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

Re: Report on Examination – MLM 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 **MLM 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 29th day of January 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  
Deputy Commissioner  
Market Operations



GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



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

REPORT ON EXAMINATION

MLM RISK RETENTION GROUP, INC.

AS OF

DECEMBER 31, 2023

NAIC NUMBER 16026

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Washington, D.C.  
November 13, 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

**MLM Risk Retention Group, Inc.**

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

**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”).

Our examination of the Company was one of two coordinated financial condition examinations conducted of companies in the Minnesota Lawyers Mutual Insurance Group (“Group”) by the State of Minnesota and by the District of Columbia. The examinations were coordinated by the Minnesota Department of Commerce.

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.

The Company was audited by an independent public accounting firm. The firm expressed an unqualified opinion on the Company's financial statements for the calendar year 2023. For years 2019 to 2022, the Company received an exemption from the Department for an annual audit due to the low volume of written premiums. 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 adverse findings, significant findings of non-compliance, or material changes in financial statements.

### **STATUS OF PRIOR EXAMINATION FINDINGS**

A full scope examination was conducted by the Department as of December 31, 2018, which covered the period of September 23, 2016 through December 31, 2018. There were no material adverse findings, significant findings of non-compliance, or material changes in financial statements.

### **HISTORY**

#### **General:**

MLM RRG was incorporated as a mutual captive insurer operating as a risk retention group, under the captive insurance laws of the District of Columbia on September 23, 2016. The Company commenced business on December 13, 2016.

The Company was sponsored by Minnesota Lawyers Mutual Insurance Company ("MLM"), a mutual insurance company domiciled in Minnesota. The Company was formed to provide, initially in the District of Columbia, Minnesota and Virginia, lawyers professional liability insurance and specialty professional liability insurance for attorneys and other professionals associated with the legal community. MLM is the ultimate controlling entity in the

MLM holding company system. See further comments regarding MLM and the MLM 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, consisting of attorneys, judges, limited license legal technicians, alternative dispute resolution practitioners, and paralegals. As a mutual insurer, MLM RRG does not issue stock or other certificates of ownership. Each policyholder is automatically a member and owner of MLM RRG.

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, 2023 were as follows:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Paul M. Ablan Minnesota	President and Chief Executive Officer Minnesota Lawyers Mutual Insurance Company
Scott A. Turner Minnesota	Executive Vice President and Chief Financial Officer Minnesota Lawyers Mutual Insurance Company
Jeffrey R. Niemala Minnesota	Principal Niemala Mediation
James A. Reiman Illinois	Principal Reiman ADR
Timothy J. Gephart Minnesota	Retired

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

<u>Name</u>	<u>Position</u>
Paul M. Ablan	President and Chief Executive Officer
Scott A. Turner	Vice President, Secretary, and Treasurer

Committees:

As of December 31, 2023, the Company’s board of directors had not established any committees. The Company has designated its full board of directors to serve as the audit committee.

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 period under review disclosed there were no conflicts of interest reported that would adversely impact the Company. However, the Company was unable to provide signed conflict of interest statements for the majority of its directors from 2021 to 2023 and for an officer for 2022. Overall, ten of the twenty-five statements requested for the years under examination could not be provided. All of the statements for 2019 and 2020 were available. We discussed this situation with the Company during the examination and management indicated that procedures will be implemented to ensure all future required conflict of interest statements would be available for review upon request by the Department.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors and members for the period under examination. We noted the minutes did not always document the required review and approval of certain of the Company’s significant transactions and events, including approval of investments, and including actions required by the Company’s bylaws. During the examination, we discussed this situation with management of the Company and management indicated it recognizes the importance of maintaining compliance with the requirements of the D.C. Official Code, DCMR, and its Bylaws, and will ensure the requirements are met going forward.

Captive Manager:

The Company has been self-managed since inception.

Affiliated Parties and Transactions:

As previously indicated in the “History” section of this report, MLM RRG is a member of the MLM holding company system. The ultimate controlling entity in the MLM group of companies is Minnesota Lawyers Mutual Insurance Company (“MLM”).

MLM has no ownership interest in the Company, however, MLM has sponsored the Company's formation and has been managing the Company's daily business operations since inception under a management agreement, a services agreement, and a producer agreement, collectively referred to as the "Agreements." In addition, MLM 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 Surplus Note, until the Surplus Note is paid in full, with interest, MLM has the following rights relating to control of the Company: (i) MLM 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 divisible by three; (ii) dismissal of the Company's president may only occur with consent of the lender; and (iii) the dismissal of the third party administrator providing services to the Company during the initial five-year term may only occur with the consent of the lender.

During the period under examination and up to the date of this Report, the Company is party to the following transactions with MLM:

MLM provided the initial capitalization of the Company with a \$1,000,000 surplus note dated October 1, 2016 that matures December 1, 2040. Interest is due annually on December 1 of each year with the final payment of any accrued and unpaid interest to be concurrent with the payment of principal on December 1, 2040. The interest rate is 6 percent per annum. No interest shall be paid without prior approval of the Department. No interest payments have been made since inception. Unrecorded interest of \$434,301 has accumulated since inception.

Through the Agreements with MLM effective October 1, 2016, the Company's daily operations, including financial reporting, compliance, underwriting and marketing, risk management, claim administration, accounting, premium billing and collection, cash and disbursement, are managed by MLM. As of December 31, 2023, compensation for the services provided is \$500 per month as well as \$5,000 per year for the annual and quarterly statement filings. Fees for 2023 amounted to \$11,000.

In addition, the Company is a party to a reinsurance agreement with MLM. See further details in the "Reinsurance" section of this Report.

## **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 the following states: Colorado, Connecticut, Illinois, Iowa, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, New Mexico, North Dakota, Ohio, Pennsylvania, South Dakota, Tennessee, Virginia, and Wisconsin. As of December 31, 2023, the Company was writing in all licensed and registered states except Colorado, Connecticut, Ohio, and South Dakota. During 2023, MLM RRG wrote premiums of approximately \$230,000.

The Company offers lawyers professional liability insurance to individual attorney members and law firm members and offers alternative dispute resolution professional liability insurance to individual alternative dispute resolution practitioner members and alternative dispute resolution



firm members. The Company provides coverage on a claims-made basis with limits up to \$5,000,000 per claim and \$5,000,000 per policy aggregate. The Company also offers judicial disciplinary insurance to individual judge members on a claims made basis with limit of \$50,000 per claim and \$50,000 per policy aggregate. Extended reporting coverage endorsements are available for purchase separately.

The Company has no employees and its daily business operations are managed by MLM in Minneapolis, Minnesota.

## **REINSURANCE**

### **Assumed:**

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

### **Ceded:**

The Company entered into a ceded quota-share reinsurance agreement, effective October 1, 2016, with MLM. Under this agreement, the Company ceded ninety-five percent (95%) of its premiums and losses up to \$500,000 per claim and one hundred percent (100%) above \$500,000 per claim. The Company receives a ceding commission of seventeen percent (17%) of the premiums ceded. The contract is automatically renewed until terminated by either party by written notice to the other given at least 6 months prior to the effective date of termination.

During 2023, the Company ceded premiums of \$218,496 under this agreement. As of December 31, 2023, the Company reported amounts recoverable from reinsurers of \$8,410, representing amounts recoverable on paid losses. In addition, the Company reported ceded loss reserves of \$129,500 and ceded unearned premiums of \$109,850. If the reinsurer was not able to meet its obligations under the agreement, the Company would be liable for any defaulted amounts.

## 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 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.

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**BALANCE SHEET**

**ASSETS**

	<i>December 31, 2023</i>
Bonds	\$ 247,621
Cash (\$40,274) and Cash Equivalents (\$665,727)	<u>706,001</u>
Subtotal cash and invested assets	\$ 953,622
Investment income due and accrued	4,204
Uncollected premiums and agents' balances in the course of collection	16,129
Amounts recoverables from reinsurers	8,410
Net deferred tax asset	4,052
Total	<u><u>\$ 986,417</u></u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	<i>December 31, 2023</i>
Losses (NOTE 1)	\$ 1,950
Loss adjustment expenses (NOTE 1)	4,866
Taxes, licenses and fees (excluding federal and foreign income taxes)	18,577
Unearned premium (after deducting unearned premiums for ceded reinsurance of \$109,850)	5,502
Advance premium	15,692
Ceded reinsurance premiums payable (net of ceding commissions)	10,939
Management fee payable	<u>500</u>
Total liabilities	<u>\$ 58,026</u>
Surplus notes	\$ 1,000,000
Unassigned funds (surplus)	<u>(71,609)</u>
Surplus as regards policyholders	<u>\$ 928,391</u>
Total	<u><u>\$ 986,417</u></u>

**STATEMENT OF INCOME**

	<i>December 31, 2023</i>
<b>UNDERWRITING INCOME</b>	
Premiums earned	\$ 10,704
<b>DEDUCTIONS</b>	
Losses incurred	450
Loss adjustment expenses incurred	4,912
Other underwriting expenses incurred	8,045
Total underwriting expenses	\$ 13,407
Net underwriting gain (loss)	\$ (2,703)
<b>INVESTMENT INCOME</b>	
Net investment income earned	\$ 40,601
Net realized capital gains (losses)	(4,231)
Net investment gain (loss)	\$ 36,370
Net Income before dividends and taxes	\$ 33,667
Federal taxes incurred	-
Net income	<u>\$ 33,667</u>

## CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2018	\$ 933,297
Net loss, 2019	(16,945)
Change in net deferred income tax	3,555
Change in nonadmitted assets	<u>(3,450)</u>
Net change in surplus as regards policyholders, 2019	<u>(16,840)</u>
Surplus as regards policyholders, December 31, 2019	<u>\$ 916,457</u>
Net loss, 2020	(16,753)
Change in net deferred income tax	3,518
Change in nonadmitted assets	<u>(1,894)</u>
Net change in surplus as regards policyholders, 2020	<u>(15,129)</u>
Surplus as regards policyholders, December 31, 2020	<u>\$ 901,328</u>
Net loss, 2021	(18,740)
Change in net deferred income tax	3,936
Change in nonadmitted assets	<u>(3,156)</u>
Net change in surplus as regards policyholders, 2021	<u>(17,960)</u>
Surplus as regards policyholders, December 31, 2021	<u>\$ 883,368</u>
Net income, 2022	8,086
Change in net deferred income tax	(1,698)
Change in nonadmitted assets	<u>986</u>
Net change in surplus as regards policyholders, 2022	<u>7,374</u>
Surplus as regards policyholders, December 31, 2022	<u>\$ 890,742</u>
Net income, 2023	33,667
Change in net deferred income tax	(7,070)
Change in nonadmitted assets	<u>11,052</u>
Net change in surplus as regards policyholders, 2023	<u>37,649</u>
Surplus as regards policyholders, December 31, 2023	<u>\$ 928,391</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 net of reinsurance totaling \$1,950 and \$4,866, 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.

The Company was granted a waiver from an actuarial opinion due to the immaterial amount of premiums earned and losses and loss adjustment expenses reserved net of reinsurance. The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2023 were reviewed as part of our examination. As part of our review, a casualty actuary representing the Minnesota Department of Commerce reviewed the Company's reserve estimate prepared by the Company's independent actuary and concurred that the Company's loss and loss adjustment expense reserves as of December 31, 2023 were reasonable.

## **SUBSEQUENT EVENTS**

No significant subsequent events were noted 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, David Christhif, ACAS, MAAA, representing the Department participated in this examination as a member of the examination team.

Respectfully submitted,



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Omar Akel, CFE  
Examiner-In-Charge  
Lewis & Ellis, LLC.

Under the Supervision of,



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



Via E-mail

January 7, 2025

Paul M. Ablan, President and Chief Executive Officer  
MLM Risk Retention Group, Inc.  
333 South 7<sup>th</sup> Street, Suite 2200  
Minneapolis, MN 55402

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

Dear Mr. Ablan:

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 MLM 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 February 6, 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](mailto:sean.odonnell@dc.gov).

Sincerely,



Sean O’Donnell,  
Associate Commissioner  
Risk Finance Bureau  
Enclosure



Via E-mail

January 14, 2025

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

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

Dear Mr. O'Donnell:

We are in receipt of the draft copy of the Report on Examination of the affairs and financial condition of MLM Risk Retention Group, Inc., as of December 31, 2023. We have reviewed the report and have no recommended changes. We accept the report. Please let me know if you require anything further from MLM Risk Retention Group, Inc.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott Turner", is written over a horizontal line.

Scott Turner  
Vice President, Secretary and Treasurer

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Via E-mail

January 28, 2025

Paul M. Ablan, President and Chief Executive Officer  
MLM Risk Retention Group, Inc.  
333 South 7<sup>th</sup> Street, Suite 2200  
Minneapolis, MN 55402

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

Dear Mr. Ablan:

We are in receipt of your response, dated January 14, 2025, regarding the Report on Examination of MLM 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  
Associate Commissioner  
Risk Finance Bureau  
sean.odonnell@dc.gov

Enclosure