Chester A. McPherson
Acting Commissioner

BEFORE THE INSURANCE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Re: Report on Examination - **Health Care Casualty Risk Retention Group, Inc.** as of December 31, 2013

ORDER

An Examination of **Health Care Casualty Risk Retention Group, Inc.** as of December 31, 2013 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this Sixth day of May, 2015, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

Chester A. McPherson
Acting Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

Government of the District of Columbia
Department of Insurance, Securities and Banking

REPORT ON EXAMINATION

Health Care Casualty Risk Retention Group, Inc.

AS OF

DECEMBER 31, 2013

NAIC NUMBER 12236

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Washington, D.C.
April 1, 2015

Honorable Chester A. McPherson
Acting Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
810 First Street, NE, Suite 701
Washington, D.C. 20002

Dear Acting Commissioner McPherson:

In accordance with Section 31-3931.14 of the District of Columbia Official Code, we have examined the financial condition and activities of

Health Care Casualty Risk Retention Group, Inc.

hereinafter referred to as the "Company" or "HCCR".

SCOPE OF EXAMINATION

This full-scope examination, covering the period from January 1, 2009 through December 31, 2013, including any material transactions and/or events noted occurring subsequent to December 31, 2013, was conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department"). The last examination was completed as of December 31, 2008 by the Department.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook ("Handbook") and the policies and standards established by the Department. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with applicable accounting principles, annual statement instructions, and compliance with domestic jurisdiction laws and regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. In addition, our examination included tests to provide reasonable assurance that the Company was in compliance with applicable laws, rules and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

The Company was audited annually by an independent public accounting firm. The firm expressed qualified opinions (due to treatment of notes receivable as contributed capital, which is allowed under captive insurance laws of DC, but not GAAP) on the Company's financial statements for the calendar years 2009 through 2013. We placed substantial reliance on the audited financial statements for calendar years 2009 through 2012, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2013. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2013. We placed reliance on the work of the auditor and directed our efforts, to the extent practical, to those areas not covered by the firm's work papers.

SUMMARY OF SIGNIFICANT FINDINGS

The results of this examination disclosed no material adverse findings, significant non-compliance findings, or material changes in financial statements.

STATUS OF PRIOR EXAMINATION FINDINGS

A full scope financial examination was conducted by the Department as of December 31, 2008, which covered the period December 10, 2004 through December 31, 2008. The Report on the prior examination, dated April 14, 2010, disclosed six exception conditions and related recommendations. Our examination included a review to determine the current status of these recommendations in the prior exam report, and determined that the Company had satisfactorily addressed all recommendations.

HISTORY

General:

HCCR was incorporated as an association captive insurer operating as a risk retention group under the captive laws of the District of Columbia on December 10, 2004 and began writing business in January 2005.

The Company provides claims made medical professional liability coverage to practice groups, physicians and allied health providers affiliated with the five hospital members of the Company. The Company also offers excess medical professional and general liability coverage for the hospital members.

Membership:

HCCR is owned by its members, which originally included five hospitals and affiliated practice groups and physicians of those hospitals. (Four of the five hospital members are multi-hospital systems. For purposes of this report, all single hospital members and multi-hospital members are referred to commonly as "hospital" or "hospitals".) In 2010, one of the Company's five policyholders, Touro Infirmary, did not renew its policy due to the hospital being acquired by another hospital group. The stock shares of the former policyholder will be repurchased when all of its open claims have been settled, until such time this policyholder's capital contributions (both cash and capital note discussed below) are retained by the Company.

The Company is authorized to issue voting common stock (class A) and non-voting common stock (class B) in accordance with the Company's articles of incorporation. Class A shares of voting common stock are only issued to hospital members. Up to 2012, only hospitals that were shareholders of the Company's affiliated reinsurer, Health Care Casualty Insurance Ltd. ("HCCI"), a Cayman Islands domiciled captive insurance company, were eligible to be members of the Company. Class A shares have voting rights with one vote per share. Class B shares of non-voting common stock are issued to practice groups or physicians affiliated with a hospital member and do not have voting rights. Class A common stock has a par value of $250 per share and the class B non-voting common stock has a par value of $0.01 per share.

In 2012 the Company amended its articles of incorporation and by-laws, which were approved by the Department, to add class C common stock shares, which have a par value of $250 per share and do not have voting rights. Class C common stock shares shall be issued to provider organizations that wish to join the Company but are not HCCI members.

Two-Thousand Class A stock shares were authorized and 500 were issued and outstanding at December 31, 2013. When a hospital joins the RRG, it contributes $100,000 in cash in exchange for 100 shares of Class A common stock, and also contributes $100,000 in the form of a capital contribution note. As of December 31, 2013, capital contribution notes totaled $600,000. This included five notes from original member hospitals for $100,000 each, and one note from the Company's affiliated reinsurer, HCCI, for $100,000. These notes are non-interest bearing and are payable to the Company upon demand. The Department has approved these capital contribution notes as admitted assets and surplus as regards policyholders.

Ten Thousand class B stock shares were authorized and 180 were issued and outstanding at December 31, 2013. Class B common stock shareholders contribute $100 in exchange for 10 shares of stock. As of December 31, 2013, none of the two thousand authorized class C common stock shares were issued or outstanding.

Effective July 1, 2014, one of the Company's shareholders, Unity Health System, merged with Rochester General Health System into a newly created organization, RU System, Inc., doing business as Rochester Regional Health System. The merger was approved by the Department. Unity Health System will remain as a named shareholder until the name is retired in the future. In addition to the previously mentioned former policyholder, Touro Infirmary, the Company is currently owned by four hospital members, Health First, Inc., Unity Health System, Tallahassee Memorial HealthCare, Inc., and Moses Cone Health System.

Dividends and Distributions:

The Company did not declare or pay any dividends or other distributions during the period under examination.

MANAGEMENT

Board of Directors and Officers:

The Company's directors serving as of December 31, 2013 were as follows:

Name and State of Residence	Principal Occupation
R. Timothy Rice, Chairman North Carolina	President and Chief Executive Officer Moses Cone Health System
Warren Hern New York	President and Chief Executive Officer Unity Health System
Steven P. Johnson Florida	President and Chief Executive Officer Health First, Inc.
G. Mark O'Bryant Florida	President and Chief Executive Officer Tallahassee Memorial HealthCare, Inc.

The Company's officers serving as of December 31, 2013 were as follows:

Name	Title
R. Timothy Rice	President and Chairman
Joseph R. Herman	Treasurer and Vice President
William H. Howe	Secretary
B. Frederick Becker	Assistant Secretary

Committees:

As of December 31, 2013, the Company's board of directors had not established any committees; however, the Company designated the board of directors to act as the audit committee.

Conflicts of Interest:

Our review of the conflict of interest statements completed by the Company's directors and officers for the period under examination disclosed that there were no conflicts of interest reported that would adversely impact the Company.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors for the period under examination. Based on our review, it appears that the minutes documented the board's review and approval of the Company's significant transactions and events.

CAPTIVE MANAGER

Clarity Group, Inc. ("Clarity") is the Company's captive manager, and provides services including regulatory compliance and financial reporting services, underwriting support, claims administration, policyholder and administrative services, risk management, reinsurance services, and accounting services.

AFFILIATED PARTIES AND TRANSACTIONS

The Company is a member of a holding company group. As previously mentioned in the "Membership" section of this report, the Company is currently owned equally by five hospitals, Health First, Inc., Unity Health System, Tallahassee Memorial HealthCare, Inc., Moses Cone Health System, and Touro Infirmary.

The Company's hospital members are also the owners of the Company's affiliated reinsurer, HCCI. Shares of Class A voting common stock in the Company are only issued to hospitals that are shareholders of HCCI. The Company ceded $4,780,444 of premiums to HCCI in 2013.

FIDELITY BOND AND OTHER INSURANCE

The Company maintains directors and officers liability coverage in the amount of $3,000,000. Its captive manager, Clarity has $300,000 employee dishonesty coverage which includes the Company as an additional insured. This provides adequate coverage in accordance with NAIC guidelines.

PENSION AND INSURANCE PLANS

The Company has no employees and therefore has no employee pension or insurance plans.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2013, the Company was licensed in the District of Columbia, and registered as a risk retention group in four states. During 2013, HCCR wrote premiums totaling $8,354,836. Sixty-five percent ($5,420,492) of the Company's written premium in 2013 was in

Florida, 31 percent ($2,608,491) in North Carolina, and 4 percent ($325,853) in New York. The Company did not write in Louisiana in 2013.

The Company provides claims made medical professional liability coverage to practice groups, physicians and allied health providers practicing within the healthcare systems of the hospital shareholders of HCCR. Policies are issued to physician and allied health provider practice groups, or to individual physicians, affiliated with the member hospitals. Policies issued to groups provide coverage for employed physicians and allied health providers in those groups, and may provide coverage for the groups themselves. The Company's policies include basic coverage for professional liability with limits up to $3,000,000 each incident, $5,000,000 in the aggregate. Deductibles are offered from $0 to $100,000. Under policies issued to groups, the limit of liability (less the deductible) may be shared by the insured group and/or the insured's employed allied health providers. However, individual separate limits may be purchased for named allied health providers within those groups. According to management of HCCR, the hospitals that are members of HCCR require individual limits for their voluntary medical staff as well as their employed physicians. For this reason, HCCR does not currently offer shared limits among physicians. Currently, individual separate limits are purchased for named physicians within these groups. All physicians and allied health providers obtaining individual separate limits are issued certificates of coverage. Prospective policyholders and certificate holders are underwritten on a select basis and employment or affiliation with a member hospital does not automatically qualify prospective insureds for coverage. The Company also affords free extended tail liability in the event of death, permanent disability or if a physician over age 55 fully retires after five years of continuous insurance. For retiring physicians under age 55, the physician must have ten years of continuous insurance.

The Company also provides excess hospital professional liability and excess general liability coverage to two hospital members with limits of $20,000,000 each medical incident and $20,000,000 in the aggregate. The policies have deductibles of $4,000,000 for one member and $3,000,000 for the other, and the policies are fully reinsured to the Company's affiliated reinsurer, HCCI. In 2010, the Company began offering network security and data breech coverage with limits of $50,000 to its physicians through endorsements. The Company also began offering network security and cyber liability coverage to its hospital shareholders with limits of $10,000,000. Both the physician and hospital cyber related coverage is fully reinsured.

The Company has no employees and its daily business operations are managed by Clarity subject to a Management Agreement. During the examination period and as of the date of this report, the Company's captive manager, Clarity, is managing the Company's accounting, underwriting, policy issuance, premium billing and collection, claims administration, risk management, and regulatory filings from offices in Chicago, Illinois.

COMPARATIVE FINANCIAL POSITION OF THE COMPANY

The financial position of the Company and its loss experience for the years under examination is presented in the following table, which is prepared from information contained in the Company's annual statements filed with the Department. The amounts reported in the table for the year ended December 31, 2013 are determined by this examination.

	2013	2012	2011	2010	2009
Total admitted assets	$ 12,798,208	$ 17,966,477	$ 16,241,919	$ 41,862,220	$ 39,483,506
Total liabilities	$ 10,916,742	$ 16,164,442	$ 14,609,653	$ 40,366,166	$ 38,088,634
Total capital and surplus	$ 1,881,466	$ 1,802,035	$ 1,632,266	$ 1,496,054	$ 1,394,872
Net cash from operations	$ (4,358,176)	$ 1,396,849	$ (379,230)	$ (560,604)	$ 4,484,163
Total adjusted risk-based capital	$ 1,881,466	$ 1,802,035	(a)	(a)	(a)
Authorized control level risk-based capital	$ 748,984	$ 722,563	(a)	(a)	(a)
Gross written premium	$ 8,354,836	$ 7,897,641	$ 7,531,466	$ 7,311,923	$ 7,831,659
Ceded premiums written	$ 5,098,169	$ 5,334,060	$ 5,127,029	$ 5,321,602	$ 5,913,035
Premiums earned	$ 3,016,696	$ 2,399,627	$ 2,357,905	$ 1,904,965	$ 1,853,279
Net underwriting gain (loss)	$ 92,778	$ (6,715)	$ (99,740)	$ (153,757)	$ (153,306)
Net investment income	$ 141,573	$ 190,836	$ 236,995	$ 266,497	$ 228,293
Net realized capital gains	$ 38,622	$ 6,677	$ 25,492	$ 9,966	$ (4,207)
Net income	$ 195,382	$ 147,887	$ 141,581	$ 101,917	$ 40,889
Net underwriting gain to PHS	4.9%	-0.4%	-6.1%	-10.3%	-11.0%
Net written premium to PHS	173.1%	142.3%	147.3%	133.0%	137.5%
Losses and LAE incurred	$ 1,940,305	$ 1,518,442	$ 1,597,580	$ 1,297,458	$ 1,277,217
Other underwriting expenses incurred	$ 983,613	$ 887,900	$ 860,066	$ 761,264	$ 729,368
Net loss ratio	64.3%	63.3%	67.8%	68.1%	68.9%
Expense ratio	32.6%	37.0%	36.5%	40.0%	39.4%

(a) The Company was not required to calculate and file risk-based capital for these years.

REINSURANCE

Effective January 1, 2005 the Company entered into an excess of loss reinsurance agreement with its affiliate, HCCI, covering physicians professional liability. At December 31, 2013 the reinsurer's liability was $2,800,000 excess of the Company's retention of $200,000. Under the terms of the reinsurance agreement, HCCI's liability is limited to 225 percent of reinsurance premium per annual contract period.

In addition, the Company has a separate facultative reinsurance agreement with HCCI to cover 100 percent of the hospital policies. The Company also has reinsurance coverage in place with Lloyds of London Syndicates to fully reinsure its cyber related coverages offered to physicians and hospitals.

The total ceded reinsurance premium paid in 2013 under these agreements was $4,780,444. As of December 31, 2013, the Company reported "Amounts recoverable from reinsurers" totaling $12,004 (representing amounts recoverable on paid loss adjustment expenses) and approximately $5,405,000 in reinsurance recoverable on unpaid losses and loss adjustment expenses. If the reinsurers are not able to meet their obligations under the treaties, the Company would be liable for any defaulted amounts. The Company retains a letter of credit from HCCI, in the amount of $8,000,000 at December 31, 2013, as security for amounts due from HCCI.

During the third quarter 2013, the Company issued novation endorsements to its 2004 through 2012 expired hospital professional liability policies, thereby transferring all of the liabilities and obligations of the Company under the policies to HCCI, resulting in HCCI being substituted for the Company as insurer and releasing the Company for any and all obligations thereunder. As a result of these actions the Company reduced its loss and loss adjustment expenses reserves by $21,244,000 and its reinsurance recoverable on unpaid losses and loss adjustment expenses by the same amount. There was no gain or loss on the transaction.

All reinsurance treaties were approved by the Department. Our review of the Company's ceded reinsurance program and contracts disclosed no unusual provisions.

ACCOUNTS AND RECORDS

The primary location of the Company's books and records is at the offices of its captive manager, Clarity, in Chicago, Illinois.

The Company's general accounting records consist of an automated general ledger and various subsidiary ledgers. Our examination did not disclose any significant deficiencies in these records.

STATUTORY DEPOSITS

As of December 31, 2013, the Company did not have any statutory deposits in the District of Columbia and was not required to maintain any such deposits. In addition, the Company was not required to maintain statutory deposits with any other jurisdictions.

FINANCIAL STATEMENTS

The following financial statements are prepared in accordance with accounting practices generally accepted in the United States ("GAAP"), except for the condition described in **NOTE 2**. These financial statements reflect the financial condition of the Company as of December 31, 2013, as determined by this examination:

The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

BALANCE SHEET

ASSETS

	December 31, 2013
Bonds	$ 7,818,221
Cash ($3,411,150), cash equivalents ($0) and short-term investments ($0)	3,411,150
Subtotals, cash and invested assets	$ 11,229,371
Investment income due and accrued	42,007
Uncollected premiums and agents' balances in the course of collection **(NOTE 1)**	494,125
Amounts recoverable from reinsurers	12,004
Net deferred tax asset	243,781
Aggregate write-ins for other than invested assets:	
Capital contribution receivable (**NOTE 2**)	600,000
Deferred policy acquisition costs	66,386
Prepaid expenses	19,521
Other receivables **(NOTE 1)**	91,013
Total	$ 12,798,208

LIABILITIES, SURPLUS AND OTHER FUNDS

	December 31, 2013
Losses **(NOTE 3)**	$ 4,192,836
Loss adjustment expenses **(NOTE 3)**	2,540,425
Other expenses (excluding taxes, licenses and fees)	141,093
Taxes, licenses and fees (excluding federal and foreign income taxes)	331,731
Current federal and foreign income taxes	29,578
Unearned premiums	1,136,098
Ceded reinsurance premiums payable (net of commission) **(NOTE 1)**	2,544,981
Total Liabilities	$ 10,916,742
Common capital stock	$ 125,000
Capital contribution notes (**NOTE 2**)	600,000
Gross paid in and contributed surplus	376,800
Unassigned funds (surplus)	779,666
Surplus as regards policyholders	$ 1,881,466
Total	$ 12,798,208

STATEMENT OF INCOME

		2013
UNDERWRITING INCOME		
Premiums earned	$	3,016,696
DEDUCTIONS		
Losses incurred	$	445,223
Loss expenses incurred		1,495,082
Other underwriting expenses incurred		983,613
Total underwriting deductions	$	2 ,923,918
Net underwriting gain	$	92,778
INVESTMENT INCOME		
Net investment income earned	$	141,573
Net realized capital gains		38,622
Net investment gain	$	180,195
Net income after dividends to policyholders, after capital gains and before all other federal and foreign income taxes	$	272,973
Federal and foreign income taxes incurred		77,591
Net income	$	195,382

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2008	$	1,214,757
Net income, 2009		40,889
Change in net unrealized capital gains or (losses)		139,126
Surplus adjustments: Paid in		100
Net change in surplus as regards policyholders, 2009		180,115
Surplus as regards policyholders, December 31, 2009	$	1,394,872
Net income, 2010		101,917
Change in net unrealized capital gains or (losses)		(735)
Surplus adjustments: Paid in		(125,000)
Capital changes: Paid in		125,000
Net change in surplus as regards policyholders, 2010		101,182
Surplus as regards policyholders, December 31, 2010	$	1,496,054
Net income, 2011		141,581
Change in net unrealized capital gains or (losses)		(2,441)
Change in net deferred income tax		(3,128)
Surplus adjustments: Paid in		200
Net change in surplus as regards policyholders, 2011		136,212
Surplus as regards policyholders, December 31, 2011	$	1,632,266
Net income, 2012		147,887
Change in net unrealized capital gains or (losses)		21,882
Net change in surplus as regards policyholders, 2012		169,769
Surplus as regards policyholders, December 31, 2012	$	1,802,035
Net income, 2013		195,382
Change in net unrealized capital gains or (losses)		(115,951)
Net change in surplus as regards policyholders, 2013		79,431
Surplus as regards policyholders, December 31, 2013	$	1,881,466

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

There were no changes to the Company’s surplus as a result of our examination.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Audit Adjustments:

Subsequent to the filing of the 2013 annual statement, the Company made the following adjustments, which were reflected as reclassifications in the 2013 audited financial statement. Specifically:

a) The Company's "Uncollected premiums and agents' balances in the course of collection" was increased by $573,422 for an audit adjustment made by the Company's auditor. The Company booked this audit adjustment in 2014. The adjustment also increased "Ceded reinsurance premium payable" by the same amount.

b) The Company's "Other receivables" was decreased by $91,013 for an audit adjustment made by the Company's auditor. The Company booked this audit adjustment in 2014. The adjustment also decreased "Ceded reinsurance premium payable" by the same amount.

These adjustments did not have impact on the Company's surplus or net income as of December 31, 2013, and accordingly, for purposes of our examination, are not reflected in these financial statements.

NOTE 2 – Capital Contribution Notes:

At December 31, 2013, the Company's assets and surplus as regards policyholders included $600,000 in capital contribution notes issued to the Company by the Company's five hospital members (one of original five hospital members has been inactive since 2010) and its affiliated reinsurer, HCCI. There are six notes outstanding of $100,000 each. These notes are non-interest bearing and payable to the Company upon demand. As part of the approval of the Company's application for licensure and of the Company's business plan, the Department granted approval to the Company to allow these capital contribution notes as admitted assets and surplus as regards policyholders. Inclusion of the notes as assets and surplus as regards policyholders is not in accordance with GAAP.

NOTE 3 – Loss and Loss Adjustment Expense Reserves:

The Company reported "Losses" and "Loss adjustment expenses" reserves net of ceded loss reserves totaling $4,192,836 and $2,540,425, respectively. These reserves represent management's best estimate of the amounts necessary to pay all claims and related expenses that have been incurred but are still unpaid as of December 31, 2013. Reserve credits taken as of December 31, 2013 amounted to approximately $2,585,000. If the reinsurers are unable to meet their obligations, the Company will be liable for this amount. The Company does not discount its reserves.

The methodologies utilized by the Company to compute reserves, and the adequacy of the losses and loss adjustment expenses reserves as of December 31, 2013, were reviewed as part of our examination. As part of our review, we relied on the work performed by the Company's independent actuary, who concluded that the Company's reserves appeared to be sufficient. In addition, as part of our examination of the Company's reserves, we engaged an examination actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary. The examination actuary concluded that the methods employed, assumptions relied upon, and conclusions reached by the Company's independent actuary appeared sufficient and that reserves as reported in the Company's financial statements are reasonable and adequate.

COMMENTS AND RECOMMENDATIONS

During the examination, no issues warranting comments or recommendations in this examination report were noted.

CONCLUSION

Our examination disclosed that as of December 31, 2013 the Company had:

Admitted Assets	$	12,798,208
Liabilities and Reserves		10,916,742
Common Capital Stock		125,000
Capital Contribution Notes		600,000
Gross Paid in and Contributed Surplus		376,800
Unassigned Funds (Surplus)		779,666
Total Surplus		1,881,466
Total Liabilities, Capital and Surplus	$	12,798,208

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2013, and the accompanying statement of income properly presents the results of operations for the period then ended.

Chapter 39 ("CAPTIVE INSURANCE COMPANIES") of Title 31 ("Insurance and Securities") of the D.C. Official Code specifies the level of capital and surplus required for the Company. We concluded that the Company's capital and surplus funds exceeded the minimum requirements during the period under examination.

SIGNATURES

In addition to the undersigned, the following examiners representing the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination:

Amy Carter, CFE, Lewis & Ellis, Inc.
Lindsey Pittman, CFE, Lewis & Ellis, Inc.

The actuarial portion of this examination was completed by Kristine M. Fitzgerald, ACAS, MAAA, FCA and Steven P. Lattanzio, FCAS, MAAA, FCA of Actuarial & Technical Solutions, Inc.

Respectfully submitted,

Sarah Lucibello

Sarah Lucibello, CFE
Examiner-In-Charge
Lewis & Ellis, Inc.

Under the Supervision of,

Xiangchun Li

Xiangchun (Jessie) Li, CFE
Supervising Examiner
District of Columbia Department of Insurance, Securities and Banking

Government of the District of Columbia
Muriel Bowser, Mayor
Department of Insurance, Securities and Banking

DISB

Chester A. McPherson
Acting Commissioner

April 15, 2015

R. Timothy Rice
President
Health Care Casualty Risk Retention Group, Inc.
C/o Clarity Group, Inc.
8725 West Higgins Road - Suite 810
Chicago, IL 60631

RE: Examination of **Health Care Casualty Risk Retention Group, Inc.,** as of December 31, 2013

Dear Mr. Rice:

Pursuant to the provisions of Section 31-1404 of the D.C. Official Code, enclosed is a draft copy of the Report on Examination ("Report") of the affairs and financial condition of Health Care Casualty Risk Retention Group, Inc. ("Company") as of December 31, 2013.

Please submit, to my attention, a written response calling attention to any errors or omissions. In addition, if this Report on Examination contains a section entitled "Comments and Recommendations" that discloses certain areas requiring action, the Company shall submit a statement covering the corrective measures which will be taken. If the Company's position on any of these points is contrary to the Examiner's findings, an explanation should be submitted covering each contested comment and/or recommendation.

If there are no errors or omissions to be brought to our attention, and there are no "Comments and Recommendations" requiring a response, please submit a statement that the Company accepts the Report

The response must be in writing and shall be furnished to this Department by May 15, 2015. In addition to a hard-copy response, please also furnish the response electronically via e-mail to me, in a Microsoft "Word" format, to sean.odonnell@dc.gov.

Sincerely,

Sean O'Donnell

Sean O'Donnell
Director of Financial Examination,
Risk Finance Bureau

Enclosure

HEALTH CARE CASUALTY RISK RETENTION GROUP, INC.

April 23, 2015

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau
Government of the District of Columbia
Department of Insurance, Securities and Banking
810 First Street, NE
Suite 701
Washington, DC 20002

RE: Examination of Health Care Casualty Risk Retention Group, Inc., as of December 31, 2013

Dear Mr. O'Donnell

We are in receipt of the captioned examination report. Health Care Casualty Risk Retention Group, Inc. respectfully accepts the Report as presented.

Sincerely,

Joseph R. Herman
Vice President & Treasurer

Home Office: 2401 Pennsylvania Avenue, NW, Suite 350, Washington, DC 20037
Administrative Office: 8725 West Higgins Road, Suite 810, Chicago, IL 60631
(773) 864-8280
(773) 864-8281 Fax

Government of the District of Columbia
Muriel Bowser, Mayor
Department of Insurance, Securities and Banking

DISB

Chester A. McPherson
Acting Commissioner

May 6, 2015, 2015

R. Timothy Rice
President
Health Care Casualty Risk Retention Group, Inc.
C/o Clarity Group, Inc.
8725 West Higgins Road - Suite 810
Chicago, IL 60631

RE: Examination of **Health Care Casualty Risk Retention Group, Inc.**, as of December 31, 2013

Dear Mr. Rice:

We are in receipt of your response dated April 23, 2015, regarding the Report on Examination of Health Care Casualty Risk Retention Group, Inc. ("Company") as of December 31, 2013. The response is deemed adequate.

The adopted Report (which includes a copy of this letter), and the Order evidencing such adoption are enclosed. Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the adopted Report will be held private and confidential for a period of 10 days from the date of the Order evidencing such adoption. After this 10 day period has passed, the Report will be publicly available. The Department of Insurance, Securities and Banking will forward the adopted Report electronically to each jurisdiction in which the Company is registered and to the National Association of Insurance Commissioners.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each Company director stating under oath that he or she has received a copy of the adopted examination Report and related Order shall be filed with this Department. Please send these affidavits to my attention at the Department.

Please contact me at 202-442-8153 if you have any questions.

Sincerely,

Sean O'Donnell

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau

Enclosures