states in which ProSelect is or may become licensed, and desires to have the Manager conduct the operations of such insurance business. The Manager agrees to provide, and ProSelect agrees to accept from the Manager, the following services in connection with the underwriting and management of ProSelect: 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. Also providing maintenance for ProSelect records, accounting, preparation and rendering of reports to any regulatory agency

requiring any such reports with respect to ProSelect, payment of taxes, provision of necessary office accommodations and payment of all operating expenses of ProSelect (collectively the “Services”). The Manager shall be the sole and exclusive provider of Services and ProSelect shall not accept application for insurance except through the Manager.

TAX ALLOCATION AGREEMENT: The Company has a written tax allocation agreement dated January 1, 2005. The Company files its Federal Income Tax Return on a consolidated basis with ProSelect Insurance Company and its other subsidiaries. The consolidated tax liability is allocated to the affiliated companies in accordance with Internal Revenue Code Section 1.1502-33 (d) (2) (ii) in conjunction with the method provided by Section 1.1552-1 (a) (2) whereby the tax is computed on “as if separate return” basis.

FIDELITY BONDS AND OTHER INSURANCE

The Company maintains fidelity coverage with an authorized insurer, consistent with Massachusetts General Laws Chapter 175 Section 60. The aggregate limit of the liability exceeds the National Association of Insurance Commissioners (“NAIC”) minimum requirements.

The Company has further protected its interest and property with insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts and was in force at December 31, 2008.

STATUTORY DEPOSITS

The Company is presently authorized to conduct business in Massachusetts only. The statutory deposit held by CitiBank N.A. for the benefit of the policyholders of the Commonwealth of Massachusetts at December 31, 2008 was the following:

<u>Jurisdiction</u>	<u>Statement</u>	<u>Market</u>
	<u>Value</u>	<u>Value</u>
Massachusetts	\$ 634,643	\$ 738,985

INSURANCE PRODUCTS AND RELATED PRACTICES

TERRITORY and PLAN of OPERATION: A review of the Certificate of Authority indicated that the Company is duly organized under the laws of the Commonwealth of Massachusetts. The Company is authorized to write the following lines of insurance coverages: (4) Fidelity and Surety, (6A) Accident – All Kinds, (6B) Health – All Kinds, (6F) Liability other than Auto, (9) Elevator Property Damage and Collision, (54BX) Reinsurance except Life.

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 PRACTICE: 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.

The largest net aggregate amount insured in any one risk, excluding workers compensation, was \$22,000,000.

REINSURANCE

The Company has reinsurance for losses of \$8 million in excess of \$2 million. In 2008, the Company bifurcated the excess of loss reinsurance providing coverage for 100 percent of \$3.0 million excess of \$2.0 million and \$5.0 million excess of \$5.0 million. In 2007 and 2006, the Company purchased excess of loss reinsurance providing coverage for 95 percent of \$8.0 million excess of \$2.0 million. The principal reinsurers for these contracts are Paris Re S.A., Platinum Underwriters Reinsurance, Inc., Max Re Ltd, TransAtlantic Reinsurance Company, various Lloyds Syndicates and Aspen Insurance UK, Ltd.

The Company has a 100% quota share agreement with ProSelect. Under this agreement, the Company assumes 100% of ProSelect's current liabilities under net insurance business written. In turn, ProSelect pays the Company 100% of the premiums received on all direct insurance business written by ProSelect after deducting return premiums payable, reinsurance and 100% of the net underwriting and claims expense.

ACCOUNTS AND RECORDS

The Company maintains its records, ledgers, and accounts on a computerized accounting system. In accordance with 211 C.M.R. 23.00, the books and records of the Company are audited annually by a firm of independent certified public accountants. For the five-year examination period ended December 31, 2008, the Company was audited by PricewaterhouseCoopers LLP.

Information Systems Questionnaire: The NAIC Information System Planning Questionnaire and the Information Systems Questionnaire were completed by the Company. The Division engaged the services of Deloitte to review the Company's management responses to the NAIC questionnaires. Deloitte interviewed responsible key management personnel in the Company's Information Systems Department and also reviewed various internal audit reports and PwC audit workpapers as needed.

Thereafter, it was concluded that the Company has internal control procedures in place to protect its data processing and information and it has comprehensive disaster recovery and business continuity plans in place.

SUBSEQUENT EVENTS

On August 31, 2009 the Company purchased 100% interest of FinCor Holdings Inc. (“FinCor”). FinCor is the parent of five wholly owned subsidiaries, MHA Insurance Company, Washington Casualty Company, FinCor Solutions, Inc., The Risk Management and Patient Safety Institute and Capital Risk Solutions. MHA Insurance Company is licensed in 12 states and sells medical professional liability, general liability and workers’ compensation insurance. Washington Casualty Company is licensed in 5 states and sells medical professional liability and other liability insurance. FinCor Solutions, Inc. and The Risk Management and Patient Safety Institute are non-insurance companies. Capital Risk Solutions is a captive insurer domiciled in the Cayman Islands. The transaction was accounted for as a statutory purchase.

FINANCIAL STATEMENTS

The following financial statements are presented on the basis prescribed by the NAIC Accounting Practices and Procedures Manual and in compliance with laws of the Commonwealth of Massachusetts Division of Insurance:

- Statements of Assets, Liabilities, Surplus and Other Funds as of December 31, 2008;
- Statement of Income for the Year Ended December 31, 2008;
- Statement of Capital and Surplus for the Year Ended December 31, 2008;
- Reconciliation of Capital and Surplus, for the Five Year Period Ended December 31, 2008.

Medical Professional Mutual Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2008

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	\$1,837,743,627	\$ 0	\$1,837,743,627
Preferred stocks	3,230,565		3,230,565
Common stocks	147,543,526		147,543,526
Cash and short-term investments	24,611,885		24,611,885
Other invested assets	4,041,100		4,041,100
Receivable for securities	46,717,673		46,717,673
Aggregate write-ins for other than invested assets	45,685		45,685
Subtotals, cash and invested assets	2,063,934,061		2,063,934,061
Investment income due and accrued	17,995,226		17,995,226
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	67,918,917		67,918,917
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	31,766,150		31,766,150
Reinsurance:			
Amounts recoverable from reinsurers	2,164,587		2,164,587
Funds held by or deposited with reinsured companies			-
Current federal and foreign income tax recoverable and interest thereon	14,150,431		14,150,431
Net deferred tax asset	18,439,000		18,439,000
Electronic data processing equipment and software	541,027		541,027
Furniture and equipment			-
Receivable from parent, subsidiaries, and affiliates	2,022,252		2,022,252
Aggregate write-ins for other than invested assets	27,174,869		27,174,869
 Total Assets	 \$2,246,106,520	 \$ 0	 \$2,246,106,520

Medical Professional Mutual Insurance Company
Statement of Assets, Liabilities, Surplus and Other Funds (Continued)
As of December 31, 2008

	As Reported by the Company	Examination Changes	Per Statutory Examination	Notes
Liabilities				
Losses	\$ 966,513,471	\$ 0	\$ 966,513,471	(1)
Reinsurance payable on paid losses	10,493,988		10,493,988	
Loss adjustment expenses	362,281,217		362,281,217	(1)
Commissions payable	2,628,002		2,628,002	
Other expenses	8,105,529		8,105,529	
Taxes, licenses, and fees	36,609		36,609	
Unearned premiums	167,564,216		167,564,216	
Advance premiums	1,259,241		1,259,241	
Dividends declared and unpaid:				
Policyholders	3,063,274		3,063,274	
Ceded reinsurance premiums payable	19,594		19,594	
Funds held by company under reinsurance treaties	55,232,285		55,232,285	
Amounts withheld or retained by company for account of others	21,024		21,024	
Provision for Reinsurance	512		512	
Payables for Securities	51,121,710		51,121,710	
Aggregate write-ins for liabilities	5,660,754		5,660,754	
 Total Liabilities	 1,634,001,426		 1,634,001,426	
 Common capital stock				
Gross paid in and contributed surplus				
Unassigned funds (surplus)	612,105,094		612,105,094	
Surplus as regards policyholders	612,105,094		612,105,094	
 Total Liabilities, Capital and Surplus	 \$2,246,106,520	 \$ 0	 \$2,246,106,520	

Medical Professional Mutual Insurance Company
Statement of Income
for the Year Ended December 31, 2008

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums earned	\$ 298,015,413	\$ 0	\$ 298,015,413
Deductions:			
Losses incurred	91,073,194		91,073,194
Loss expenses incurred	74,002,748		74,002,748
Other underwriting expenses incurred	51,341,459		51,341,459
Total underwriting deductions	216,417,401		216,417,401
Net underwriting gain or (loss)	81,598,012		81,598,012
Net investment income earned	91,068,644		91,068,644
Net realized capital gains or (losses)	(68,105,445)		(68,105,445)
Net investment gain or (loss)	22,963,199		22,963,199
Net gain or (loss) from agents'			
premium balances charged off	(31,661)		(31,661)
Finance and service charges not included in premiums	2,043,829		2,043,829
Aggregate write-ins for miscellaneous income	(6,431,566)		(6,431,566)
Total other income	(4,419,398)		(4,419,398)
Net income before dividends to policyholders and before federal and foreign income taxes	100,141,813		100,141,813
Dividends to policyholders	8,253,398		8,253,398
Net income, after dividends to policyholders but before federal and foreign income taxes	91,888,415		91,888,415
Federal and foreign income taxes incurred	45,935,548		45,935,548
Net Income	\$ 45,952,867	\$ 0	\$ 45,952,867

Medical Professional Mutual Insurance Company
Statement of Capital and Surplus
for the Year Ended December 31, 2008

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus as regards policyholders, December 31, 2007	\$ 602,815,368	\$ 0	\$ 602,815,368
Net income	45,952,867		45,952,867
Change in net unrealized capital gains or (losses)	(21,821,103)		(21,821,103)
Change in net deferred income tax	14,992,048		14,992,048
Change in nonadmitted assets	(29,834,385)		(29,834,385)
Change in provision for reinsurance	299		299
Change in surplus as regards policyholders for the year	9,289,726		9,289,726
Surplus as regards policyholders, December 31, 2008	\$ 612,105,094	\$ 0	\$ 612,105,094

Medical Professional Mutual Insurance Company
Reconciliation of Capital and Surplus
for the Five Year Period Ended December 31, 2008

	2008 *	2007	2006	2005	2004
Surplus as regards policyholders, December 31 prior year	\$ 602,815,368	\$ 504,689,955	\$ 417,962,784	\$ 378,461,242	\$ 342,767,757
Net income	45,952,867	108,892,971	63,994,777	39,691,501	25,266,706
Change in net unrealized capital gains or (losses)	(21,821,103)	(6,781,121)	17,275,642	(107,622)	9,147,545
Change in net deferred income tax	14,992,048	(594,459)	(6,395,495)	(3,111,164)	(8,131,073)
Change in nonadmitted assets	(29,834,385)	(3,391,167)	11,299,405	3,581,669	9,410,307
Change in provision for reinsurance	299	(811)	552,842	(552,842)	
Cumulative effect of changes in accounting principles					
Net change in capital and surplus for the year	9,289,726	98,125,413	86,727,171	39,501,542	35,693,485
Surplus as regards policyholders, December 31 current year	<u>\$ 612,105,094</u>	<u>\$ 602,815,368</u>	<u>\$ 504,689,955</u>	<u>\$ 417,962,784</u>	<u>\$ 378,461,242</u>

* Per Examination

COMMENTS ON FINANCIAL STATEMENT

Note 1:

Losses	\$ 966,513,471
Loss Adjustment Expenses	\$362,281,217

The Company's Board of Directors appointed an actuary from Towers Perrin, an independent actuarial consulting firm to render a Statement of Actuarial Opinion as of December 31, 2008, 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, the appointed actuary specifically listed the following amounts for each respective insurer separately;

	Company (Including Assumed from ProSelect)	ProSelect
Reserve for Unpaid Losses	\$966,513,471	\$0
Reserve for Unpaid Loss Adjustment Expenses	362,281,217	0
Aggregate Total – Net Basis	1,328,794,688	0
Reserve for Unpaid Losses	1,038,557,000	379,911,000
Reserve for Unpaid Loss Adjustment Expenses	383,281,000	160,942,000
Aggregate Total – Direct and Assumed	\$1,421,858,000	\$540,853,000

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

1. Meet the requirements of the insurance law of Massachusetts;
2. Were computed in accordance with accepted loss reserving standards and principles; and
3. Make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company under the terms of its policies and agreements.

As part of the examination, the Division engaged the actuarial services of Deloitte Consulting, LLP. to provide independent estimates for the Company's loss and LAE liabilities as of December 31, 2008.

The consulting actuaries summarized the results of their analysis of the loss and LAE liabilities in the following table:

		Carried	Indicated by Deloitte and Touche		
<i>(\$000,000 omitted)</i>		<u>Reserve</u>	<u>Low</u>	<u>Central</u>	<u>High</u>
Medical Professional (Including Assumed from ProSelect)	Gross	\$1,421.9	\$1,123.0	\$1,182.4	\$1,241.8
	Net	1,328.8	1,045.7	1,102.2	1,158.7
ProSelect Insurance Company	Gross	540.9	408.1	428.9	449.7
	Net	\$0	\$0	\$0	\$0

In conclusion, the consulting actuaries noted that the indicated net Loss and LAE liability range for the combined group is \$1,045.7 million to \$1,158.7 million. The net carried reserve at December 31, 2008, exceeds the “High” end of the consulting actuaries estimated liability range by \$170.1 million and the “Central” estimate by \$226.6 million on a group combined basis. They also observed that the Company has consistently reported favorable loss and LAE development in each of the past five years and during the year of 2009 reported favorable development of approximately \$170 million on year-end 2008 loss and LAE reserves. This favorable development on accident years 2008 and prior was reflected in the Company’s year-end 2009 reserves for almost all of the redundancy indicated by consulting actuary’s analysis of the year-end 2008 loss and LAE reserves.

Had the reserves been booked at the “High” end of the consulting actuaries’ range, the Loss and LAE reserve in the accompanying financial statements would have been \$170.1 million lower, the incurred losses would have been \$170.1 million lower and, assuming a 35.0% tax rate, Surplus would have increased by approximately \$110.6 million (i.e., \$170.1 million x (100% - 35%)).

ACKNOWLEDGEMENT

This is to certify that the undersigned is a duly qualified Certified Financial Examiner (“CFE”), and that pursuant to a proposal submitted by Deloitte & Touche LLP to the Division, certain examination procedures have been applied to the accounting and corporate records of the Medical Professional Mutual Insurance Company for the purpose of assisting the Division regarding this statutory examination.

The undersigned’s participation in this examination as the Examiner-in-Charge encompassed responsibility for the coordination and direction of the statutory examination performed which was in accordance with, and substantially complied with, the standards established by the Financial Condition (E) Committee of the NAIC and the *NAIC Financial Condition Examiners Handbook*. This participation consisted of involvement in the planning and administration of the examination, review of work papers prepared as documentary evidence of examination procedures performed, and of the statutory examination report.

The cooperation and assistance of the officers and employees of the Company extended to all examiners during the course of the examination is hereby acknowledged.

Respectfully submitted,

Kenneth R. Brenner, CPA, CFE

Supervising Examiner and Examiner-in-Charge
Commonwealth of Massachusetts
Division of Insurance