



Government of the District of Columbia  
Vincent C. Gray, Mayor  
Department of Insurance, Securities and Banking



Chester A. McPherson  
Interim Commissioner

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

Re: Report on Examination - **Medstar Liability Limited Insurance Company, Inc., A Risk Retention Group**, as of December 31, 2012

**ORDER**

An Examination of **Medstar Liability Limited Insurance Company, Inc., A Risk Retention Group**, as of December 31, 2012 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 23<sup>rd</sup> day of December, 2013, 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  
Interim Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

MEDSTAR LIABILITY LIMITED INSURANCE  
COMPANY, INC., A RISK RETENTION GROUP

AS OF

DECEMBER 31, 2012

NAIC NUMBER 10124

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Washington, D.C.  
October 29, 2013

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

Dear Interim 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

**Medstar Liability Limited Insurance Company, Inc., A Risk Retention Group**

hereinafter referred to as the “Company” or “Medstar RRG”, located at the office of the Company’s captive manager, 100 Bank Street, Suite 610, Burlington, Vermont 05401.

**SCOPE OF EXAMINATION**

This full-scope examination, covering the period from January 1, 2008 through December 31, 2012, including any material transactions and/or events noted occurring subsequent to December 31, 2012, was conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”). The last examination was completed as of December 31, 2007 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 Statutory 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 2008 through 2012. We placed substantial reliance on the audited financial statements for calendar years 2008 through 2011, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2012. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2012. 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, 2007, which covered the period October 31, 2003 through December 31, 2007. In the Report on the prior examination, dated July 18, 2008, the Department noted one exception condition and related recommendation. Our examination included a review to determine the current status of the recommendation in the prior exam report, and determined that the Company had satisfactorily addressed that recommendation.

### **HISTORY**

#### **General:**

MedStar RRG 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 October 31, 2003. The Company is a stock insurance company formed and capitalized by MedStar Health, Inc. ("MedStar Health"), a Maryland not-for-profit healthcare system. The Company remained inactive until April 6, 2005.

MedStar RRG provides medical professional liability insurance on a claims-made basis to hospital medical staff who were affiliated with (but not employed by) one or more of the hospitals in the MedStar Health system. In order to be eligible for participation in MedStar RRG, physicians must practice a minimum of 75 percent of their time at MedStar Health facilities.

Membership:

MedStar RRG is wholly-owned by MedStar Limited Liability Company (“MedStar LLC”). MedStar LLC is owned by class A and class B members. MedStar Health is the sole class A member of MedStar LLC and class B members consist of physicians who have executed a Program Participation Agreement with and have been approved to be an insured of MedStar RRG. MedStar LLC passes all contributions from class A and class B members to MedStar RRG as capital contributions.

The Company’s articles of incorporation authorized the issuance of 1,000,000 shares of common stock with a par value of \$1 per share. As of December 31, 2012, the Company had 400,000 outstanding common stock shares, issued to its sole shareholder, MedStar LLC.

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, 2012 were as follows:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Michael J. Curran Maryland	Chief Financial Officer & EVP MedStar Health, Inc.
Joy A. Drass, MD Virginia	EVP, Operations MedStar Health, Inc.
Stephen L. Evans, MD Virginia	Chief Medical Officer & EVP, Medical Affairs MedStar Health, Inc.
Oliver M. Johnson, II Maryland	General Counsel & Senior Vice President MedStar Health, Inc.
Carl J. Schindelar Maryland	EVP, Operations Baltimore Region MedStar Health, Inc.
Larry L. Smith Maryland	Vice President, Corporate Risk Management MedStar Health, Inc.

The Company’s officers serving as of December 31, 2012 were as follows:

<u>Name</u>	<u>Title</u>
Stephen L. Evans, MD	Chairman of the Board
Larry L. Smith	President
Michael J. Curran	Treasurer & Vice President
Arthur D. Perschetz	Secretary

Committees:

As of December 31, 2012, the Company's board of directors has established the following committees:

*Executive Committee:*

Stephen L. Evans, MD  
Rafael Convit, MD  
Michael J. Curran  
Joy A. Drass, MD  
Oliver M. Johnson, II  
Carl J. Schindelar  
Douglas VanNostrand, MD  
Jeremy Weiner, MD

*Audit Committee:*

Effective September 20, 2013, the Department approved the Company's election to designate the audit committee of Medstar Health to provide oversight of the Company's audit activities. The members of the Medstar Health audit committee were as follows:

Anthony J. Buzzelli, Chair  
Sara Watkins, Vice Chair  
Andrew J. Berry  
Edward S. Civera  
Mark T. Jensen  
William J. Oetgen, Jr., MD  
Oliver M. Johnson, II

Conflicts of Interest:

Our review of the conflict of interest statements signed 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. 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 shareholder 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**

Marsh Management Services Inc. ("Marsh") is the Company's captive manager and provided captive management services including financial reporting and regulatory services to the Company. In addition to the captive management services, a Marsh affiliate also provided policy administration services, including underwriting services to the Company.

**AFFILIATED PARTIES AND TRANSACTIONS**

As indicated in the "Membership" section of this report, the Company is wholly-owned by MedStar LLC. MedStar LLC's sole Class A member is MedStar Health, which provides claims and risk management services to the Company pursuant to a Claims Service and Risk Management Agreement. MedStar Health is authorized to handle all phases of the Company's claims for a set fee per claim.

Greenspring Financial Insurance Limited, Inc. ("Greenspring"), the Company's reinsurer, is a wholly owned subsidiary of MedStar Health. The Company ceded \$431,284 and \$747,798 of premiums to Greenspring in 2012 and 2011, respectively.

**FIDELITY BOND AND OTHER INSURANCE**

MedStar Health maintained an employee crime coverage and fiduciary liability policy with a \$5 million limit of liability for itself and its subsidiaries, which included the Company. This provided adequate coverage based on NAIC guidelines.

**PENSION AND INSURANCE PLANS**

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

**STATUTORY DEPOSITS**

As of December 31, 2012, 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.

## **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2012, MedStar RRG was licensed in the District of Columbia and was registered as a risk retention group in the states of Maryland and Virginia. The Company provides physician professional liability coverage (i.e., medical malpractice insurance) to its members on a claims-made basis with limits of \$1,000,000 per claim and up to \$3,000,000 in the aggregate. All policies have a renewal date of January 1. The Company also writes paid tail coverage. During 2012, the Company wrote premiums totaling approximately \$1,053,000, less than 1 percent of which related to paid tail coverage. Approximately 64 percent (\$678,000) of the premiums were written in the District of Columbia, and 36 percent (\$375,000) were written in Maryland. Although the Company is registered in Virginia, it has never written business there.

Coverage is provided to doctors who are affiliated with (but not employed by) one or more of the hospitals in the MedStar Health system, which includes Washington Hospital Center, Georgetown University Hospital, and National Rehabilitation Hospital in the District of Columbia; and Franklin Square Hospital, Good Samaritan Hospital, Union Memorial Hospital, and Harbor Hospital in Maryland. The Company exists for the express purpose of providing a stable, reasonably priced source of insurance for physicians affiliated with the MedStar Health system. MedStar Health's access to these physicians, many of whom are specialists in critical fields, is crucial to MedStar Health's ability to provide a broad array of medical services. As a result, the Company does not seek to earn a profit.

In order to be eligible to be insured by MedStar RRG, physicians must practice a minimum of 75 percent of their time at MedStar Health facilities. The Company offers the option to purchase tail coverage to physicians who leave the program. The Company also provides free tail coverage to insured physicians in the event of death or permanent disability, and in the event of an insured physician fully retiring after having been continuously insured for 5 or more years.

The Company has no employees and its daily business operations are managed by various affiliated and unaffiliated service providers based on the service agreements. During the examination period and as of the date of this report, the Company's captive manager, Marsh, is managing the Company's accounting and regulatory filings in Burlington, Vermont, and conducting the underwriting in Detroit, Michigan. The claims management is handled by MedStar Health in Columbia, Maryland.

The Company's board of directors, which has general supervisory responsibility over the Company's finances and operations, is comprised of executive officers of MedStar Health, which is the sole Class A member of MedStar LLC, the Company's owner. MedStar LLC's business, operations and affairs are managed exclusively by an executive committee made up of four members from MedStar Health and three members selected to represent the interests of the Class B members (i.e., the physician insureds).

## 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, 2012 are determined by this examination.

	2012	2011	2010	2009	2008
Total admitted assets	\$ 3,867,401	\$ 5,483,522	\$ 4,876,285	\$ 3,992,390	\$ 3,402,040
Total liabilities	\$ 2,401,532	\$ 4,430,538	\$ 3,954,302	\$ 3,270,149	\$ 2,719,721
Total capital and surplus	\$ 1,465,869	\$ 1,052,984	\$ 921,983	\$ 722,241	\$ 682,319
Net cash from operations	\$ 208,600	\$ 78,315	\$ 671,228	\$ 395,806	\$ 318,815
Total adjusted risk-based capital	\$ 1,356,870	\$ 888,984	\$ 797,983	\$ 619,241	\$ 600,319
Authorized control level risk-based capital	\$ 208,533	\$ 243,953	\$ 195,638	\$ 164,245	\$ 207,909
Gross written premium*	\$ 1,052,783	\$ 1,817,644	\$ 1,946,338	\$ 1,537,386	\$ 1,468,633
Ceded premiums written	\$ 431,284	\$ 747,798	\$ 801,629	\$ 623,758	\$ 607,867
Premiums earned	\$ 630,589	\$ 1,067,654	\$ 1,057,698	\$ 903,394	\$ 860,766
Net underwriting gain (loss)	\$ 600,063	\$ 167,657	\$ 218,836	\$ 5,167	\$ (89,340)
Net investment income	\$ 4,461	\$ 6,677	\$ 9,261	\$ 7,826	\$ 25,886
Net realized capital gains (losses)	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)	\$ 402,885	\$ 126,001	\$ 154,742	\$ 24,922	\$ (38,933)
Net underwriting gain to PHS	40.9%	15.9%	23.7%	0.7%	-13.1%
Net written premium to PHS	42.4%	101.6%	124.2%	126.5%	126.2%
Losses and LAE incurred	\$ (206,601)	\$ 656,389	\$ 591,248	\$ 755,997	\$ 518,127
Other underwriting expenses incurred	\$ 237,127	\$ 243,608	\$ 247,614	\$ 142,230	\$ 431,979
Net loss ratio	-32.8%	61.5%	55.9%	83.7%	60.2%
Expense ratio	37.6%	22.8%	23.4%	15.7%	50.2%

\*During 2012, the Company experienced a significant decline in premiums. According to management, the decline in premiums was due primarily to a decline in the number of non-employed physicians working at Medstar Health facilities.

## **REINSURANCE**

During the examination period, and as of December 31, 2012, the Company maintained excess of loss reinsurance coverage with Greenspring Financial Insurance Limited, Inc. (“Greenspring”), a wholly-owned insurance subsidiary of MedStar Health. Greenspring, a Cayman Islands company, only insures risks of its parent and its parent’s affiliates in the MedStar Health system. Solely for purposes of MedStar RRG’s ceded reinsurance, the Department recognizes Greenspring as an “accepted” reinsurer.

Under the treaty with Greenspring, MedStar RRG cedes losses in excess of \$200,000 each medical incident. The treaty is divided into two layers with the first layer at \$300,000 excess \$200,000 each medical incident and the second layer at \$500,000 excess \$500,000 per claim with an \$8,000,000 annual aggregate. Loss adjustment expenses are excluded from the treaty and were fully retained by MedStar RRG.

Under terms of the treaty, the Company pays reinsurance premium totaling approximately 41 percent of its direct premiums written. In 2012, the Company paid reinsurance premiums totaling \$431,284. If the reinsurer was not able to meet its obligations under the treaty, the Company would be liable for any defaulted amounts.

Our review of the Company’s ceded reinsurance contract did not disclose any unusual provisions.

## **ACCOUNTS AND RECORDS**

The primary locations of the Company’s books and records are at the offices of its captive manager, Marsh, in Burlington, Vermont; and at the offices of MedStar Health, in Columbia, Maryland.

The Company’s general accounting records consisted of an automated general ledger and various subsidiary ledgers. Our examination did not disclose any significant issues with these records.

## FINANCIAL STATEMENTS

The following financial statements, prepared in accordance with accounting practices generally accepted in the United States (“GAAP”), reflect the financial condition of the Company as of December 31, 2012, 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, 2012</i>
Cash (\$1,685,439), cash equivalents (\$0) and short-term investments (\$2,138,197)	<u>\$ 3,823,636</u>
Subtotals, cash and invested assets	\$ 3,823,636
Investment income due and accrued	1
Net deferred tax asset	31,991
Aggregate write-ins for other than invested assets:	
Deferred acquisition costs	106
Prepaid expenses	11,667
Total	<u>\$ 3,867,401</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	<i>December 31, 2012</i>
Losses ( <b>NOTE 1</b> )	\$ 1,448,732
Loss adjustment expenses ( <b>NOTE 1</b> )	309,377
Other expenses (excluding taxes, licenses and fees)	76,530
Taxes, licenses and fees (excluding federal and foreign income taxes)	15,000
Current federal and foreign income taxes (including \$0 on realized capital gains (losses))	172,549
Unearned premiums	90,347
Advance premiums	191,522
Ceded reinsurance premiums payable (net of ceding commission)	<u>97,475</u>
Total liabilities	\$ 2,401,532
Common capital stock	400,000
Gross paid in and contributed surplus	405,000
Unassigned funds (surplus)	<u>660,869</u>
Surplus as regards policyholders	\$ 1,465,869
Total	<u>\$ 3,867,401</u>

**STATEMENT OF INCOME**

	<i>2012</i>
UNDERWRITING INCOME	
Premiums earned	\$ 630,589
DEDUCTIONS	
Losses incurred ( <b>NOTE 2</b> )	\$ (238,626)
Loss expenses incurred	32,025
Other underwriting expenses incurred	237,127
Total underwriting deductions	<u>\$ 30,526</u>
Net underwriting gain	\$ 600,063
INVESTMENT INCOME	
Net investment income earned	<u>\$ 4,461</u>
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$ 604,524
Federal and foreign income taxes incurred	201,639
Net income	<u><u>\$ 402,885</u></u>

### **CAPITAL AND SURPLUS ACCOUNT**

Surplus as regards policyholders, December 31, 2007	\$	<u>681,252</u>
Net loss, 2008		(38,933)
Surplus adjustments: Paid in		<u>40,000</u>
Net change in surplus as regards policyholders, 2008		1,067
Surplus as regards policyholders, December 31, 2008	\$	<u>682,319</u>
Net income, 2009		24,922
Surplus adjustments: Paid in		<u>15,000</u>
Net change in surplus as regards policyholders, 2009		39,922
Surplus as regards policyholders, December 31, 2009	\$	<u>722,241</u>
Net income, 2010		154,742
Surplus adjustments: Paid in		<u>45,000</u>
Net change in surplus as regards policyholders, 2010		199,742
Surplus as regards policyholders, December 31, 2010	\$	<u>921,983</u>
Net income, 2011		126,001
Surplus adjustments: Paid in		<u>5,000</u>
Net change in surplus as regards policyholders, 2011		131,001
Surplus as regards policyholders, December 31, 2011	\$	<u>1,052,984</u>
Net income, 2012		402,885
Surplus adjustments: Paid in		<u>10,000</u>
Net change in surplus as regards policyholders, 2012		412,885
Surplus as regards policyholders, December 31, 2012	\$	<u>1,465,869</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 totaling \$1,448,732 and \$309,377, 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, 2012. The Company has received approval from the Department to discount its reserves using a discount rate of 3 percent.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expenses reserves as of December 31, 2012 were reviewed as part of our examination. As part of our review, we relied on the Company’s independent actuary, who concluded that the Company’s reserves appeared to be sufficient. In addition, as part of our review of the Company’s reserves, we engaged an independent actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company’s independent actuary. The independent actuary utilized in our examination 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 2 – Losses Incurred:**

The Company reported losses incurred of (\$238,626) in 2012. Losses incurred was a negative amount due to positive development on prior year incurred losses.

## 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, 2012 the Company had:

Admitted Assets	\$	3,867,401
Liabilities and Reserves		2,401,532
Common Capital Stock		400,000
Gross Paid in and Contributed Surplus		405,000
Unassigned Funds (Surplus)		660,869
Total Surplus		1,465,869
Total Liabilities, Capital and Surplus	\$	3,867,401

Based on our examination, the accompanying balance sheet properly presents the financial position of the Company at December 31, 2012, 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, Lewis & Ellis, Inc.  
Lisa Marteney, 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  
Vincent C. Gray, Mayor  
Department of Insurance, Securities and Banking



Chester A. McPherson  
Interim Commissioner

December 11, 2013

Larry L. Smith  
President  
Medstar Liability Limited Insurance Company, Inc., A Risk Retention Group  
C/o Marsh Management Services  
100 Bank Street, Suite 610  
Burlington, VT 05401

RE: Examination of **Medstar Liability Limited Insurance Company, Inc., A Risk Retention Group** as of December 31, 2012

Dear Mr. Smith:

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 Medstar Liability Limited Insurance Company, Inc., A Risk Retention Group (“Company”) as of December 31, 2012.

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 January 10, 2014. 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](mailto:sean.odonnell@dc.gov).

Sincerely,

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

Enclosure



**Lisa M. Kane**  
Vice President

Marsh Management Services Inc.  
100 Bank Street  
Suite 610  
Burlington, VT 05401  
802 864 5599  
www.marsh.com

23 December 2013

Sean O'Donnell  
Director of Financial Examination  
Risk Finance Bureau  
810 First Street, NE  
Suite 701  
Washington, DC 20002

**Subject: Examination Report of MedStar Liability Limited Insurance Company, Inc.  
A Risk Retention Group as of December 31, 2012**

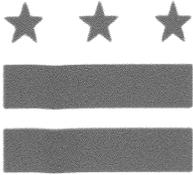
Dear Sean,

This letter is to confirm receipt of the draft examination report on December 11, 2013 for MedStar Liability Limited Insurance Company, Inc. A Risk Retention Group. I have reviewed the report with Mr. Larry Smith and confirm that we are in agreement that the report is free of errors and omissions and, as such, the Company accepts the report.

Sincerely,

A handwritten signature in blue ink that reads "Lisa M. Kane".

Lisa M. Kane  
Vice President



Government of the District of Columbia  
Vincent C. Gray, Mayor  
Department of Insurance, Securities and Banking



Chester A. McPherson  
Interim Commissioner

December 23, 2013

Larry L. Smith  
President  
Medstar Liability Limited Insurance Company, Inc., A Risk Retention Group  
C/o Marsh Management Services  
100 Bank Street, Suite 610  
Burlington, VT 05401

RE: Examination of **Medstar Liability Limited Insurance Company, Inc., A Risk Retention Group** as of December 31, 2012

Dear Mr. Smith:

We are in receipt of your response dated December 23, 2013, regarding the Report on Examination of Medstar Liability Limited Insurance Company, Inc., A Risk Retention Group ("Company") as of December 31, 2012. 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