



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



Chester A. McPherson
Acting Commissioner

**BEFORE THE
INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA**

Re: Report on Examination - **PCH Mutual Insurance Company, Inc., A Risk Retention Group** as of December 31, 2013

ORDER

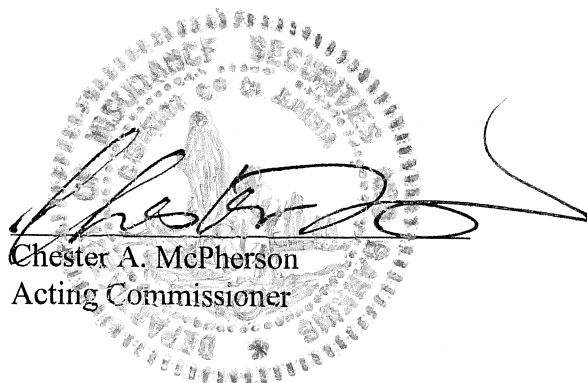
An Examination of **PCH Mutual Insurance Company, Inc., A Risk Retention Group** as of December 31, 2013 has been conducted by the District of Columbia Department of Insurance, Securities and Banking ("the Department").

It is hereby ordered on this 25th day of March, 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



REPORT ON EXAMINATION

PCH Mutual Insurance Company, Inc.,
A Risk Retention Group

AS OF

DECEMBER 31, 2013

NAIC NUMBER 11973

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Washington, D.C.
January 8, 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

PCH Mutual Insurance Company, Inc., A Risk Retention Group

hereinafter referred to as the “Company” or “PCH”.

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 unqualified opinions 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 April 30, 2004 through December 31, 2008. In the Report on the prior examination, dated February 18, 2010, the Department did not include any exception conditions and related recommendations.

HISTORY

General:

The Company was incorporated as an association captive insurance company operating as a risk retention group under the captive insurance laws of the District of Columbia on April 30, 2004. The Company is a mutual insurer, and was formed to provide professional and general liability coverage on a claims-made basis to its members, which are small to medium sized personal care homes and assisted living facilities primarily serving senior citizens.

Membership:

The Company is owned by its insureds, also members, who during their first year of membership must contribute 33 percent of the first year premium that relates to the first one million dollars of coverage. Additional surplus contributions of 33 percent will be applicable to any increases in premiums due to either increased policy limits or application of claims-made maturity step factors.

Dividends and Distributions:

In 2008, the Company declared a \$117,624 policyholder dividend that was contingent on insureds renewing their next policy. The Company paid policyholder dividends of \$98,187 in 2009 and \$15,830 in 2010 pertaining to the 2008 declared dividend, with the remainder written off due to policy non-renewals. In 2012, the Company declared a \$320,000 policyholder dividend that was also contingent on insureds renewing their next policy. The Company paid policyholder dividends of \$236,289 in 2013 and \$52,122 in 2014 pertaining to the 2012 declared dividend, with the remainder written off due to policy non-renewals. All dividend distributions were approved in advance by the Department.

MANAGEMENT

Board of Directors and Officers:

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

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Edgar Blumenfeld, Chairman Illinois	Owner Ed Blumenfeld, Attorney
Brian Barrick Pennsylvania	Owner PCALIC, LLC
Julie M. Bordo Illinois	Owner/Principal Julie M. Bordo, LLC
Deborah Choma Vermont	Nurse/Administrator Shard Villa
John Skip Comsia Texas	Owner SRC Retirement, Inc.
Raymond Firfer, M.D. Illinois	Urologist Lake County Health Department
Bert Golla Washington	Owner Bert Golla, CPA
Bill Southerland Idaho	President and CEO ALMSA, Inc.

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

<u>Name</u>	<u>Title</u>
Edgar Blumenfeld	President
Julie M. Bordo	Vice President
Bert Golla	Treasurer
Raymond Firfer, M.D.	Secretary
Troy Winch	Assistant Treasurer

Committees:

As of December 31, 2013, the Company's board of directors has established the following committees:

Audit Committee:

Edgar Blumenfeld, Chair
 Brian Barrick
 Julie M. Bordo
 Deborah Choma
 John Skip Comsia
 Raymond Firfer, M.D.
 Bert Golla
 Bill Southerland

Investment Committee:*

Edgar Blumenfeld, Chair
 Brian Barrick
 Bert Golla

Executive Committee:

Brian Barrick, Chair
 Edgar Blumenfeld
 Bert Golla
 Troy Winch

Claims Committee:

Bill Southerland, Chair
 Brian Barrick
 Edgar Blumenfeld
 Deborah Choma
 Troy Winch

*The Investment Committee was inactive during the examination period and investment transactions were reviewed by the board of directors as a whole.

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 and shareholders 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

Risk Services, LLC (“Risk Services”) is the Company’s captive manager since inception, providing management services, including accounting, regulatory services and records retention services to the Company. Effective December 31, 2012, Risk Services became the Company’s reinsurance intermediary as well.

FIDELITY BOND AND OTHER INSURANCE

The Company has no employees and its daily business operations are managed by various service providers. Although the Company itself has no fidelity bond coverage, it did maintain a Directors and Officers liability coverage of \$1,000,000, with a \$10,000 deductible.

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 was registered as a risk retention group in 41 states. During 2013, the Company was writing business in 36 states and in the District of Columbia. Seventy Eight (78) percent of the Company’s total 2013 annual written premiums of \$3,061,447 was written in the following 8 states: Washington \$0.731 million (23.9 percent), Pennsylvania \$0.580 million (18.9 percent), Georgia \$0.282 (9.2 percent), Michigan \$0.275 million (9.0 percent), Maryland \$0.156 million (5.1 percent), Oregon \$0.151 million (4.9 percent), California \$0.106 million (3.5 percent), Colorado \$0.105 million (3.4 percent).

The Company provides professional and general liability coverage on a claims-made basis to small and medium size personal care homes and assisted living facilities primarily serving senior citizens. The Company currently offers policies with limits up to \$2,000,000 per claim and \$4,000,000 in the annual aggregate. Deductibles vary by facility and defense costs are within the policy limits for policies written after November 30, 2009; however, insureds may elect defense cost coverage outside of the policy limits for additional premiums. In 2011, the Company offered the policies with per occurrence limits up to \$1,000,000 and annual aggregate limits up to \$2,000,000 and prior to that per occurrence limits were up to \$2,000,000 with annual aggregate limits up to \$3,000,000. Much of the Company’s exposure is reinsured. See the “Reinsurance” section of this report for details regarding the Company’s reinsurance.

The Company has no employees and its daily business operations are managed by its captive manager and various service providers. Risk Services, LLC, based in Sarasota, Florida, serves as the Company’s captive manager providing accounting and regulatory services to the Company. Personal Care Assisted Living Insurance Center, LLC (PCALIC LLC), based in Hanover

Pennsylvania, serves as the Company's program manager, providing underwriting, marketing and policyholder services to the Company. Effective April 1, 2010, Magnolia LTC Management Services, Inc., based in Santa Rosa, California, replaced LTC Claims, LLC, to manage all claims for the Company.

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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	\$ 9,174,215	\$ 8,168,958	\$ 8,565,645	\$ 10,372,647	\$ 11,224,590
Total liabilities	\$ 6,107,314	\$ 4,785,692	\$ 6,027,787	\$ 7,853,118	\$ 9,505,021
Total capital and surplus	\$ 3,066,901	\$ 3,383,266	\$ 2,537,858	\$ 2,519,529	\$ 1,719,569
Net cash from operations	\$ (860,081)	\$ (295,007)	\$ (902,974)	\$ 202,137	\$ 486,665
Total adjusted risk-based capital	\$ 3,066,901	\$ 3,383,266	\$ 2,537,858	\$ 2,519,529	\$ 1,719,569
Authorized control level risk-based capital	\$ 702,874	\$ 710,334	\$ 775,902	\$ 899,314	\$ 1,056,040
Gross written premium	\$ 3,061,447	\$ 3,167,454	\$ 3,009,022	\$ 3,561,269	\$ 4,834,225
Ceded premiums written *	\$ 2,081,641	\$ 662,858	\$ 729,235	\$ 1,114,716	\$ 323,990
Premiums earned *	\$ 1,140,564	\$ 2,606,639	\$ 2,308,090	\$ 3,030,360	\$ 4,385,456
Net underwriting gain (loss) *	\$ (1,134,817)	\$ 1,133,587	\$ (81,309)	\$ 761,425	\$ (2,484,906)
Net investment income	\$ 60,845	\$ 69,552	\$ 51,963	\$ 71,361	\$ 80,516
Net realized capital gains (losses)	\$ 131,922	\$ 10,460	\$ 33,277	\$ (3,732)	\$ (1,176)
Net income (loss) *	\$ (508,928)	\$ 608,985	\$ 32,064	\$ 536,848	\$ (1,666,870)
Net underwriting gain (loss) to PHS	-37.0%	33.5%	-3.2%	30.2%	-144.5%
Net written premium to PHS	31.9%	74.0%	89.8%	97.1%	262.3%
Losses and LAE incurred	\$ 1,159,900	\$ 332,350	\$ 1,321,953	\$ 1,265,866	\$ 5,285,447
Other underwriting expenses incurred	\$ 1,115,481	\$ 1,140,702	\$ 1,067,446	\$ 1,143,069	\$ 1,444,915
Net loss ratio	101.7%	12.8%	57.3%	41.8%	120.5%
Expense ratio	97.8%	43.8%	46.2%	37.7%	32.9%

*See detailed explanation in NOTE 3 in the "Notes to Financial Statements" section of this Report.

REINSURANCE

Effective September 1, 2011, the Company entered into a reinsurance agreement ending January 1, 2015. Under the terms of this agreement, reinsurers cover \$850,000 in excess of \$150,000 per occurrence for the first \$1 million, with excess of loss coverage (discussed below) for the remainder of the \$2 million policy limit. The Company is required to pay a deposit premium equal to 27.5 percent of gross net written premium, adjustable to a minimum of 14 percent of gross net written premium plus 110 percent of ceded incurred losses for each underwriting period subject to a maximum of 52 percent of gross net written premium. The maximum recoverable is 275 percent of the ceded reinsurance premium. The Company has the option to commute this reinsurance agreement within 35 months of the expiration of the contract.

In addition, effective January 1, 2012 the Company entered into an excess of loss reinsurance treaty with various subscribing reinsurers, which provides reinsurance protection to the Company up to \$1,000,000 excess of \$1,000,000 per claim. Premium related to this contract is not adjustable, but is subject to a \$50,000 minimum premium.

These two reinsurance agreements were renewed in 2014 and 2015 respectively without significant changes. Prior to September 1, 2011, the Company had similar reinsurance agreements in place. All reinsurance treaties were approved by the Department. Our review of the Company's reinsurance treaties disclosed no unusual terms.

Effective September 1, 2012, the Company commuted its reinsurance agreements covering September 1, 2007 through August 31, 2010. In 2013, the Company commuted the reinsurance agreements covering September 1, 2010 through August 31, 2011. The Department approved the commutations. As a result of the reinsurance commutations, the Company assumes full liability for any open or reopened claims reported prior to August 31, 2011.

ACCOUNTS AND RECORDS

The primary locations of the Company's books and records were at the offices of its captive manager, Risk Services, LLC, in Sarasota, Florida.

The Company's general accounting records consisted of an automated general ledger and various subsidiary ledgers. Our examination disclosed no 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”). These financial statements reflect the financial condition of the Company as of December 31, 2013, as determined by this examination:

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

BALANCE SHEET

ASSETS

	<i>December 31, 2013</i>
Bonds	\$ 3,264,862
Common stocks (NOTE 1)	2,030,286
Cash (\$712,213), cash equivalents (\$0) and short-term investments (\$1,013,595)	<u>1,725,808</u>
Subtotals, cash and invested assets	\$ 7,020,956
Investment income due and accrued	14,750
Uncollected premiums and agents' balances in the course of collection	242,804
Amounts recoverable from reinsurers	929,838
Current federal and foreign income tax recoverable and interest thereon	571,105
Aggregate write-ins for other than invested assets:	
Deferred policy acquisition costs	347,591
Prepaid expenses	45,632
Other receivable	1,539
Total	<u><u>\$ 9,174,215</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

	<i>December 31, 2013</i>
Losses (NOTE 2)	\$ 1,881,092
Loss adjustment expenses (NOTE 2)	760,581
Commissions payable, contingent commissions and other similar charges	36,139
Other expenses (excluding taxes, licenses and fees)	176,249
Taxes, licenses and fees (excluding federal and foreign income taxes)	60,639
Net deferred tax liability	122,187
Unearned premiums	1,037,343
Dividends declared and unpaid: policyholders	83,711
Ceded reinsurance premiums payable (net of commissions)	<u>1,949,373</u>
 Total Liabilities	 <u>\$ 6,107,314</u>
 Gross paid in and contributed surplus	 2,642,094
Unassigned funds (surplus)	<u>424,807</u>
 Surplus as regards policyholders	 <u>\$ 3,066,901</u>
 Total	 <u><u>\$ 9,174,215</u></u>

STATEMENT OF INCOME

	<i>2013</i>
UNDERWRITING INCOME	
Premiums earned	\$ 1,140,564
DEDUCTIONS	
Losses incurred	\$ 1,114,805
Loss expenses incurred	45,095
Other underwriting expenses incurred	<u>1,115,481</u>
Total underwriting deductions	<u>\$ 2,275,381</u>
Net underwriting loss (NOTE 3)	\$ (1,134,817)
INVESTMENT INCOME	
Net investment income earned	\$ 60,845
Net realized capital gains	<u>131,922</u>
Net investment gain	\$ 192,767
OTHER INCOME	
Aggregate write-ins for miscellaneous income: Income on settlement of litigation	<u>\$ 100,000</u>
Net loss after dividends to policyholders, after capital gains and before all other federal and foreign income taxes	\$ (842,050)
Federal and foreign income taxes incurred	(333,122)
Net loss	<u>\$ (508,928)</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2008	\$ 3,024,942
Net loss, 2009	\$ (1,666,870)
Change in net unrealized capital gains or (losses)	124,556
Surplus adjustments: Paid in	236,941
Net change in surplus as regards policyholders, 2009	(1,305,373)
Surplus as regards policyholders, December 31, 2009	\$ 1,719,569
Net income, 2010	536,848
Change in net unrealized capital gains or (losses)	124,049
Surplus adjustments: Paid in	139,063
Net change in surplus as regards policyholders, 2010	799,960
Surplus as regards policyholders, December 31, 2010	\$ 2,519,529
Net income, 2011	32,064
Change in net unrealized capital gains or (losses)	(67,370)
Surplus adjustments: Paid in	53,635
Net change in surplus as regards policyholders, 2011	18,329
Surplus as regards policyholders, December 31, 2011	\$ 2,537,858
Net income, 2012	608,985
Change in net unrealized capital gains or (losses)	159,905
Surplus adjustments: Paid in	76,518
Net change in surplus as regards policyholders, 2012	845,408
Surplus as regards policyholders, December 31, 2012	\$ 3,383,266
Net loss, 2013	(508,928)
Change in net unrealized capital gains or (losses)	98,676
Surplus adjustments: Paid in	93,887
Net change in surplus as regards policyholders, 2013	(316,365)
Surplus as regards policyholders, December 31, 2013	\$ 3,066,901

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 – Common Stocks:

As of December 31, 2013, the Company reported “Common stocks” totaling \$2,030,286, of which \$174,808 is held in money market funds and \$204,445 held in common stock mutual funds. The remaining balance is invested in various individual common stocks. The Company’s classification is consistent with NAIC requirements for such investments.

NOTE 2 – Loss and Loss Adjustment Expense Reserves:

The Company reported “Losses” and “Loss adjustment expenses” reserves net of ceded loss reserves totaling \$1,881,092 and \$760,581, 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 totaled approximately \$1,443,000. 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.

NOTE 3 – 2013 Results of Operations:

For the year ended December 31, 2013, the Company reported “Net underwriting loss” totaling \$1,134,817 and total “Net loss” totaling \$508,928. During 2013, the Company experienced several large losses which contributed to higher direct incurred losses compared to recent years, and as a result of the higher direct losses, the Company’s reinsurance premium increased based on the adjustable provisions of the reinsurance treaty, increasing from \$662,858 in 2012 to \$2,081,641 in 2013. The increase in reinsurance premiums also resulted in reduced net earned premiums. These factors combined resulted in the net underwriting loss. Despite these underwriting losses, the Company’s surplus and risk-based capital levels remained adequate, primarily due to continuing policyholder surplus contributions, investment income, unrealized capital gains, and a one-time payment to the company from settlement of litigation. The Department has been closely monitoring the Company’s operating results and financial position during 2014 and as of September 30, 2014, the Company reported net underwriting loss totaling \$265,532, total net loss of \$103,450, and surplus of \$3,041,577. The Department will continue to

closely monitor the Company's financial condition and if deemed necessary would require corrective actions.

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	\$	9,174,215
Liabilities and Reserves		6,107,314
Gross Paid in and Contributed Surplus		2,642,094
Unassigned Funds (Surplus)		424,807
Total Surplus		3,066,901
Total Liabilities, Capital and Surplus	\$	9,174,215

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

Under the Supervision of,



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



Chester A. McPherson
Acting Commissioner

February 24, 2015

Edgar Blumenfeld
President
PCH Mutual Insurance Company, Inc., A Risk Retention Group
C/o Risk Services, LLC
2233 Wisconsin Ave, N.W. Suite 310
Washington, DC 20007

RE: Examination of **PCH Mutual Insurance Company, Inc., A Risk Retention Group**,
as of December 31, 2013

Dear Mr. Blumenfeld:

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 PCH Mutual Insurance Company, Inc., A Risk Retention Group, ("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 March 24, 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
Director of Financial Examination,
Risk Finance Bureau

Enclosure



1605 Main Street, Suite 800
Sarasota, FL 34236
(941) 955-0793
Fax (941) 366-1076

March 24, 2015

Mr. Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau
Department of Insurance, Securities & Banking
Captive Insurance Division
810 First Street, NE, Suite 701
Washington, DC 20002

Re: PCH Mutual Insurance Company Risk Retention Group ("PCH")
NAIC Company Code: 11973; NAIC Group Code: 0000; FEIN: 20-1065673

Dear Mr. O'Donnell:

The purpose of this letter is to provide a written response as requested in your letter dated February 24, 2015 regarding the Examination of PCH as of December 31, 2013.

Please be advised that PCH has not noted any errors or omissions in the Draft Exam Report provided and there are no "Comments and Recommendations" requiring a response. PCH accepts the Exam Report as of December 31, 2013.

Please do not hesitate to contact me if you have any questions or need additional information for your review and consideration of this request.

Sincerely,

Teresa Matthews
Account Manager
Risk Services, LLC
As Captive Manager for
PCH Mutual Insurance Company Risk Retention Group



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



Chester A. McPherson
Acting Commissioner

March 25, 2015

Edgar Blumenfeld
President
PCH Mutual Insurance Company, Inc., A Risk Retention Group
C/o Risk Services, LLC
2233 Wisconsin Ave, N.W. Suite 310
Washington, DC 20007

RE: Examination of **PCH Mutual Insurance Company, Inc., A Risk Retention Group**,
as of December 31, 2013

Dear Mr. Blumenfeld:

We are in receipt of your response dated March 24, 2015, regarding the Report on Examination of PCH Mutual Insurance Company, Inc., A Risk Retention Group, ("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
Director of Financial Examination
Risk Finance Bureau

Enclosures