



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

Stephen C. Taylor
Commissioner

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

Re: Report on Examination – **Ironshore Risk Retention Group (D.C), Inc.**,
as of December 31, 2014

ORDER

In accord with the authority established by D.C. Official Code § 31-1402, an examination of **Ironshore Risk Retention Group (D.C), Inc.** (the “Company”), as of December 31, 2014 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“Department”). The Department reported on the financial condition of the Company in the attached Report on Examination (“Financial Condition Examination Report”).

In accord with the provisions of D.C. Official Code § 31-1404 (c), it is hereby ordered, on this 12th day of May, 2016, that the attached Financial Condition Examination Report be adopted and filed as an official record of the 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, the Company shall, within 30 days of the issuance of the adopted Financial Condition Examination Report, file affidavits executed by each of the Directors of the Company wherein each of the Directors shall state under oath that they have received a copy of the adopted Financial Condition Examination Report and this order.

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



Stephen C. Taylor
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

IRONSHORE RISK RETENTION GROUP (D.C.), INC.

AS OF

DECEMBER 31, 2014

NAIC NUMBER 14375

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Washington, D.C.
February 1, 2016

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

Dear Commissioner Taylor:

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

IRONSHORE RISK RETENTION GROUP (D.C.), INC.

hereinafter referred to as the “Company” or “IRRG”, located at the office of the Company’s captive manager, 1627 Connecticut Avenue NW, Suite 6, Washington, D.C. 20009.

SCOPE OF EXAMINATION

This full-scope examination, covering the period from December 31, 2009 through December 31, 2014, including any material transactions and/or events noted occurring subsequent to December 31, 2014, was conducted by the District of Columbia Department of Insurance, Securities and Banking (the “Department”). This is the Department’s first examination of the Company.

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, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Generally Accepted Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, pursuant to Section 31-1404(a) of the Code and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

The Company was audited annually by an independent public accounting firm for the years 2012 to 2014. (The Company received its initial certificate of authority in 2009 but did not commence writing business until 2012 and was granted a waiver from filing audited financial statements for the years 2009 to 2011.) The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2012 through 2014. We placed substantial reliance on the audited financial statements for calendar years 2012 and 2013, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2014. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2014. 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

This is the first full scope financial examination of the Company. An organizational examination was conducted as of September 21, 2012 by the State of Delaware Department of Insurance. The examination report dated June 30, 2013 did not include any findings or recommendations.

HISTORY

General:

The Company was initially licensed under the name of Practitioners Assurance Group, Inc. A Risk Retention Group ("PAG"), sponsored by Amplitude Reinsurance Company of Delaware, LLC ("Amplitude") on December 31, 2009, under the insurance laws of the State of Delaware. For the years 2009 to 2011 the Company was not operational and did not write any business.

On April 4, 2012, Ironshore Holdings (U.S.) Inc. ("Ironshore Holdings"), an insurance group rated "A" by A.M. Best entered into a Purchase Agreement with Amplitude for the right to the license of PAG. As a result of the Purchase Agreement, the Company's Certificate of Authority was re-issued on June 15, 2012 under the new name Ironshore Risk Retention Group, Inc.; and

the Company commenced business on the same day. Ironshore Holdings acted as the sponsor of the Company and contributed initial capital consisting of a \$1 million letter of credit and a subordinated surplus note of \$123,495.

Effective December 29, 2014, the Company re-domiciled from the State of Delaware to the District of Columbia. The re-domestication was accomplished via the merger of Ironshore Risk Retention Group, Inc., into a newly licensed District of Columbia entity named Ironshore Risk Retention Group (D.C.), Inc.

Membership:

As a risk retention group, the Company is owned by its member insureds, consisting of individual and group physicians, dentists, health care professionals, hospitals, and other health care facilities. As a stock insurer, IRRG requires member/policyholders to purchase shares of stock as a capital contribution upon the issuance of a policy.

The Company is authorized to issue 10,000 shares of Class A common stock and 7,000,000 shares of Class B common stock, each with a par value of \$.01 per share and an issue price of \$1 per share. Each member insured receives one share of Class A common stock and shares of Class B common stock. The number of Class B shares issued to each insured varies based on the amount of each insureds' coverage. Class A common stock is voting stock and the holders are entitled to vote on the basis of one vote for each share on all matters coming before the shareholders of the Company. Class B common stock is non-voting stock.

As of December 31, 2014, the Company has 90 shares of Class A common stock and 46,801 shares of Class B common stock issued and outstanding.

Dividends and Distributions:

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

MANAGEMENT AND CONTROL

Board of Directors and Officers:

The Company's directors serving as of December 31, 2014 were as follows:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Matthew Dolan - Chairman Connecticut	Chief Operations Officer Ironshore Holdings
Joshua Stein Connecticut	Chief Underwriting Officer Ironshore Holdings – IronHealth Division

Andrew Garber, MD
New Jersey

President
Perinatal Associates

C. Anthony Shippam
Pennsylvania

Managing Partner
Stewart Law Firm

Richard Clarkin, MD
New Jersey

Physician
Ramapo Anesthesiologists

The Company's officers serving as of December 31, 2014 were as follows:

<u>Name</u>	<u>Position</u>
Matthew Dolan	President & Treasurer
Melissa Hancock	Secretary
Andrew Garber, MD	Assistant Secretary

Committees:

As of December 31, 2014, the Company's board of directors has established the following committee:

Audit Committee

Matthew Dolan - Chairman
Joshua Stein
Andrew Garber, MD
C. Anthony Shippam
Richard Clarkin, MD

Conflicts of Interest:

The Company has an established procedure for the disclosure of any material interests or affiliations on the part of its directors and officers. Our review of the conflict of interest statements signed by the IRRG directors and officers for the period under examination disclosed no conflicts that would adversely affect the Company. Furthermore, no additional conflicts of interest were identified during our examination.

Corporate Records:

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

Captive Manager

Strategic Risk Solutions, Inc. (“SRS”) has been the Company’s captive manager since inception, and provides regulatory services to the Company.

Affiliated Parties and Transactions:

The Company is not a member of a holding company group. As previously indicated in the “History” section of this report, the Company is sponsored by Ironshore Holdings but Ironshore Holdings has no ownership interest in the Company. During the period under examination, the Company had the following transactions with Ironshore Holdings and its subsidiaries:

Through a Program Administration Agreement effective July 1, 2012, the Company’s daily business operations, including underwriting, marketing, risk management, accounting, premium billing and collection are managed by Ironshore Insurance Services LLC (“Ironshore Insurance Services”), a New York corporation and a subsidiary of Ironshore Holdings. Compensation for the services provided is fifteen (15) percent of direct written premiums produced by Ironshore Insurance Services and twenty one (21) percent of direct written premiums produced by sub-producers.

In addition, the Company is party to a reinsurance agreement with Ironshore Indemnity, Inc. (“Ironshore Indemnity”), a New York licensed insurer and a subsidiary of Ironshore Holdings. See the “Reinsurance” section of this Report for details regarding this reinsurance agreement.

During 2012, the Company entered into a subordinated surplus note agreement with Ironshore Holdings. Under the terms of the subordinated surplus note agreement, Ironshore Holdings initially lent the Company \$123,495, which was increased to \$200,000 in 2014. The note is dated September 10, 2012 and matures on December 31, 2018. The interest rate is equal to the average U.S. federal prime rate for each year until the maturity date or until the principal is paid. No interest shall be paid without prior approval of the Department and no interest has been paid to date.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2014, the Company was licensed in the District of Columbia, and was registered as a risk retention group in the following states: Arizona, California, Connecticut, Delaware, Florida, Illinois, Massachusetts, New Hampshire, New Jersey, New York, Ohio, Rhode Island and Virginia. During 2014, the Company wrote business in Illinois, New Jersey and New York.

The Company offers medical professional liability insurance to its members with limits of \$1 million per occurrence and \$3 million annual aggregate, with optional coverage available with limits of \$2 million per occurrence and \$4 million annual aggregate. During 2014, the Company wrote premiums totaling \$2,126,887.

During the examination period and as of the date of this report, the Company has no employees. Its daily business operations, including underwriting, marketing, risk management, accounting, premium billing and collection, are managed by Ironshore Insurance Services in New York. The Company's captive manager, Strategic Risk Solutions, Inc., is managing the Company's accounting and regulatory filings from offices in Washington, D.C. Hamlin & Burton Liability Management, Inc. is managing the Company's claims from offices in Laurel, Maryland.

REINSURANCE

Effective July 1, 2012, The Company entered in a quota share reinsurance agreement with Ironshore Indemnity, rated "A" by A.M. Best. Under the terms of the agreement, the Company cedes ninety five (95) percent of ultimate net loss under its policies, plus one hundred (100) percent of any extra contractual obligations. The Company pays Ironshore Indemnity ninety five (95) percent of written premium and receives a ceding commission of thirty one percent (31) of the ceded premiums. The contract is automatically renewed annually, unless terminated by either party by written notice to the other giving at least 180 days' notice prior to the effective date of termination.

During 2014, the Company ceded reinsurance premiums totaling \$2,020,543. As of December 31, 2014, the Company reported ceded loss reserves of \$3,267,107 and ceded unearned premiums of \$940,804. If the reinsurer was not able to meet its obligations under the agreement, the Company would be liable for any defaulted amounts.

FINANCIAL STATEMENTS

The following financial statements are based on the Annual Statement filed by the company with the Department and present the financial condition of the company for the period ending December 31, 2014. These financial statements were prepared in accordance with accounting practices generally accepted in the United States (“GAAP”), except as disclosed in Note 2. Management is responsible for the preparation and fair presentation of these financial statements. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

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BALANCE SHEET

ASSETS

	<i>December 31, 2014</i>
Cash (\$469,148) and short-term investments	\$ <u>469,148</u>
Subtotals, cash and investment assets	\$ 469,148
Uncollected premiums and agents' balances in the course of collection	955,271
Amounts Recoverable for Reinsurance	37,363
Aggregate write-ins for other than invested assets:	
Letter of Credit	1,000,000
Prepaid Expenses	1,981
Total	\$ <u>2,463,763</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

	<i>December 31, 2014</i>
Losses (Note 1)	\$ 136,331
Loss adjustment expenses (Note 1)	35,622
Commissions payable and contingent commissions	200,868
Other expenses (excluding taxes, licenses and fees)	26,331
Taxes, licenses and fees (excluding federal and foreign income taxes)	116,812
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$940,804)	49,516
Ceded reinsurance premiums payable (net of ceding commission)	920,646
Aggregate write-in for liabilities - deferred ceding commission	<u>35,667</u>
 Total Liabilities	 \$ 1,521,793
Common capital stock	46,891
Aggregate write-in for other than special surplus funds - letter of credit (Note 2)	1,000,000
Surplus notes (Note 2)	200,000
Unassigned funds (surplus)	<u>(304,921)</u>
 Surplus as regards policyholders	 \$ 941,970
 Total	 <u><u>\$ 2,463,763</u></u>

STATEMENT OF INCOME

	<i>December 31, 2014</i>
UNDERWRITING INCOME	
Premiums earned	\$ 93,305
DEDUCTIONS	
Losses incurred	30,090
Loss adjustment expenses incurred	35,561
Other underwriting expenses incurred	195,816
Total underwriting deductions	<u>\$ 261,467</u>
Net underwriting gain (loss)	\$ (168,162)
INVESTMENT INCOME	
Net investment income earned	\$ 499
Net investment gain	<u>\$ 499</u>
Net loss, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ (167,663)
Federal and foreign income taxes incurred	\$ 0
Net loss	<u>\$ (167,663)</u>

CAPITAL AND SURPLUS ACCOUNT

Initial Capital and Surplus, 2012	\$	<u>1,123,495</u>
Net loss, 2012		137,665
Change in net deferred tax		20,650
Capital changes: Paid in		<u>9,272</u>
Net change in surplus as regards policyholders, 2012		<u>(107,743)</u>
Surplus as regards policyholders, December 31, 2012	\$	<u>1,015,752</u>
Net loss, 2013		(45,208)
Change in net deferred tax		(20,650)
Capital changes: Paid in		43,186
Surplus adjustments: Transferred from capital		<u>22,277</u>
Net change in surplus as regards policyholders, 2013		<u>(395)</u>
Surplus as regards policyholders, December 31, 2013	\$	<u>1,015,357</u>
Net loss, 2014		(167,663)
Change in surplus notes		76,505
Capital changes: Paid in		(5,567)
Surplus adjustments: Transferred from capital		<u>23,338</u>
Net change in surplus as regards policyholders, 2014		<u>(73,387)</u>
Surplus as regards policyholders, December 31, 2014	\$	<u>941,970</u>

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 – Loss and Loss Adjustment Expense Reserves:

The Company reported “Losses” and “Loss adjustment expenses” reserves net of reinsurance totaling \$136,331 and \$35,622, 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, 2014.

Reserve credits taken as of December 31, 2014, for cessions to the Company’s reinsurer totaled \$3,267,107. These amounts are reported as a deduction from gross loss and loss adjustment expenses reserves. If the reinsurer was unable to meet its obligations under the reinsurance treaty, the Company would be liable for any defaulted amounts.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expenses reserves as of December 31, 2014 were reviewed as part of our examination. As part of our review, we relied on the Company’s actuary, who concluded that the reserves appeared to be sufficient. In addition, as part of our review, we engaged an independent actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company’s actuary. The independent actuary utilized in our examination concluded that the loss reserves reported by the Company as of December 31, 2014 appeared sufficient.

NOTE 2 – Letter of Credit and Surplus Notes:

As of December 31, 2014, the Company’s surplus as regards policyholders included a \$1,000,000 letter of credit and a \$200,000 in surplus note. Inclusion of letters of credit and surplus notes as surplus as regards policyholders is not in accordance with GAAP, however letters of credit and surplus notes approved by the Department are allowed as surplus as regards policyholders.

SUBSEQUENT EVENTS

We noted no significant subsequent events as of the date of this report.

SUMMARY OF RECOMMENDATIONS

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

SIGNATURES

In addition to the undersigned, the following personnel from Eide Bailly LLP, representing the Department, participated in this examination: Emilie Brady, CFE, AIE, MCM.

The actuarial portion of this examination was completed by Daniel A. Reppert, FCAS, MAAA, of Financial Risk Analysts, LLC.

Respectfully submitted,



Ryan Havick, CFE
Examiner-In-Charge
Eide Bailly LLP

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
Department of Insurance, Securities and Banking

Stephen C. Taylor
Commissioner

April 11, 2016

Matthew Dolan
President
Ironshore Risk Retention Group (D.C.), Inc.
C/o Strategic Risk Solutions, Inc.
1627 Connecticut Ave NW, Suite 6
Washington, DC 20009

RE: Examination of **Ironshore Risk Retention Group (D.C.), Inc.**, as of December 31, 2014

Dear Mr. Dolan:

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 Ironshore Risk Retention Group (D.C.), Inc. (the "Company") as of December 31, 2014.

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 "Summary of 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 recommendation.

If there are no errors or omissions to be brought to our attention, and there are no "Summary of 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 11, 2016. 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



1627 Connecticut Ave NW, Suite 6
Washington, DC 20009
202.802.1439

May 10, 2016

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

Re: Ironshore Risk Retention Group (DC) Inc. ("IRRG")

Dear Sean:

Management is pleased at the positive outcome of the recent examination, and confirms acceptance of the Examination of IRRG as of December 31, 2014.

Please do not hesitate to contact me at 202-802-1439 if you have any questions and thank you for your time and consideration with GEM.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Melissa A. Hancock', is written over a light blue horizontal line.

Melissa A. Hancock
Regional Manager
Strategic Risk Solutions

Cc: Matthew Dolan, Ironshore
Joshua Stein, Consultant



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

Stephen C. Taylor
Commissioner

May 11, 2016

Matthew Dolan
President
Ironshore Risk Retention Group (D.C.), Inc.
C/o Strategic Risk Solutions, Inc.
1627 Connecticut Ave NW, Suite 6
Washington, DC 20009

RE: Examination of **Ironshore Risk Retention Group (D.C.), Inc.**, as of December 31, 2014

Dear Mr. Dolan:

We are in receipt of the response dated May 10, 2016 by Melissa A. Hancock, Regional Manager of Strategic Risk Solutions, regarding the Report on Examination of Ironshore Risk Retention Group (D.C.), Inc. (the "Company") as of December 31, 2014. 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 District of Columbia 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.

Pursuant to Section 31-1404(d)(1) of the District of Columbia Official Code, within 30 days of the date of the above-mentioned Order, affidavits executed by each of the Company's directors 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