BEFORE THE INSURANCE COMMISSIONER OF THE DISTRICT OF COLUMBIA

Re: Report on Examination – AEGIS Healthcare Risk Retention Group, Inc., as of December 31, 2023

ORDER

In accord with the authority established by D.C. Official Code § 31-1402, an examination of **AEGIS Healthcare Risk Retention Group, Inc**., (the "Company"), as of December 31, 2023, 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 17th day of June 2025, 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
Deputy Commissioner for Market Operations

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING
DISTRICT OF COLUMBIA

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

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REPORT ON EXAMINATION

AEGIS HEALTHCARE RISK RETENTION GROUP, INC.

AS OF

DECEMBER 31, 2023

NAIC NUMBER 12252

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Washington, D.C.
April 25, 2025

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

AEGIS Healthcare Risk Retention Group, Inc.

hereinafter referred to as the "Company" or "AEGIS".

SCOPE OF EXAMINATION

This full-scope examination, covering the period from January 1, 2019 through December 31, 2023, including any material transactions and/or events noted occurring subsequent to December 31, 2023, 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 ("GAAP"). The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

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

The Company was audited by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2019 through 2023. We placed substantial reliance on the audited financial statements for calendar years 2019 through 2022, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2023. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2023. 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 changes in financial statements. See the "Summary of Recommendations" section of this report for comments regarding the Company's compliance with its bylaws.

STATUS OF PRIOR EXAMINATION FINDINGS

A full scope examination was conducted by the Department as of December 31, 2018, which covered the period of January 1, 2014 through December 31, 2018. There were no material adverse findings, significant findings of non-compliance, or material changes in the financial statements.

HISTORY

General:

AEGIS was incorporated on August 5, 2004 and commenced business October 1, 2004 as a risk retention group in the District of Columbia under the District's captive insurance laws.

The Company was formed to provide professional liability and general liability insurance coverage to Aegis Healthcare Business Solutions, Inc. ("Aegis Solutions") and the long-term care facilities that are members of Mid-Atlantic LifeSpan ("LifeSpan"), a trade association for senior care facilities in the State of Maryland.

Effective in 2011, insured members of the Company are no longer required to be members of LifeSpan.

Membership:

The Company was initially capitalized with $525,000 in letters of credit and $125,000 in cash through the issuance of common stock shares to its policyholders/members. Additional letters of credit have been contributed by members since inception of the Company.

The Company is authorized to issue 5,001,100 common stock shares, consisting of:

a) 1,000 shares of class A common stock, par value $1.00 per share;
b) 5,000,000 shares of class B common stock, par value $0.40 per share;
c) 100 shares of class C common stock, par value $1.00 per share.

According to the Company's Stock Subscription Agreement, each policyholder/member must purchase one share of class A common stock. In addition, each policyholder/member must purchase class B common stock shares equal to one-third of the initial annual policy premium. Payment for class A and class B shares shall be made in the form of letters of credit issued by a bank acceptable to the Company for the benefit of the Commissioner of the Department. The outstanding share of class C common stock is solely owned by LifeSpan.

The holders of class A common stock have the right to appoint not less than three and up to a maximum of eleven of the Company's directors. The holders of class B common stock do not have the right to appoint any of the Company's directors but do have dividend participation rights. LifeSpan, as holder of the only outstanding share of class C common stock, has the right to elect the remaining one director. Additionally, all holders of class A and class C common stock are entitled to vote on all matters submitted to a vote at a meeting of shareholders. Class B shareholders do not have any voting rights.

Every three years, the outstanding shares of class B stock are reallocated among the class B shareholders based on the ratio of each shareholder's premium to the total Company premium. The shareholders' letters of credit are then revised to correspond with the new number of shares outstanding.

Subject to approval of the Department and the Company's board of directors, all classes of common stock shareholders may redeem their shares upon termination of their insurance coverage with the Company. However, class A and B shareholders forfeit their capital contributions if the termination occurs within four years of obtaining insurance coverage with the Company.

As of December 31, 2023, the Company has issued the following shares of common stock: 11 shares of Class A common stock, 343,030 shares of Class B common stock and 1 share of Class C common stock.

Dividends and Distributions:

The Company did not declare or pay any dividends during the period under examination. In 2019 and 2021, the Company requested and obtained approval from the Department to redeem/repurchase a portion of Class A shares due to the termination of members' insurance policies for those years, totaling $171,804 and $306,792, respectively.

MANAGEMENT AND CONTROL

Board of Directors and Officers:

The Company's directors serving as of December 31, 2023 were as follows:

Name and State of Residence	Principal Occupation
Michele Lagana Maryland	Chief Financial Officer Keswick Multi-Care Center
Wesley Malin Maryland	Director of Corporate Support Services Brooke Grove Foundation, Inc.
Paul Miller Maryland	Senior VP of Operations and Products LifeSpan Network
Steven Powell, Chair Maryland	VP Finance & Technology Lutheran Social Ministries of Maryland
Terry Weaver Maryland	Chief Financial Officer Sagepoint Senior Living Services

The following persons were serving as the Company's officers as of December 31, 2023:

Name	Position
Vacant	President*
Vacant	Secretary#
Michele Lagana	Treasurer*
Kimberly Anderson	Assistant Treasurer

*During the period under review, the position of President was vacant for the entire period and the position of Treasurer was vacant from June 30, 2020 through September 30, 2023. The positions of President and Treasurer are required per Article III, section 3.01 of the Company's bylaws. See the "Summary of Recommendations" section of this Report for further comments.

#Subsequent to December 31, 2023, Wesley Malin was named Secretary.

Committees:

As of December 31, 2023, the Company’s board of directors had established the following committees:

Investment Committee

Vacant – Chairman
Paul Miller
Steven Powell
Kimberly Anderson

Finance & Audit Committee

Michele Lagana – Chairman
Paul Miller
Steven Powell
Kimberly Anderson

Underwriting Committee
Steven Powell – Chairman
Paul Miller
Angela Dignan

Marketing Committee
Vacant – Chairman
Paul Miller
Angela Dignan

Claims Committee
Vacant – Chairman
Michele Lagana
Dennis Hunter
Steven Powell
Scott Liebel

Risk Management Committee
Vacant – Chairman
John Midolo
Rusty Mitchell
Sally Kweti
Shelly Shuman
Steven Powell
Adam Arcadia
Michelle Rosenheim
Ed Walter
Bunny Renaud
Jeff Metz
Jenifer Labute
Stephen Sporn
Michele Lagana
Nancy Connelly

Conflicts of Interest:

In accordance with the District of Columbia Municipal Regulations (DCMR), conflict of interest statements are to be completed annually by all directors, officers, and key employees. Our review of the conflict of interest statements, for the Company’s directors, for the period under review disclosed there were no conflicts of interest reported that would adversely impact 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, it appears the minutes have documented the review and approval of the Company's significant transactions and events.

Captive Manager:

Riggs, Counselman, Michaels & Downes ("RCM&D") has been the Company's captive manager since incorporation and provides services that include marketing, renewal management, HIPAA privacy compliance services, vendor management, insurance agency, and other services mutually agreed upon. In addition, RCM&D Self Insurance Services Company ("SISCO"), an affiliate of RCM&D, provides claims administration, along with underwriting and risk management consultation services to the Company.

Affiliated Parties and Transactions:

The Company is not a member of a holding company group and has no affiliated parties and transactions during the period under examination.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2023, the Company was licensed in the District of Columbia and was registered as a risk retention group in Maryland. One hundred percent of the Company's 2023 premium ($2,202,485) was written in Maryland.

The Company provides claims-made professional liability and general liability coverage to long-term care facility members via assessable policies, except for LifeSpan for which the policies are non-assessable. Limits are offered up to $1 million per occurrence and $3 million aggregate per policy. In addition, the Company offers optional excess coverage up to $10 million in excess of $1 million per claim. To manage its risks under its policies, the Company participates in an excess of loss reinsurance treaty under which it retains $250,000 ultimate net loss for each and every claim.

Effective January 1, 2014, the Company began providing information security and privacy insurance with breach response services to insureds, at no additional charge, ranging from $250,000 to $1 million per claim for information security and privacy and $25,000 to $1 million per claim for breach response services. This coverage was 100% reinsured such that Aegis has no net retention. As of December 31, 2023, this coverage was no longer provided to members.

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, RCM&D, provided the Company with regulatory filings services, program management and business consulting services at its offices in Baltimore, Maryland. Claims handling functions are provided to the Company by SISCO, in Baltimore, Maryland. Neither RCM&D nor SISCO are affiliates of the Company.

REINSURANCE

Assumed:

As of December 31, 2023, the Company does not assume business.

Ceded:

Effective January 1, 2023 the Company entered into two excess of loss treaties with various approved reinsurers. The first treaty has a term of 36 months, extending over three contract periods and expiring on January 1, 2026. The second treaty has a term of 12 months, renewing annually. The reinsurance treaties can be cancelled by either party giving notice in writing to the other party 90 days prior to the treaties' anniversary dates.

Under the first excess of loss treaty, the Company cedes $750,000 in excess of $250,000 each and every claim each insured for its primary insurance policies. The maximum recoverable by the Company for the contract period shall not exceed an amount equivalent to 350% of the reinsurance premium. The premium for each annual period will be adjusted at twelve months after expiry at a rate equivalent to 102.5% of the cumulative incurred loss cost plus a minimum rate for the contract period of 20%.

Under the second excess of loss treaty, the Company cedes all amounts in excess of $1 million up to $10 million ultimate net loss each and every claim. The maximum recoverable by the Company for the contract period is $10 million of the ultimate net loss including pro rata allocated loss adjustment expenses.

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, 2023. The financial statements were prepared in accordance with GAAP 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.

BALANCE SHEET

ASSETS

		December 31, 2023
Bonds	$	619,307
Common Stocks		799,487
Cash, cash equivalents, and short-term investments		1,984,353
Subtotals, cash and invested assets	$	3,403,147
Investment income due and accrued		4,619
Uncollected premiums and agents balances in the course of collection		14,399
Other amounts receivable under reinsurance contracts		321,209
Current federal income tax recoverable and interest thereon		119,690
Net deferred tax asset		211,512
Aggregate write-ins for other than invested assets **(NOTE 1)**		2,421,878
Total	$	6,496,454

LIABILITIES, SURPLUS AND OTHER FUNDS

	December 31, 2023
Losses **(NOTE 2)**	$ 1,861,793
Loss adjustment expenses (**NOTE 2**)	452,087
Commissions payable	10,132
Other expenses	102,917
Taxes, licenses and fees (excluding federal and foreign income taxes)	74,195
Unearned premiums (after deducting unearned premiums for ceded reinsurance of $23,533)	125,016
Ceded reinsurance premiums payable	512,535
Total liabilities	$ 3,138,675
Common capital stock	$ 160,867
Gross paid in and contributed surplus	2,966,726
Unassigned funds (surplus)	230,186
Surplus as regards policyholders	$ 3,357,779
Total	$ 6,496,454

STATEMENT OF INCOME

		December 31, 2023
UNDERWRITING INCOME		
Premiums earned	$	1,543,372
DEDUCTIONS		
Losses incurred		669,172
Loss adjustment expenses incurred		387,094
Other underwriting expenses incurred		484,230
Total underwriting expenses	$	1,540,496
Net underwriting gain	$	2,876
INVESTMENT INCOME		
Net investment income earned		42,327
Net realized capital gains		50,557
Net investment gain	$	92,884
Income before federal income taxes	$	95,760
Federal income taxes incurred		21,397
Net income	$	74,363

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2018	$	2,627,213
Net income, 2019		7,933
Change in net unrealized capital gains		28,912
Change in net deferred income tax		1,141
Cumulative effect of changes in accounting principles		(7,214)
Net change in surplus as regards policyholders, 2019		30,772
Surplus as regards policyholders, December 31, 2019	$	2,657,985
Net income, 2020		315,267
Change in net unrealized capital gains		21,115
Capital changes: Paid in		4,477
Surplus adjustments: Paid in		393,934
Net change in surplus as regards policyholders, 2020		734,793
Surplus as regards policyholders, December 31, 2020	$	3,392,778
Net income, 2021		358,893
Change in net unrealized capital losses		(27,056)
Net change in surplus as regards policyholders, 2021		331,837
Surplus as regards policyholders, December 31, 2021	$	3,724,615
Net loss, 2022		(428,358)
Change in net unrealized capital gains		(40,711)
Surplus adjustments: Paid in		(13,818)
Net change in surplus as regards policyholders, 2022		(482,887)
Surplus as regards policyholders, December 31, 2022	$	3,241,728
Net income, 2023		74,363
Change in net unrealized capital losses		13,688
Capital changes: Paid in		2,028
Surplus adjustments: Paid in		25,972
Net change in surplus, 2023		116,051
Surplus as regards policyholders, December 31, 2023	$	3,357,779

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 – Aggregate Write-Ins For Other Than Invested Assets:

The Company reported "Aggregate write-ins for other than invested assets" totaling $2,421,878, consisting of member letters of credit totaling $2,403,000 and deferred policy acquisition costs totaling $18,878.

NOTE 2 – Losses and Loss Adjustment Expenses Reserves:

The Company reported "Losses" and "Loss adjustment expenses" reserves net of reinsurance totaling $1,861,793 and $452,087, respectively. These reserves represent management's best estimate of the net amounts necessary to pay all claims and related expenses that have been incurred but are still unpaid as of December 31, 2023. Reserve credits taken for loss and loss adjustment expenses as of December 31, 2023, for cessions to the Company's reinsurer totaled $472,000.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expenses reserves as of December 31, 2023 were reviewed as part of our examination. As part of our review, we relied on the Company's actuary, who concluded that the reserves on the Company's books 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, 2023, were reasonable and adequate.

SUBSEQUENT EVENTS

2024 Results of Operation:

For the period ended December 31, 2024, the Company reported "Net underwriting loss" totaling $1,117,430 and total "Net loss" totaling $824,188. During 2024, the Company experienced an increase in the severity of reported claims which contributed to higher net direct incurred losses and loss adjustment expenses compared to recent years, contributing to the net underwriting loss and total net loss reported at December 31, 2024. As of the date of this report, the Department is working with Company management to address the issues contributing to losses reported for the period ended December 31, 2024.

SUMMARY OF RECOMMENDATIONS

Compliance with Company Bylaws

The Company's bylaws require the Company to have a President, a Secretary and a Treasurer. However, our examination disclosed that the Company did not always comply with this requirement. Specifically, the Company did not have a President for the entire period under review and did not have a Treasurer from June 30, 2020 to September 30, 2023.

We recommend the directors and management of the Company ensure compliance with all provisions in the Company's bylaws.

SIGNATURES

In addition to the undersigned, LaTasha Davis and David A. Christhilf, ACAS, MAAA, from the Department, and the following examiners representing the Department, participated in this examination:

Thomas Mayberry, CFE, EWM Group, PC
Paul Sliwinski, ARe, EWM Group, PC
Chris Davis, CFE, EWM Group, PC
Jenny Jeffers, CISA, AES, Jennan Enterprises
Joseph Detrick, CISA, AES, CFE, CPA, Jennan Enterprises

Respectfully submitted,

Philip D Engelhart

____
Philip D. Engelhart, CFE
Examiner-In-Charge
EWM Group, PC

Under the Supervision of,

Christine Afolabi
____
Christine Afolabi, AFE
Supervising Examiner
District of Columbia Department of Insurance, Securities and Banking

Via E-mail

May 28, 2025

Steven D. Powell, Chair
AEGIS Healthcare Risk Retention Group, Inc.
1440 New York Avenue NW, Suite 200
Washington, D.C. 20005

RE: Examination of AEGIS Healthcare Risk Retention Group, Inc., as of December 31, 2023

Dear Mr. Powell:

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 AEGIS Healthcare Risk Retention Group, Inc., (the "Company"), as of December 31, 2023.

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 13, 2025. 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,
Associate Commissioner
Risk Finance Bureau
Enclosure

AEGIS HEALTHCARE RISK RETENTION GROUP, INC.

1440 New York Avenue NW, Suite 200
Washington, DC 20005

June 11, 2025

Sean O'Donnell
Associate Commissioner
Risk Finance Bureau
District of Columbia Department of Insurance, Securities and Banking
1050 First Street NE, Suite 801
Washington, DC 20002

Via email: sean.odonnell@dc.gov

Re: Examination of AEGIS Healthcare Risk Retention Group, Inc., as of December 31, 2023

Dear Mr. O'Donnell,

The draft examination report of AEGIS Healthcare Risk Retention Group, Inc., as of December 31, 2023 has been reviewed for accuracy, errors, or omissions, as well as a review of the "Summary of Recommendations".

The "Summary of Recommendations" noted that the group had vacancies in the Officer positions of President, Secretary, and/or Treasurer at certain times throughout the examination period, which was out of compliance with the Company's bylaws. Two courses of corrective action have occurred. First, legal counsel has ensured that the Company understands the requirements as written in the bylaws and have reviewed them with the Board of Directors. Secondly, at the June 2, 2025 Board of Directors and Shareholder meeting of the Company, a resolution was passed to amend and approve Mr. Powell's Officer title from Chairman to President. The Company has always reviewed these Officer positions at the semi-annual Board of Director meetings, and will now ensure that there are no vacancies going forward.

No errors or omissions were noted in the report, and the Company accepts this report.

Sincerely,

DocuSigned by:
Steve Powell
193532F28198435...
Steven D. Powell
President
AEGIS Healthcare Risk Retention Group, Inc.

DISB | GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

Karima M. Woods, Commissioner

Via E-mail

June 17, 2025

Steven D. Powell, Chair
AEGIS Healthcare Risk Retention Group, Inc.
1440 New York Avenue NW, Suite 200
Washington, D.C. 20005

RE: Examination of AEGIS Healthcare Risk Retention Group, Inc., as of December 31, 2023

Dear Mr. Powell:

We are in receipt of your response, dated June 11, 2025 regarding the Report on Examination of AEGIS Healthcare Risk Retention Group, Inc., (the "Company"), as of December 31, 2023. 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

Sean O'Donnell
Associate Commissioner
Risk Finance Bureau
sean.odonnell@dc.gov
Enclosure