

Karima M. Woods, Commissioner

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

Re: Report on Examination – **Community Care Risk Retention Group, Inc.**, as of December 31, 2019

ORDER

In accord with the authority established by D.C. Official Code § 31-1402, an examination of **Community Care Risk Retention Group, Inc.** (the “Company”), as of December 31, 2018 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 5th day of February, 2021, that the attached Financial Condition Examination Report be adopted and filed as an official record of the Department.

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

Pursuant to D.C. Official Code § 31-1404(d)(1), 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 D.C. Official Code § 31-1404(e)(1), 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.



Dana Sheppard
Dana Sheppard
Associate Commissioner
Risk Finance Bureau

GOVERNMENT OF THE DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

Community Care Risk Retention Group, Inc.

AS OF

DECEMBER 31, 2019

NAIC NUMBER 15798

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Washington, D.C.
November 17, 2020

Honorable Karima 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 31-3931.14 of the District of Columbia Official Code (“Code”), and with Chapter 14 of Title 31 of the Code, we have examined the financial condition and activities of

Community Care Risk Retention Group, Inc.

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

SCOPE OF EXAMINATION

This full-scope examination, covering the period from July 7, 2015 through December 31, 2019, including any material transactions and/or events noted occurring subsequent to December 31, 2019, was conducted by the District of Columbia Department of Insurance, Securities and Banking (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, 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 examination an adjustment was identified, the impact of such adjustment is documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, pursuant to Section 31-1404(a) of the District of Columbia Official 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. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2015 through 2019. We placed substantial reliance on the audited financial statements for calendar years 2015 through 2019, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2019. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2019. 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 findings of non-compliance, or material changes in financial statements.

STATUS OF PRIOR EXAMINATION FINDINGS

This is the first financial examination of the Company.

HISTORY

General:

The Company was incorporated in the District of Columbia, and commenced writing business, on July 7, 2015. The Company was formed as a risk retention group under the District of Columbia's captive insurance laws.

The Company was formed by Community Care Physicians, P.C. ("CCP"), a physician owned and run multispecialty medical group serving areas of the state of New York, to provide liability coverage to employees and entities of CCP, which is itself an insured of CCRRG. The Company writes business only in the state of New York.

Membership:

As a risk retention group, the Company is owned by its policyholders/members. As of December 31, 2019, CCRRG was authorized to issue 100,000 shares of no-par common stock and 4,000 shares were issued and outstanding at a price of \$100 per share.

CCRRG was capitalized with the initial sale of 4,000 shares of common stock with a par value of \$100 per share to Community Care Physicians Holdings, LLC ("CCPH LLC"), which is jointly owned by CCP and the individual insured members of the Company. In exchange for the issuance

of 4,000 shares of common stock to CCPH LLC, the Company received \$400,000 of cash. In addition, \$2,100,000 in the form of a letter of credit in favor of the District of Columbia Department of Insurance, Securities and Banking was provided by CCP as additional paid in capital. As of December 31, 2019, with the permission of the Department, the amount of the letter of credit had been reduced to \$400,000.

CCPH LLC is the sole owner of one hundred percent (100%) of the common stock shares of CCRRG. Only individuals or entities insured by the Company are eligible to own shares of CCPH LLC. CCP owns one percent (1%) of CCPH LLC and each individual member of CCPH LLC owns the residual ninety-nine percent (99%), with individual ownership varying up to a maximum of one and three tenths percent (1.3%). As of December 31, 2019, there are approximately 450 members of CCPH LLC, which is a manager managed limited liability company. All managers and officers of CCPH LLC are employed by CCP.

Dividends and Distributions:

With the approval of the Department, the Company declared and paid stockholder dividends totaling \$367,700 in 2018. In addition, with the approval of the Department, the Company's LOC was reduced by \$700,000 in 2018 and by \$1 million in 2019. No other dividends or distributions were paid during the period under examination.

MANAGEMENT AND CONTROL

Board of Directors and Officers:

The Company's directors serving as of December 31, 2019 were as follows:

| <u>Name and State of Residence</u> | <u>Principal Occupation</u> |
|--|--|
| Shirish Parikh, M.D. Chair New York | President and CEO Community Care Physicians, P.C. |
| Susan Padula, CPA New York | CFO Community Care Physicians, P.C. |
| Debbie Youngelman, M.D. New York | Physician Community Care Physicians, P.C. |
| Michael O'Connor, Esq. New York | General Counsel Community Care Physicians, P.C. |
| Sean Roche, M.D, New York | Physician Community Care Physicians, P.C. |

Melinda Guyett, RA
New York

Radiologist Assistant
Community Care Physicians, P.C.

The Company's officers serving as of December 31, 2018 were as follows:

| <u>Name</u> | <u>Position</u> |
|------------------------|--|
| Shirish Parikh, M.D. | President and CEO |
| Susan Padula, CPA | Treasurer and CFO |
| Michael O'Connor, Esq. | Executive Vice President and Secretary |

Committees:

As of December 31, 2019, the Company's board of directors had established the following committee:

Audit Committee
Shirish Parikh, M.D. - Chair
Susan Padula, CPA
Michael O'Connor, Esq.
Debbie Youngelman, M.D.
Sean Roche, M.D.
Melinda Guyett, RA

Conflicts of Interest:

In compliance with the District of Columbia Municipal Regulations, conflict of interest statements are to be completed annually by all directors and officers. Our review of the conflict of interest statements for 2015 through 2019 disclosed there were no conflicts of interest reported that would adversely affect the Company.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors for the period under examination. Based on our review, the minutes documented the board's review and approval of the Company's significant transactions and events. Section 31-3931.11(d) of the D.C. Official Code, and D.C. Municipal Regulations 3709.1 and 3709.2 ("DCMR"), require the board of directors of a captive insurer to meet at least one time each year in the District. A meeting of the board of directors shall be deemed to have taken place in the District if notice of the meeting delineates a location physically located in the District at which at least one director, officer, assistant officer, official of an approved captive manager, or approved captive attorney is physically present. Although the Company's board of directors held meetings throughout the examination period, none of the meetings were deemed to have taken place in the District. We discussed this situation with the Company during the examination and management indicated that they misinterpreted the above guidelines and acknowledge as a result the Company did not meet the requirements. Management indicates it recognizes the importance of maintaining compliance with the D.C. Official Code and DCMR and will ensure the requirements are met going forward.

Captive Manager:

Willis Towers Watson Management (Vermont), Ltd. (“WTW”) has been the Company’s captive manager since inception, and provides services that include records retention, financial reporting, regulatory compliance and other management services.

Affiliated Parties and Transactions:

CCRRG is a part of the holding company system. As previously indicated in the “History” section of this report, CCPH LLC, which is owned by CCP and by the insured members of CCRRG, owns hundred percent (100%) of the Company’s outstanding common stock shares.

During the period under examination, CCP has functioned as a program manager for the Company, providing underwriting, risk management, premium recording, and payment services to the Company. There is no formal agreement between the Company and CCP.

Effective July 1, 2020, with approval of the Department, the Company and CCPH LLC entered into a formal management services agreement. Under the terms of the agreement, CCPH LLC provides marketing, sales, underwriting, accounting/financial, membership administration, and other services as necessary for the operations of the Company, for an annual fee of \$200,000.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2019, the Company was licensed in the District of Columbia and is registered as a risk retention group in New York. One hundred percent of the Company’s 2019 premium (\$3,539,202) was written in New York.

The Company provides claims-made professional and general liability coverage to its members, which include physicians, allied health professionals, and entities associated with CCP. Policies issued by the Company are not assessable. For physicians, limits are offered up to \$1.3 million per occurrence and \$3.9 million aggregate per policy. For allied health professionals, limits are offered up to \$1 million per occurrence and \$3 million aggregate per policy. In addition, the Company offers errors & omissions coverage with a limit of \$250,000 per occurrence and \$750,000 aggregate per policy. This coverage is available to management of the Company and of CCP. Defense costs are paid in addition to the above policy limits.

The above policies, except for the errors & omissions coverage, are reinsured. See the “Reinsurance” section of this report for further comments regarding the Company’s reinsurance.

The Company has no employees and its daily business operations are managed by third party service providers. During the examination period and as of the date of this report, the Company’s captive manager, WTW, provided the Company with regulatory filings services, financial reporting, regulatory compliance and other management services at its offices in Burlington, Vermont. Claims management functions are provided to the Company by Western Litigation, Inc. (“WLI”), in Providence, Rhode Island. Neither WTW nor WLI are affiliates of the Company. As previously indicated in the “Affiliated Parties and Transactions” section of this report, CCP

performed certain program management functions for the Company during the examination period.

REINSURANCE

Effective July 1, 2018 the Company entered into an excess of loss treaty with XL Bermuda, Ltd. for a 36-month period expiring July 1, 2021. The reinsurance treaty can be cancelled by either party giving notice in writing to the other party 90 days prior to the treaty anniversary date.

Under this treaty, losses in excess of \$250,000 are ceded to the reinsurer and defense costs are shared pro-rate with the reinsurer. Premiums are adjustable based on losses incurred, and are subject to minimum and maximum amounts. Maximum losses to be paid by the reinsurer are limited to 350% of the reinsurance premium paid under the treaty. Prior to July 1, 2018, the Company was a party to a similar excess of loss treaty effective from inception of the Company through July 1, 2018.

During 2019, the Company ceded premiums under this treaty totaling approximately \$1,859,000, and as of December 31, 2019 reported ceded loss reserves of approximately \$2,974,000 and ceded unearned premiums of approximately \$966,000. These amounts are reported as deductions from the respective gross loss reserve and unearned premium reserve liabilities. If the reinsurer was not able to meet its obligations under the above treaties, the Company would be liable for any defaulted amounts.

All reinsurance treaties were approved by the Department. Our review of the Company's reinsurance treaties disclosed no unusual terms.

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, 2019. The financial statements were prepared in accordance with Generally Accepted Accounting Principles prescribed or permitted by the Department. 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

| | December 31, 2019 |
|---|--------------------------|
| Bonds | \$ 8,196,409 |
| Common stocks | 1,491,768 |
| Cash (\$302,900), cash equivalents (\$0) and short-term investments (\$0) | 302,900 |
| Subtotal cash and invested assets | \$ 9,991,077 |
| Investment income due and accrued | \$ 51,642 |
| Uncollected premiums in course of collection | \$ 1,762,389 |
| Current federal income tax recoverable and interest thereon | 191,315 |
| Net deferred tax asset | 86,112 |
| Aggregate write-ins for other-than-invested assets: | |
| Letter of credit (NOTE 1) | \$ 400,000 |
| Prepaid expenses | \$ 43,875 |
| Deferred policy acquisition costs | 52,165 |
| Total aggregate write-ins for other-than-invested assets | \$ 496,040 |
| Total assets | \$ 12,578,575 |

LIABILITIES, SURPLUS AND OTHER FUNDS

| | December 31, 2019 |
|--|--------------------------|
| Losses (NOTE 2) | \$ 4,637,029 |
| Loss adjustment expenses (NOTE 2) | 2,367,135 |
| Other expenses (excluding taxes, licenses and fees) | 28,408 |
| Taxes, licenses and fees (excluding federal and foreign income taxes) | 44,276 |
| Unearned premiums (after deducting ceded unearned premiums of \$966,075) | 964,164 |
| Ceded reinsurance premiums payable (net of ceding commissions) | 3,006,791 |
| Total liabilities | \$ 11,047,803 |
| Common capital stock | \$ 400,000 |
| Gross paid in and contributed surplus | 400,000 |
| Unassigned funds | 730,772 |
| Surplus as regards policyholders | \$ 1,530,772 |
| Total | \$ 12,578,575 |

STATEMENT OF INCOME

| | December 31, 2019 |
|---|--------------------------|
| UNDERWRITING INCOME | |
| Net premiums earned | \$ 1,802,437 |
| DEDUCTIONS | |
| Losses incurred | \$ 932,752 |
| Loss adjustment expenses incurred | 860,365 |
| Other underwriting expenses incurred | 513,261 |
| Total underwriting expenses | \$ 2,306,378 |
| Underwriting gain (loss) | \$ (503,941) |
| INVESTMENT INCOME | |
| Net investment income earned | \$ 164,440 |
| Net realized capital gains (losses) | 52,048 |
| Net investment gain | \$ 216,488 |
| OTHER INCOME | |
| Unrealized gain in equity securities | \$ 191,313 |
| Loss before dividends and taxes | \$ (96,140) |
| Federal and foreign income taxes incurred | 9,393 |
| Net Loss | \$ (105,533) |

CAPITAL AND SURPLUS ACCOUNT

| | |
|--|--------------|
| Initial capital: | |
| Capital paid-in | \$ 400,000 |
| Surplus Adjustment: letter of credit | 2,100,000 |
| Net income, 2015 | 32,587 |
| Net change in surplus, 2015 | 2,532,587 |
| Total capital and surplus, December 31, 2015 | \$ 2,532,587 |
| Net income, 2016 | \$ 135,799 |
| Change in net unrealized capital losses | (41,229) |
| Net change in surplus, 2016 | 94,570 |
| Total capital and surplus, December 31, 2016 | \$ 2,627,157 |
| Net income, 2017 | \$ 28,491 |
| Change in net unrealized capital gains | 50,853 |
| Net change in surplus, 2017 | 79,344 |
| Total capital and surplus, December 31, 2017 | \$ 2,706,501 |
| Net income, 2018 | \$ 476,680 |
| Change in net unrealized capital loss | (192,824) |
| Capital Changes: paid in | 626,600 |
| Surplus adjustments | (656,440) |
| Dividends to stockholders | (367,700) |
| Prior year audit adjustment | (78,844) |
| Net change in surplus, 2018 | (192,528) |
| Total capital and surplus, December 31, 2018 | \$ 2,513,973 |
| Net loss, 2019 | \$ (105,533) |
| Change in net unrealized capital gain | 248,709 |
| Capital Changes: paid in | (626,600) |
| Surplus adjustment: letter of credit | (1,000,000) |
| Transferred to surplus | 579,140 |
| Unrealized (loss) on investments | (78,917) |
| Net change in surplus, 2019 | (983,201) |
| Total capital and surplus, December 31, 2019 | \$ 1,530,772 |

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 – Letters of Credit:

At December 31, 2019, the Company's assets included \$400,000 in letters of credit in the possession of the District of Columbia Insurance Commissioner. Under the Captive Laws of the District of Columbia, letters of credit approved by the Department are allowed as admitted assets. Inclusion of the letters of credit as assets is not in accordance with GAAP.

NOTE 2 – Loss and Loss Adjustment Expenses Reserves:

The Company reported "Losses" and "Loss adjustment expenses" reserves net of reinsurance totaling \$4,637,029 and \$2,367,135, 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, 2019 and are net of reinsurance reserve credits totaling approximately \$2,974,000 as of December 31, 2019. The reinsurance reserve credits 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 treaties, 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 expense reserves as of December 31, 2019 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, the Department utilized an examination actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company's actuary. The examination actuary concluded that the methodologies and assumptions utilized by the Company's independent actuary to compute the reserves, and the amount of the loss reserves reported by the Company as of December 31, 2019, were reasonable and adequate.

SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy and on the health care system. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still not fully known as of the date of this report. The Department is monitoring the COVID-19 outbreak for impacts to insurers (including risk retention groups), and to insurance products. Potential impacts to insurers include coverage disputes, reduced liquidity, delayed collection of receivables, increased claims, and impacts to other areas of operations. The Department and all insurance regulators, with the assistance of the National Association of Insurance Commissioners (NAIC), are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The Department has been in communication with the Company regarding the impacts of COVID-19 on its business operations and financial position. During the examination no significant concerns or findings related to COVID-19 were noted and as of the date of this report, management has reported no significant impacts from COVID-19.

We noted no other 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 as members of the examination team: James Menck, CFE, Bob Burch, CFE and Ryan Havick, CFE.

The actuarial portion of this examination was completed by David A. Christhilf, Actuary, ACAS, MAAA, of the Department.

Respectfully submitted,

A handwritten signature in blue ink that reads "Michael Nadeau".

Michael Nadeau, CFE
Examiner-In-Charge
Eide Bailly, LLP

Under the Supervision of,

A handwritten signature in blue ink that reads "Xiangchun Li".

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



Karima M. Woods, Commissioner

Via E-mail

January 5, 2021

Shirish Parikh, M.D., President
Community Care Risk Retention Group, Inc.
711 Troy-Schenectady Road, Suite 201
Latham, NY 12110

RE: Examination of Community Care Risk Retention Group, Inc., as of December 31, 2019

Dear Dr. Parikh:

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 Community Care Risk Retention Group, Inc. (the “Company”), as of December 31, 2019.

Please submit, to my attention, a written response calling attention to any errors or omissions. In addition, if this Report 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 comment and/or recommendation.

If there are no errors or omissions to be brought to our attention, and there is 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 February 4, 2021. The signed response should be on the Company’s letterhead and sent electronically via e-mail to me, in an adobe “pdf” format, to sean.odonnell@dc.gov.

Sincerely,

Sean O'Donnell

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

Enclosure



February 5, 2021

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau

VIA EMAIL TO sean.odonnell@dc.gov

Dear Mr. O'Donnell:

Community Care Risk Retention Group, Inc. ("Company") is in receipt of the draft copy of the Report on Examination ("Report") of the affairs and financial condition of our Company. We are pleased to confirm that there are no errors or omissions that need further attention in the draft report.

Thank you for the opportunity to work with your team on our examination. We appreciate all your hard work and we look forward to working together in the future. In there is anything else needed, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Shirish Parikh', is written over a light blue horizontal line.

Shirish Parikh, M.D.

President & CEO

Community Care Risk Retention Group, Inc.

Karima M. Woods, Commissioner

Via E-mail

February 5, 2021

Shirish Parikh, M.D., President
Community Care Risk Retention Group, Inc.
711 Troy-Schenectady Road, Suite 201
Latham, NY 12110

RE: Examination of Community Care Risk Retention Group, Inc., as of December 31, 2019

Dear Dr. Parikh:

We are in receipt of your response, dated February 5, 2021, regarding the Report on Examination of Community Care Risk Retention Group, Inc. (the “Company”), as of December 31, 2019. 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

Enclosure