

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

Re: Report on Examination – **TDC Specialty Insurance Company** as of December 31, 2023

ORDER


An Examination of **TDC Specialty Insurance Company** as of December 31, 2023 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 14th day of February 2025, 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.



Philip Barlow
Associate Commissioner

REPORT ON EXAMINATION
TDC Specialty Insurance Company
AS OF
DECEMBER 31, 2023

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Washington, D.C.

January 15, 2025

The Honorable Karima M. Woods
Commissioner
Department of Insurance, Securities, and Banking
Government of the District of Columbia
1050 First Street, NE, Suite 801
Washington, D.C. 20002

Dear Commissioner Woods,

In accordance with Section 31-1402 of the District of Columbia Official Code (“D.C. Code”), we have examined the financial condition and activities of

TDC Specialty Insurance Company

hereinafter referred to in this report as the “TDCSI” or “Company.” The examination was conducted remotely. The Company’s statutory home office is located at 1500 K Street NW, Suite 1100, Washington DC, 20005 and the following Report on Examination is submitted.

SCOPE OF EXAMINATION

We have performed our multi-state, full-scope risk-focused financial examination of the Company. This examination covered the period from January 1, 2020, through December 31, 2023, including any material relevant transactions and/or events occurring subsequent to the examination date, was conducted by examiners representing the District of Columbia, Department of Insurance, Securities and Banking (the “Department”). The previous examination of the Company covered the period from January 1, 2016, through December 31, 2019.

The examination was conducted by representatives of the Department and Noble Consulting Services, Inc. (“Noble”). The examination was completed as part of a multi-state examination on a coordinated basis with the jurisdictions of California, New York, and Oregon. California acted as the lead state, while the other jurisdictions acted as participating states.

We conducted our examination by observing the guidelines and procedures in the *National Association of Insurance Commissioners* (“NAIC”) Financial Condition Examiners Handbook (“Handbook”) and generally accepted statutory insurance examination standards consistent with the insurance laws and regulations of 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. 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 Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

The examination of TDCSI was called by the Department in accordance with the Handbook guidelines, through the NAIC’s *Financial Examination Electronic Tracking System*. This examination was conducted as part of a multi-state risk-focused examination (the “Coordinated Examination”) of the Doctors Company, An Insurance Exchange insurance entities (the “Exchange”), in which the California Department of Insurance served as the lead state on the examination. The Department accepted the invitation to participate in the Examination of the following insurance companies examined at the same time during the above examination:

<u>Company and State of Domicile</u>	<u>NAIC #</u>	<u>Acronym</u>
The Doctors Company, an Interinsurance Exchange (CA)	34495	TDC
The Doctors Company RRG, a Reciprocal Exchange (DC)	14347	TDCRRG
TDC Special Risks Insurance Company (DC)		TDCSR
Hospitals Insurance Company, Inc. (NY)	30317	HIC
TDC National Assurance Company (OR)	41050	TDCNA

Reports of examination for each of the domiciled entities noted above will be issued under separate covers by the respective state.

This examination report includes significant findings of fact, as mentioned in Section 31-1404 of the D.C. 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 were separately communicated to the Company and/or other regulators.

The Company was audited annually for the years 2020 through 2023 by the accounting firm Ernst and Young, LLP (“EY”) and received an unmodified opinion. Certain audit work papers for EY relating to their audit for the year ended December 31, 2023, were reviewed and relied upon whenever possible and applicable to assist in the completion of examination procedures.

SUMMARY OF SIGNIFICANT FINDINGS

The Examination did not result in any material adverse findings or adjustments that impact the Company’s reported capital and surplus.

COMPANY HISTORY

General

TDCSI is a wholly owned subsidiary of the Exchange. The Company is licensed to transact property and casualty insurance or eligible or approved to write surplus lines in all fifty (50) states, the District of Columbia, and Puerto Rico.

TDCSI was incorporated and domiciled in the State of Utah on September 19, 1989, and re-domiciled to the District of Columbia on October 22, 2013. The Company's name changed from Professional Underwriters Liability Insurance Company to its current name commensurate with the re-domestication.

Capitalization

TDCSI has 500,000 shares of \$10 par value, Class A common stock, authorized, issued, and outstanding. All shares are owned by the Exchange. The organizational chart (see 'Holding Company System' section of this Report) identifies members of the holding company system as of December 31, 2023. Subsidiaries are wholly owned unless otherwise indicated.

On February 3, 2016, TDCSI formed its wholly-owned subsidiary, TDC Specialty Underwriters, Inc. ("TDCSU"), a Connecticut corporation with capital stock of \$10,000. In June and August 2016, TDCSI made additional capital contributions totaling \$9,990,000.

There were no company issued surplus debentures during the examination period.

Dividends to Stockholder

During the period under examination, the Company did not declare or pay any stockholder dividends.

MANAGEMENT AND CONTROL

The Exchange is the ultimate controlling person for all entities within the holding company group. Both the Exchange and TDCRRG are owned by policyholders. The Exchange has no employees and the day-to-day operations are managed by its attorney-in-fact and wholly-owned subsidiary, The Doctors Management Company, in accordance with a management services agreement.

Board of Governors and Committees

The Exchange is governed by a fifteen-member Board of Governors whose members are elected annually. The Exchange's board is led by a Chairman, who also serves as the Group CEO. Pursuant to the TDC Board's rules and regulations, the Chairman must be a medical doctor. In addition, an independent board member is appointed to serve as Lead Governor since the Chairman and CEO are the same person. The Chairman is responsible for the review and oversight of the Exchange's strategic

plan and operating capital budget, and facilitating the board’s governance, and keeping the board informed of major business projects, opportunities, and setbacks. The board members have backgrounds in medicine, finance/accounting, insurance, and information technology fields.

Board of Directors

The Company’s Bylaws call for a board consisting of three (3) or more individuals. The number of directors may be increased or decreased from time to time by amendment to, or in the manner provided, in the articles of incorporation or the Bylaws. No decrease in the number of directors shall have the effect of shortening the term of any incumbent director.

The Company’s directors and their principal business affiliations as of December 31, 2023, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Richard E. Anderson, MD Yountville, California	Insurance Executive and Physician, Chairman TDC, An Interinsurance Exchange
Steven J. Bensinger New York, New York	Partner and Senior Advisor Howden Tiger
Eugene M. Bullis, CPA Kittery, Maine	Retired Financial Executive Hanover Insurance Group
David A. McHale Austin, Texas	Chief Legal & Human Resources Officer Secretary TDC Specialty Insurance Company
Marco A. Vanderlaan Richmond, California	Insurance Executive Treasurer and Chief Financial Officer TDC Specialty Insurance Company
Robert E. White, Jr. St. Johns, Florida	Insurance Executive President and Chief Operating Officer TDC Specialty Insurance Company

D.C. Code § 31-706(c)(3) requires 1/3 of the directors of domestic insurer and not less than 1/3 of the members of each committee of the board of directors of any domestic insurer shall be persons who are not officers or employees of the insurer or any entity controlling, controlled by or under common control with the Company, and who are not beneficial owners of a controlling interest in the voting stock of the insurer or such an entity. D.C. Code § 31-706(c)(5) allows an exception to the aforementioned statute if the parent has a board of directors and committees that meet the requirements of paragraphs (3) and (4) of this subsection. The parent company’s board and committees are in compliance with D.C. Code § 31-706(c)(5).

Officers

The Company's Bylaws state the officers of this corporation shall consist of officers as may be deemed necessary by the board of directors and shall be approved by the board of directors. Any two or more offices may be held by the same person. Each officer shall hold office until a successor has been duly appointed and qualified, or until an earlier resignation, removal from office, or death.

The principal officers appointed by the Board and holding office at the Company as of December 31, 2023, were as follows:

<u>Name</u>	<u>Title</u>
Richard Anderson, MD	Chief Executive Officer
David A. McHale	Secretary
Robert E. White, Jr.	President and Chief Operating Officer
Marco A. Vanderlaan	Treasurer and Chief Financial Officer
Thomas C. Wilson, III	Senior Vice President
Douglas C. Will	Vice President

Committees

The Company's Bylaws allow the board of directors, by resolution adopted by a majority of the full board of directors, to designate from among its members an executive committee and one or more other committees each of which, to the extent provided in such resolution, or in the articles of incorporation of the corporation, shall have and may exercise all the authority of the board of directors with certain limitations. The Company has chosen to utilize the committees of the Exchange.

Pursuant to D.C. Code § 31-311.01(e), the audit committee of the Exchange serves as the audit committee of the Company.

As of December 31, 2023, the Exchange appointed the following members to serve on various committees:

Audit Committee

Ellen Masterson, Chair
Richard Anderson, MD
Steven Bensinger
Eugene Bullis
Charles Kossman, MD
Howard Mills
Christa Steele
Grace Vandecruze

Finance & Risk Committee

Steven Bensinger, Chair
Richard Anderson, MD
Eugene Bullis
Steven Bensinger
James Bagian, MD
Megan Mahoney, MD
Ellen Masterson
Howard Mills
William Rupp, MD
Christa Steele
Ronald Wender, MD

Investment Committee

Charles Kossman, MD, Chair
Richard Anderson, MD
Steven Bensinger
Eugene Bullis
Mary Ann Thode, JD, MPH, RN
Grace Vandecruze

Nominating & Governance Committee

Eugene Bullis, Chair & Lead Governor
Richard Anderson, MD
James Bagian, MD
Steven Bensinger
Mary Ann Thode, JD, MPH, RN
Ronald Wender, MD

Compensation & Benefits Committee

Ronald Wender, MD, Chair
Steven Bensinger
Eugene Bullis
Charles Kossman, MD
William Rupp, MD
Mary Ann Thode, JD, MPH, RN

Patient Safety Committee

Robert Wachter, MD, Chair
Richard Anderson, MD
James Bagian, MD
Daniel Cassavar, MD
Charles Kossman, MD
Megan Mahoney, MD
William Rupp, MD
Mary Ann Thode, JD, MPH, RN
Ronald Wender, MD

Technology & Cybersecurity Committee

James Bagian, MD, Chair
Richard Anderson, MD
Steven Bensinger
Charles Kossman, MD
Howard Mills
Robert Wachter, MD
Christa Steel

Through these committees, the committee members provide oversight of the Exchange's strategies, financials, and operations. The board and its committees are actively involved in monitoring senior management performance of the Exchange's activities.

Conflicts of Interest

TDCSI has established a formal conflict of interest policy. This policy required the Board of Directors and management of TDCSI to annually complete a conflicts-of-interest questionnaire and statement. The conflict-of-interest questionnaires completed by the board members and employees of TDCSI for the period under examination disclosed no material conflicts of interest.

Corporate Records

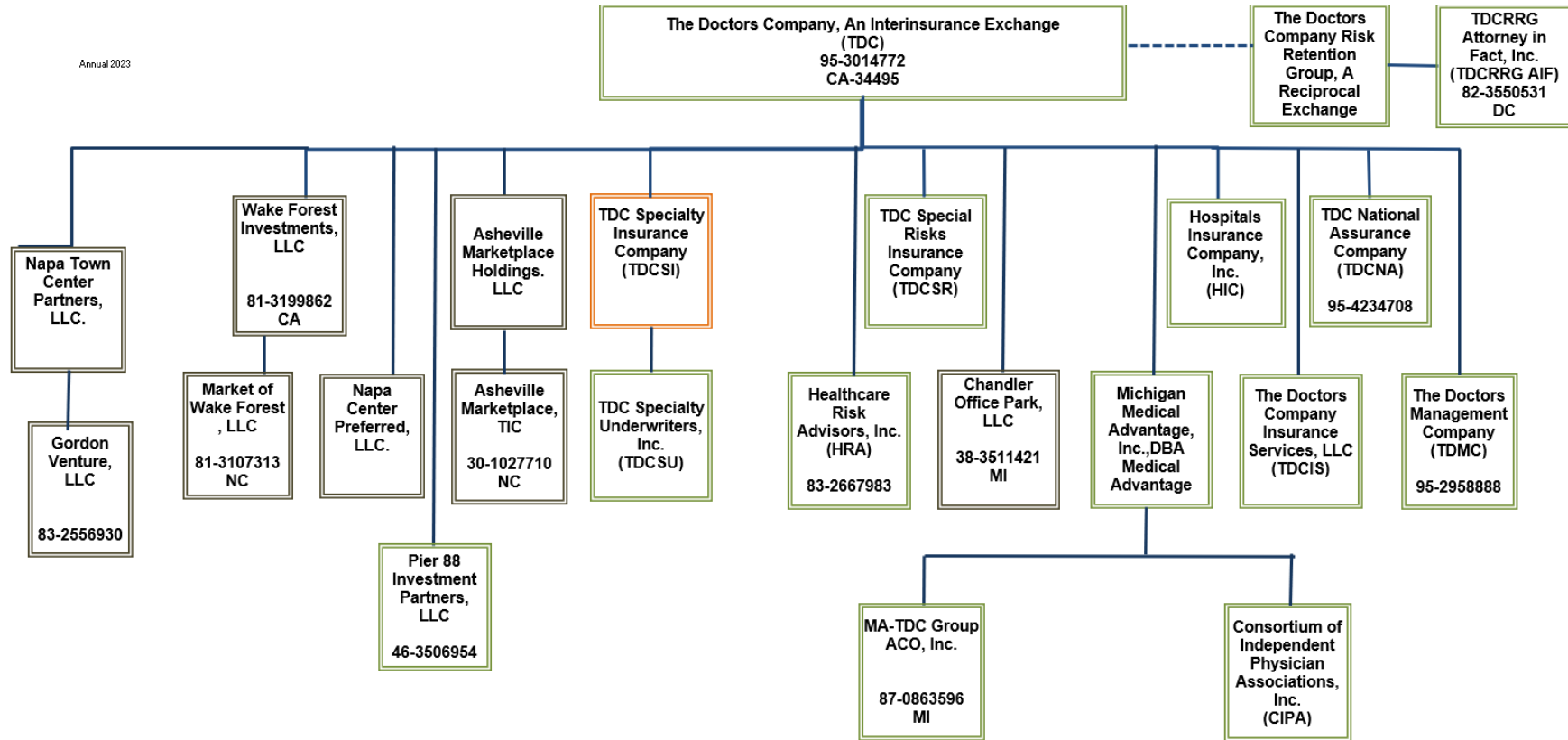
The recorded minutes of the meetings of the shareholder(s), Board of Directors and delegated internal committees were reviewed for the period under examination as well as for the subsequent period through the date of this Report. The recorded minutes of the Board meetings clearly documented its meetings and approval of company transactions and events, including the designation of the independent auditor, the appointment of the actuary, and the election of directors and officers.

HOLDING COMPANY SYSTEM

TDCSI is a member of an insurance holding company system pursuant to the provisions of the District of Columbia Code Section 31-701. The Company is controlled by its ultimate parent, the Exchange.

Organizational Chart

The following organizational chart depicts TDSCI’s relationship within the holding company system as of December 31, 2023 (all ownership is 100% unless otherwise noted)



AGREEMENTS AND TRANSACTIONS WITH AFFILIATES

The Company has entered into numerous agreements and cost-sharing arrangements with affiliated companies. The agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the Department, as required, in accordance with District of Columbia Code Section 31-706(a)(2). The examination team performed a review, and the significant agreements are described below and under the Reinsurance section of this Report:

Tax Allocation Agreement

The Exchange and its affiliates are parties to a Sixth Amended and Restated Federal Income Tax Allocation Agreement (Agreement) entered into as of October 31, 2022. This agreement replaces the Fifth Amended and Restated Federal Income Tax Allocation Agreement dated May 31, 2022, to reflect the deletion of TDC affiliates Action Online Technologies, Inc., Action Online LLC, which were dissolved and First Professionals Insurance Company and American Physicians Assurance Corporation, as these entities were sold to a non-affiliate. Under the terms of the agreement, the Exchange agrees to file a consolidated federal income tax return on behalf of the other companies. Allocation of tax liability is based upon separate return calculation with inter-company tax liabilities to be settled no later than 30 days after the month in which the tax payment has been made or after the filing of the consolidated return if any additional payments are due.

Management Services Agreements

The Exchange and its affiliates individually have entered into separate Management Services Agreements with The Doctors Management Company, Inc. (TDMC), an affiliated non-insurer corporation. Under the terms of the agreements, TDMC agrees to provide management and administrative services, and each company reimburses TDMC for the actual cost of these services. TDMC supervises the handling and payment of operating expenses, claims services, underwriting functions, and policy management. The Management Services Agreement between the Exchange and TDMC has been in force since October 17, 1996, and amended on August 1, 2015. Management fees paid to TDMC by the Company were \$4,628,562 and \$5,079,890 in 2023 and 2022, respectively.

The Company entered into a Management Services Agreement with its subsidiary, TDC Specialty Underwriters, Inc. (TDCSU). Under the terms of the agreement, TDCSU agrees to provide services and personnel for compensation limited to reimbursement of all expenses actually incurred by TDCSU. Services provided are as follows: claims adjusting and payment; underwriting; computation and payment of producer commissions; approval, termination, and appointment of producers; issuance of policies and endorsements; cancellations and non-renewals; collection and handling of premiums; reinsurance; advertising, promotion and agency development; establishing reserves for claims and expenses; forms preparation; rate and form filings; licensing and regulatory filings; preparation of budgets; maintenance of records; and preparation of financial reports. This Management Services Agreement has been in force since January 1, 2017. Management fees paid to TDCSU by the Company were \$33,247,284 and \$36,286,192 in 2023 and 2022, respectively.

Reinsurance Allocation Agreement

The Exchange, TDCSI, and several other affiliate insurers, entered into a reinsurance allocation agreement dated March 28, 2016. The agreement allows for any of these affiliated companies and any additional entities purchased going forward to participate in any reinsurance agreements previously entered into, covering two or more of the companies.

Each company shall agree to the terms of such reinsurance agreements, shall keep its balances payable or recoverable separate from other companies, and remittances for each company shall be in sufficient detail to identify who the loss obligations are due to as well as the premium remittances.

FIDELITY BOND AND OTHER INSURANCE

Pursuant to Section 31-3405(b) of the D.C. Code, as of December 31, 2023, the Company, along with its Parent, was included as a named insured in the Parent's blanket fidelity insurance policy. The amount of the fidelity insurance coverage was \$10,000,000 single loss coverage with a \$100,000 deductible.

In addition to the coverage provided under the fidelity bond, the Company carries several insurance policies to cover the hazards to which it is exposed. Liability coverages include medical malpractice liability, et al.

TERRITORY AND PLAN OF OPERATION

TDCSI underwrites non-standard medical professional liability (MPL) insurance and affiliated healthcare coverages on an excess and surplus line basis. TDCSI is licensed in the District of Columbia, California, and Utah and writes on a non-admitted (surplus lines) basis in forty-eight states and Puerto Rico. The Company offers medical professional liability on both claims-made and occurrence coverage forms.

Direct premiums written during 2023 totaled \$226.4 million. As of the examination date, December 31, 2023, the majority of the business was in MPL lines and other liabilities, which accounted for 47.2% and 52.8% of premiums, respectively. Business is produced using a variety of methods, including affiliated agencies and licensed independent wholesale brokers. The Company has no employees. Personnel and services required for the Company's daily business operations are provided by various affiliated and unaffiliated service providers.

TDCSI formed a division in June 2017 to write different types of risks than the other Exchange companies, utilizing its subsidiary TDCSU to produce the business. The Company has experienced significant growth in recent years, expanding in healthcare related liability coverages beyond historical physicians' and surgeons' coverages. These segments include medical facilities, managed care and life sciences and other medical facilities, cyber liability (discontinued in 2021), directors and officers, and employment practices insurance for medical practices. This coverage is characterized as long-tailed business, often involving complex litigation that may take many years to resolve. As a newer book of business, it has limited historical loss experience, which can lead to results subject to a higher degree

of inherent volatility.

TDCSI began offering non-proportional reinsurance during 2022. The amounts written in years 2022 and 2023 are immaterial, less than 0.1% of total gross premiums written.

During the examination period, the Company reported both underwriting gains and losses, and no material loss development trends were noted.

REINSURANCE

Assumed

The Company had no material reinsurance business assumed during the period under examination.

Ceded

Affiliated

Effective June 1, 2016, TDCSI has an intercompany Quota Share reinsurance agreement in effect with the Exchange, under which it cedes 90 percent of TDCSI's Net Retained Liability from claims made or losses occurring during the term of the agreement.

TDCSI, through the Reinsurance Allocation Agreement dated March 28, 2016, with other affiliated companies, became a party to a Common Loss Excess of Loss reinsurance contract with TDC Special Risks Insurance Company (TDCSR), A District of Columbia domiciled captive insurance company, effective January 1, 2023. The coverage provided is \$40 million in excess of TDCSI's retention of \$5 million on the occasion of a class action lawsuit during the period January 1, 2023, to January 1, 2024.

TDCSI is a party to a Fourth Excess Casualty Catastrophe Captive reinsurance contract with TDCSR effective January 1, 2023. The coverage provides \$10 million in excess of \$41 million of ultimate net loss for each policy, any one occurrence, or claims made.

Unaffiliated

TDCSI was a party to a 100% Quota Share (11% placed) reinsurance contract with various unaffiliated reinsurers. The contract expired on December 31, 2019. Under the contract the company ceded 11% or the first \$2 million of coverage.

TDCSI is a party to an Excess Cessions reinsurance contract with various unaffiliated reinsurers effective January 1, 2023. The coverage is provided for most business underwritten by and through TDC Specialty Underwriters, Inc., and the reinsurers' liability for ultimate net loss shall not exceed \$13 million in excess of TDCSI's retention of \$2 million of ultimate net loss each policy, any one occurrence or claims made. The Company retains 29.5% of the \$3 million excess of \$2 million layer and 5% of the \$10 million excess of \$5 million layer. 90% of the retained amounts are placed with

TDCSR.

TDCSI is a party to an Excess Casualty Catastrophe Captive reinsurance contract, 90% placed with various unaffiliated reinsurers and 10% placed with TDCSR, effective January 1, 2023. The coverage provides \$10 million in excess of \$11 million, \$10 million in excess of \$21 million, and \$10 million in excess of \$31 million of ultimate net loss for each policy, any one occurrence or claims made. The coverage is 85% placed with various unaffiliated reinsurers and 15% placed with TDCSR.

TDCSI, through the Reinsurance Allocation Agreement dated March 28, 2016, with other affiliated companies, became a party to a Per Event Excess of Loss reinsurance contract with the Exchange, effective January 1, 2023, for losses under claims made, tail or occurrence from policies classified by the Company as follows:

1. Physicians and Surgeons' Professional Liability, Advanced Practice Clinicians and related healthcare business, including affiliated Medical Facilities, Umbrella Liability and General Liability business associated with the Policy forms, Dentists professional liability, owners, landlords, and tenants liability and related healthcare business; and
2. Extended Reporting Endorsements which are in force on the effective date of the contract or written on or thereafter, including optional Extended Reporting Endorsements purchased at the expiration of modified Claims Made Policies and DDR Policies (for deceased, disabled or retired insureds) will not be covered hereunder for Loss Events with Dates of Loss during the terms of the Contract.

Additional classes of business may be covered subject to the reinsurer's approval.

The coverage provided is \$9 million in excess of TDCSI's retention of \$2 million of ultimate net loss arising out of each loss event in all states except California and Florida where the coverage is \$8 million in excess of TDCSI's retention of \$3 million.

ACCOUNTS AND RECORDS

The Company's statutory home office is located at 1500 K Street NW, Suite 1100 Washington, DC, 20005. The main administrative office is located at 185 Greenwood Road Napa, CA 94558. This location also serves as the primary location of the Company's books and records. Pursuant to the requirements of Section 31-3431 of the D.C. Code, the principal office of the Company shall be within the District and shall keep its books, records, and files therein or at a location approved by the Commissioner. The Company made a request and received permission from the Department to have the books and records held at an alternate location.

The Company's general accounting records consisted of enterprise-wide general ledger, accounts payable, accounts receivable, and billing systems maintained by The Doctors Company (TDC) and housed in Napa, CA.

The Company's accounting procedures, practices, account records, and supporting data were reviewed

and tested to the extent deemed necessary. A review of the Company's Information Technology General Controls and General Application Controls was also performed as required by the Handbook. The review did not disclose any significant deficiencies in these records.

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition and results of operations as reported by the Company for the period ending December 31, 2023. No adjustments were made to the financial statements as a result of this examination.

Admitted Assets, Liabilities, Capital and Surplus
Statement of Income
Statement of Changes in Capital and Surplus
Comparative Analysis of Changes in Capital and Surplus
Comments on Financial Statement Items

Financial statements are the responsibility of the Company's management. The accompanying "Comments on Financial Statement Items" (if any) should be considered an integral part of the financial statements.

Statement of Assets, Liabilities, Capital and Surplus

December 31, 2023

Assets

Bonds	\$ 130,345,895
Preferred stocks	3,575,661
Common stocks	57,886,901
Cash, cash equivalents and short-term investments	28,526,541
Other invested assets	5,252,340
Receivables for Securities	164,437
Subtotal, Cash and invested assets	225,751,775
Investment income due and accrued	1,161,476
Uncollected premiums and agents' balances	22,552,311
Deferred Premiums, agents balances and installments booked but deferred and not yet due.	8,100,979
Amounts recoverable from reinsurers	9,955,246
Net deferred tax asset	3,542,420
Receivables from parent, subsidiaries and affiliates	7,985,875
Aggregate write-ins for other than invested assets	3,000,003
Total admitted assets	\$ 282,050,085

Liabilities

Losses	\$ 14,204,163
Loss Adjustment Expense	22,733,428
Commissions Payable, contingent commissions and other similar charges	17,969
Other expenses	366,800
Taxes, Licenses and Fees	39,183
Current federal and foreign income taxes	1,321,550
Unearned Premium (less unearned premiums for ceded reinsurance of \$28,998,873)	96,212,491
Advance Premium	86,723
Ceded Reinsurance Premiums Payable	24,646,478
Amounts withheld or retained by company for account of others	455,093
Provision for reinsurance	2,000
Payable to parent, subsidiaries and affiliates	7,185,799
Payable for securities	2,865,256
Total liabilities	\$ 170,136,933

Capital and Surplus

Common capital Stock	\$ 5,000,000
Gross paid in and contributed surplus	102,000,000
Unassigned funds (surplus)	4,913,152
Total capital and surplus	111,913,152
Total liabilities, surplus	\$ 282,050,085

Statement of Income
 For the Year Ended December 31, 2023

UNDERWRITING INCOME

Premiums earned	\$17,175,095
Losses incurred	3,364,083
Loss adjustment expenses incurred	4,343,425
Other underwriting expenses incurred	753,198
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	8,460,705
Net income of protected cells	0
Net underwriting gain (loss)	8,714,390

INVESTMENT INCOME

Net investment income earned	8,269,568
Net realized capital gains (losses) less capital gains tax	(4,077,960)
Net investment gain (loss)	4,191,608

OTHER INCOME

Net gain (loss) from agents' or premium balances charged off	(143,573)
Finance and service charges not included in premiums	0
Aggregate write-ins for miscellaneous income	0
Total other income	(143,573)
Net Inc Before Policy Div, Inc Tax; After CG Tax	12,762,425
Dividends to policyholders	0
Net Inc After Inc Tax; After CG Tax, Policy Div	12,762,425
Federal and foreign income taxes incurred	3,559,857
Net income	\$9,202,568

Statement of Changes in Capital and Surplus

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Capital and surplus, December 31, prior year	\$97,842,862	\$103,919,040	\$88,121,103	\$88,490,334
Net income or (loss)	9,202,568	(345,760)	10,461,145	2,813,873
Change in Net unrealized capital gains (or losses) less capital gains tax of \$1,090,790)	4,816,594	(7,919,170)	5,329,025	(4,503,205)
Change in net deferred income tax	64,306	(62,303)	1,047,750	(4,503,205)
Change in nonadmitted assets	(11,178)	2,251,055	(1,039,983)	137,274
Change in Provision for reinsurance	(2,000)	-	-	2,250
Capital and surplus, December 31, current year	\$111,913,152	\$97,842,862	\$103,919,040	\$88,121,103
Exam adjustments	-	-	-	-
Capital and surplus, December 31, current year	\$111,913,152	\$97,842,862	\$103,919,040	\$88,121,103

Comparative Analysis of Changes in Capital and Surplus

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital & surplus, December 31, 2023 - per annual statement \$ 111,913,152

	<u>Per Company</u>	<u>Per Examination</u>	<u>Increase (Decrease) In Capital & Surplus</u>	
Total Assets	\$282,050,085	\$282,050,085	\$ -	
Total Liabilities	\$170,136,933	\$170,136,933	\$ -	
Net change in capital and surplus				0
Capital & surplus, December 31, 2023 - per examination				\$ 111,913,152

COMMENTS ON FINANCIAL STATEMENT ITEMS

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

SUMMARY OF RECOMMENDATIONS

As a result of the financial examination, no material report findings or recommendations were made.

SUBSEQUENT EVENTS

On August 15, 2024, the Company declared an ordinary dividend of \$4,913,000 and an extraordinary dividend of \$25,087,000, both payable to its parent, The Doctors Company. On September 13, 2024, the Exchange received a \$30 million dividend from the Company. \$4,913,000 was recorded as dividend income and \$25,087,000 recorded as a return of capital. The dividend was approved by the Department on August 26, 2024.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of TDC Specialty Insurance Company, consistent with the insurance laws of the District of Columbia.

In addition to the undersigned, Grant Myers, CFE, Matthew Jones, CFE, MCM and Melissa Greiner of Noble also participated in the examination. The information technology review portion of this examination was completed by the IT examiners representing the lead state, California. The actuarial risks were considered by the lead state actuary.

Acknowledgment is made of the cooperation and assistance extended by the Company's employees and during the course of the examination.

SIGNATURES

Respectfully submitted,

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