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

Re: Report on Examination – ISMIE Risk Retention Group, Inc. as of December 31, 2022

ORDER

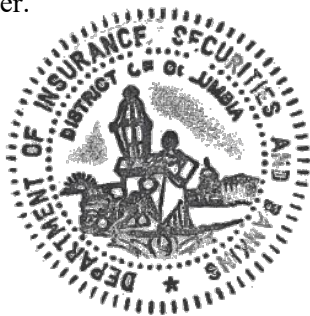
In accord with the authority established by D.C. Official Code § 31-1402, an examination of **ISMIE Risk Retention Group, Inc.**, (the “Company”), as of December 31, 2022, has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“Department”). The Department reported 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 7th day of June 2024, 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
Deputy Commissioner for Market Operations

Government of the District of Columbia

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



DC DEPARTMENT OF
**INSURANCE, SECURITIES
AND BANKING**

REPORT ON EXAMINATION

ISMIE RISK RETENTION GROUP, INC.

AS OF

DECEMBER 31, 2022

NAIC NUMBER 16638

TABLE OF CONTENTS

Salutation	1
Scope of Examination	1
Summary of Significant Findings	2
Status of Prior Examination Findings	2
History.....	2
General	2
Membership	3
Dividends and Distributions	3
Management and Control.....	3
Board of Directors and Officers.....	3
Committees	4
Conflicts of Interest.....	4
Corporate Records	4
Captive Manager	5
Affiliated Parties and Transactions	5
Territory and Plan of Operation.....	6
Reinsurance.....	6
Financial Statements	7
Balance Sheet.....	8
Assets	8
Liabilities, Surplus and Other Funds	8
Statement of Income	9
Capital and Surplus Account	10
Analysis of Examination Changes to Surplus.....	10
Subsequent Events	10
Summary of Recommendations	10
Signatures.....	11

Washington, D.C.
April 29, 2024

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 31-3931.14 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

ISMIE Risk Retention Group, Inc.

hereinafter referred to as the “Company” or “ISMIE RRG”.

SCOPE OF EXAMINATION

This full-scope examination, covering the period from August 22, 2019 through December 31, 2022, including any material transactions and/or events noted occurring subsequent to December 31, 2022, was conducted by the District of Columbia Department of Insurance, Securities and Banking (the “Department”).

Our examination of the Company was one of three coordinated financial condition examinations conducted of companies in the ISMIE Group by the State of Illinois and by the Department. The examinations were coordinated by the Illinois Department of Insurance. The examination reports of the Illinois-domiciled companies, ISMIE Mutual Insurance Company (“ISMIE Mutual”) and ISMIE Indemnity Insurance Company (ISMIE Indemnity”), will be issued by the Illinois Department of Insurance (“IL DOI”) under separate cover.

We conducted our coordinated 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 Statutory Accounting Principles (“SAP”). 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 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.

For the years 2019 through 2022, the Company received an exemption from the Department for an annual audit due to no written premiums. We concentrated our examination efforts on the year ended December 31, 2022.

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 full scope financial examination of the Company.

HISTORY

General:

ISMIE RRG was licensed on August 22, 2019 as a mutual captive insurance company, operating as a risk retention group, under the captive insurance laws of the District of Columbia. The Company has not yet commenced business.

The Company was sponsored by ISMIE Mutual, a mutual insurance company domiciled in Illinois, to provide medical professional liability insurance to medical professionals and healthcare facilities in the State of New York and potentially other states. ISMIE Mutual is the ultimate controlling entity of the ISMIE holding company system. See further comments regarding ISMIE Mutual and the ISMIE holding company system in the “Affiliated Parties and Transactions” section of this report.

Membership:

As a risk retention group, the Company is owned by its member insureds. As a mutual insurer, ISMIE RRG does not issue stock or other certificates of ownership. As of December 31, 2022, the Company has not started writing business and therefore there are no members.

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, 2022 were as follows:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Alejandro Aparicio, M.D. Illinois	Retired Physician
Paul H. DeHaan, M.D. Illinois	Physician Mercy Health System
Peter E. Eupierre, M.D. Illinois	Senior Partner, Chief Executive Officer & Physician Peter E. Eupierre, M.D, S.C.
Richard A. Geline, M.D. Illinois	President and Physician Richard A. Geline, M.D., S.C.
Milton L. Sprang, M.D. Illinois	Professor Emeritus & Retired Physician
John E. Washburn Illinois	Retired Insurance Executive

D.C. Municipal Regulations ("DCMR") 3775, Governance Standards for Risk Retention Groups, requires the board of directors to have a majority of independent directors. In addition, the Company's bylaws and Surplus Note Agreement allows for ISMIE Mutual to appoint up to 40% of the directors. As of December 31, 2022, the Company's board was neither majority independent nor was the board composition in compliance with the Company's bylaws and the terms of the Surplus Note Agreement. We discussed this situation with the Company during the examination and management indicated that additional independent directors will be added from policyholders once the Company begins writing business.

The following persons were serving as the Company's officers as of December 31, 2022:

<u>Name</u>	<u>Position</u>
Paul H. DeHaan, M.D.	Chairman
Peter E. Eupierre, M.D.	Vice Chairman
Richard A. Geline, M.D.	Secretary/Treasurer
Alexander R. Lerner	Chief Executive Officer
Robert J. Kane	Chief Legal and Compliance Officer
David A. Wichmann	Senior Vice President Finance & Chief Financial Officer
Scott H. Beckman	Senior Vice President Risk Management and Claims
Cheryl L. Koos	Chief Operating and Administration Officer

Committees:

As of December 31, 2022, the Company's board of directors had established the following committees:

Executive and Nominating Committee

Paul H. DeHaan, M.D.
Peter E. Eupierre, M.D.
Richard A. Geline, M.D.

Audit Committee

The Company notified the Department that the entire board of directors of the Company constitutes the audit committee.

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 Company's 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, the minutes documented the board's review and approval of the Company's significant transactions and events. Section 31-3931.11(d) of the Code and DCMR 3709.1 and 3709.2 require the board of directors of a captive insurer to meet at least one time each year in the District of Columbia ("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. Management indicated it recognizes the importance of maintaining compliance with the Code and DCMR and will ensure the requirements are met going forward.

Captive Manager:

ISMIE Mutual has managed the Company since inception.

Affiliated Parties and Transactions:

As previously indicated in the "History" section of this report, the Company is a member of the ISMIE holding company system. The ultimate controlling entity in the ISMIE group of companies is ISMIE Mutual. ISMIE Mutual has no ownership interest in the Company. However, ISMIE Mutual has sponsored the Company's formation and has been managing the Company's daily business operations since inception under a captive management agreement and a program management agreement, collectively referred to as the "Agreements". In addition, ISMIE Mutual is the lender to the Company of \$1 million, pursuant to a subordinated surplus note agreement ("Surplus Note"). Under the Company's bylaws and the terms of the Surplus Note, until the Surplus Note is paid in full, with interest, ISMIE Mutual has the following rights relating to control of the Company: (i) ISMIE Mutual has the right to appoint one third (1/3) of all members to the Company's board, but no more than forty percent (40%) if the total number of directors is not evenly divisible by three (3); and (ii) The Company's CEO and the third party administrator providing services to the Company may not be dismissed without ISMIE Mutual's consent unless "for cause" as determined by the board directors.

During the period under examination and up to the date of this Report, the Company has the following transactions with ISMIE Mutual and other affiliates:

ISMIE Mutual provided the initial capitalization of the Company with a \$1 million Surplus Note dated October 25, 2019 which matures on December 1, 2040. The Surplus Note interest rate is two and thirty-five hundredths percent (2.35%) per annum. No interest or principal shall be paid without prior approval of the Department. As of December 31, 2022, no interest or principal payments have been made or accrued. Unrecorded interest of \$79,287 has been accumulated since inception.

Through the Agreements with ISMIE Mutual, effective October 25, 2019, the Company's daily operations, including financial and accounting services, information technology, underwriting, marketing, claims handling, risk management functions, administrative, managerial, organizational, and regulatory services, are managed by ISMIE Mutual. As of December 31, 2022, compensation for the services provided is \$10,000 annually for captive management expenses and \$10,000 plus one and one tenth percent (1.10%) of direct written premium annually for program management expenses, payable quarterly beginning six months after the Company receives its initial premium payment. During the examination period, due to the Company having not yet

commencing business, no payments have been made under the Agreements by the Company to ISMIE Mutual.

Additionally, the Company is a party to a reinsurance agreement with ISMIE Mutual. See further details regarding this agreement in the “Reinsurance” section of this Report.

Subsequent to the period under examination, the tax allocation agreement with affiliates, ISMIE Mutual and ISMIE Indemnity, was revised to include ISMIE RRG and was entered into on October 20, 2023.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2022, the Company was licensed in the District of Columbia and was registered as a risk retention group in the State of New York. As of December 31, 2022 and through the date of this report, the Company had not commenced writing business.

The Company offers medical professional liability insurance policies on a claims-made basis to physicians, surgeons, medical groups, and healthcare facilities, with limits up to \$2 million per occurrence and \$4 million in the aggregate. The Company also offers excess liability coverage on claims-made and occurrence basis, with limits up to \$2 million per occurrence and \$4 million in the aggregate, only on programs where the Company is the primary insurer.

The Company also offers to healthcare facilities, general liability on a claims-made and occurrence basis, employee benefit liability on a claims-made basis and hired and non-owned auto liability on an occurrence basis, with limits up to \$2 million per occurrence and \$4 million in the aggregate.

All coverages are reinsured through a quota-share reinsurance agreement with ISMIE Mutual. See the “Reinsurance” section of this Report for additional details.

The Company has no employees and its daily business operations are managed by ISMIE Mutual in Chicago, Illinois.

REINSURANCE

Assumed:

The Company did not assume any business during the examination period.

Ceded:

For the period under examination, the Company was party to a quota-share reinsurance agreement with ISMIE Mutual. Under the terms of the agreement, the Company ceded to ISMIE Mutual ninety-five percent (95%) of premiums and losses. The Company receives a ceding

commission equal to expenses incurred for producing the business. The contract is renewed on an annual basis.

As of December 31, 2022, the Company has not written any business. There are no ceded premiums, receivables from reinsurers, ceded loss reserves or ceded unearned premiums.

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, 2022. The financial statements were prepared in accordance with SAP 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.

<u>STATEMENT</u>	<u>PAGE</u>
Balance Sheet:	8
Assets	8
Liabilities, Surplus and Other Funds	8
Statement of Income	9
Capital and Surplus Account	10
Analysis of Examination Changes to Surplus	10

BALANCE SHEET

ASSETS

	<i>December 31, 2022</i>
Cash	\$ 953,026
Subtotal cash and invested assets	\$ 953,026
Current federal income tax recoverable and interest thereon	9,865
Total	<u>\$ 962,891</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

	<i>December 31, 2022</i>
Total liabilities	<u>\$ -</u>
Surplus notes	\$ 1,000,000
Unassigned funds (surplus)	<u>(37,109)</u>
Total capital and surplus	<u>\$ 962,891</u>
Total	<u>\$ 962,891</u>

STATEMENT OF INCOME

	<i>December 31, 2022</i>
UNDERWRITING INCOME	\$ -
DEDUCTIONS	
Other underwriting expenses incurred	17,147
Total underwriting deductions	\$ 17,147
Net underwriting gain (loss)	\$ (17,147)
INVESTMENT INCOME	
Net investment income earned	\$ 3,866
Net income before dividends and taxes	\$ (13,281)
Federal taxes incurred	(2,789)
Net income	<u>\$ (10,492)</u>

CAPITAL AND SURPLUS ACCOUNT

Initial Surplus:	
Surplus note	\$ 1,000,000
Net income, 2019	<u>789</u>
Net change in surplus, 2019	<u>1,000,789</u>
Total Surplus, December 31, 2019	<u>\$ 1,000,789</u>
Net loss, 2020	<u>(11,958)</u>
Net change in surplus, 2020	<u>(11,958)</u>
Total Surplus, December 31, 2020	<u>\$ 988,831</u>
Net loss, 2021	<u>(15,448)</u>
Net change in surplus, 2021	<u>(15,448)</u>
Total Surplus, December 31, 2021	<u>\$ 973,383</u>
Net loss, 2022	<u>(10,492)</u>
Net change in surplus, 2022	<u>(10,492)</u>
Total Surplus, December 31, 2022	<u><u>\$ 962,891</u></u>

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

There were no changes to the Company's surplus as a result of our examination.

SUBSEQUENT EVENTS

On March 27, 2024, the RRG submitted a request to dissolve. As of the date of this report, the Department is reviewing the request and anticipates approving it by or before June 30, 2024.

SUMMARY OF RECOMMENDATIONS

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

SIGNATURES

In addition to the undersigned, James Menck, CFE, of Noble Consulting Services, Inc., representing the Department, participated in this examination.

Respectfully submitted,

Robin Roberts

Robin Roberts, CFE
Examiner-In-Charge
Noble Consulting Services, Inc.

Under the Supervision of,

Rebecca Davis

Rebecca Davis, PIR
Supervising Examiner
District of Columbia Department of Insurance,
Securities and Banking

Via E-mail

June 4, 2024

Alexander R. Lerner, Chief Executive Officer
ISMIE Risk Retention Group, Inc.
1050 Connecticut Ave. NW, Suite 1100
Washington, D.C. 20036

RE: Examination of ISMIE Risk Retention Group, Inc., as of December 31, 2022

Dear Mr. Lerner:

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 ISMIE Risk Retention Group, Inc., (the “Company”), as of December 31, 2022.

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 June 14, 2024. 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,
Director of Financial Examination and
Acting Associate Commissioner
Risk Finance Bureau
Enclosure



June 7, 2024

VIA EMAIL TRANSMISSION

sean.odonnell@dc.gov

Sean O'Donnell

Director of Financial Examination & Acting Associate

Commissioner Risk Finance Bureau

D.C. Department of Insurance, Securities and Banking

1050 First Street, N.E., Ste. 801

Washington, D.C. 20002

Re: Examination of ISMIE Risk Retention Group, Inc., as of December 31, 2022

Dear Mr. O'Donnell:

We have received and reviewed the draft copy of the Report of Examination of the affairs and financial condition of ISMIE Risk Retention Group, Inc. (the "Company"), as of December 31, 2022.

Please be advised that the Company accepts the Report as presented.

Sincerely,

A handwritten signature in blue ink, appearing to read "A. R. Lerner", with a checkmark at the end.

Alexander R. Lerner

Chief Executive Officer

Via E-mail

June 7, 2024

Alexander R. Lerner, Chief Executive Officer
ISMIE Risk Retention Group, Inc.
1050 Connecticut Ave. NW, Suite 1100
Washington, D.C. 20036

RE: Examination of ISMIE Risk Retention Group, Inc., as of December 31, 2022

Dear Mr. Lerner:

We are in receipt of your response, dated June 7, 2024, regarding the Report on Examination of ISMIE Risk Retention Group, Inc., (the “Company”), as of December 31, 2022. 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 mail the originals of these affidavits to my attention at the Department, or, alternatively, PDFs may be emailed to my attention and submission of the originals is not required.

Please contact me at 202-442-8153 if you have any questions.

Sincerely,



Sean O’Donnell
Director of Financial Examination and
Acting Associate Commissioner
Risk Finance Bureau
sean.odonnell@dc.gov

Enclosure