



**Government of the District of Columbia
Department of Insurance, Securities and Banking**

Karima Woods
Acting Commissioner

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

Re: Report on Examination – **MedPro RRG Risk Retention Group** as of December 31, 2018

ORDER

In accord with the authority established by D.C. Official Code § 31-1402, an examination of **MedPro RRG Risk Retention Group**, (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 28th day of April 2020, 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.



Karima Woods
Acting Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



REPORT ON EXAMINATION

MEDPRO RRG RISK RETENTION GROUP

AS OF

DECEMBER 31, 2018

NAIC NUMBER 13589

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	3
Conflicts of Interest.....	4
Corporate Records	4
Captive Manager	4
Affiliated Parties and Transactions	4
Territory and Plan of Operation.....	5
Reinsurance.....	5
Financial Statements	7
Balance Sheet.....	8
Assets	8
Liabilities, Surplus and Other Funds	9
Statement of Income	10
Capital and Surplus Account	11
Analysis of Examination Changes to Surplus.....	11
Notes to Financial Statements.....	12
Subsequent Events	12
Summary of Recommendations	12
Signatures.....	13

Washington, D.C.
February 3, 2020

Honorable Karima Woods
Acting Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
1050 First Street, NE, Suite 801
Washington, D.C. 20002

Dear Acting 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

MedPro RRG Risk Retention Group

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

SCOPE OF EXAMINATION

This full-scope examination, covering the period from January 1, 2014 through December 31, 2018, including any material transactions and/or events noted occurring subsequent to December 31, 2018, was conducted by the District of Columbia Department of Insurance, Securities and Banking (the “Department”).

Our examination was one of seven coordinated financial condition examinations conducted of companies which are subsidiaries of or controlled by MedPro Group Inc., (“MedPro Group”) by the States of Indiana, New Jersey, New York and Oklahoma, in addition to the District of Columbia. The examinations were coordinated by the Indiana Department of Insurance.

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 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 2014 through 2018. We placed substantial reliance on the audited financial statements for calendar years 2014 through 2017, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2018. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2018. 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 financial examination was conducted by the Department as of December 31, 2013, which covered the period January 1, 2013 through December 31, 2013. There were no material adverse findings, significant findings of non-compliance, or material changes in financial statements.

HISTORY

General:

MedPro RRG was incorporated as an association captive insurance company, operating as a reciprocal risk retention group, under the captive insurance laws of the District of Columbia on October 28, 2008 and commenced operations on February 13, 2009. The Company is owned by its member insureds and through a Subscriber Agreement and Power of Attorney, the member insureds give the authority to manage MedPro RRG to its attorney-in-fact, MedPro Risk Retention Services, Inc. ("AIF"). The AIF is owned by MedPro Group and is ultimately owned by Berkshire Hathaway Inc. MedPro RRG writes medical professional liability policies for physicians, dentists, and other healthcare providers who are members of MedPro RRG.

Membership:

The Company is owned by its member insureds, consisting of individual and group physicians, dentists, health care professionals, hospitals, and other health care facilities. As a reciprocal insurer, MedPro RRG does not issue stock or other certificates of ownership. Each insured is automatically a member and owner of MedPro 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, 2018 were as follows:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Timothy J. Kenesey Indiana	President and Chief Executive Officer MedPro Group Inc.
Jacob D. Benedict Indiana	Investment Manager AMI Investment Management, Inc.
Cheryl L. Luarde* Indiana	Self-Employed Consultant

*Cheryl L. Luarde was replaced by Randy A. Walker effective January 14, 2019.

The following persons were serving as the Company's officers as of December 31, 2018:

<u>Name</u>	<u>Position</u>
Timothy J. Kenesey	President
Anthony A. Bowser	Vice President and Treasurer
Angela M. Adams	Secretary
Graham T. Billingham, M.D.	Chief Medical Officer

Committees:

The audit committee of the Company's ultimate controlling parent, Berkshire Hathaway, Inc., serves as the Company's audit committee. As of December 31, 2018, the Company's board of directors has not established any other formal committees.

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, it appears that the minutes have documented the review and approval of the Company's significant transactions and events.

Captive Manager:

FaegreBD Group LLC ("FaegreBD") has been the Company's captive manager since inception, and provides regulatory services to the Company.

Affiliated Parties and Transactions:

MedPro RRG is a member of the Berkshire Hathaway holding company group. As indicated in the "History" section of this report, the Company is managed by its attorney-in-fact, AIF, which is owned by MedPro Group. MedPro Group is ultimately owned by Berkshire Hathaway Inc. In addition to the Company and AIF, companies in the MedPro Group include The Medical Protective Company ("TMPC"), Princeton Insurance Company, PLICO, Inc., Wellfleet Insurance Company (formerly known as Commercial Casualty Insurance Company), Wellfleet New York Insurance Company (formerly known as Atlanta International Insurance Company), and AttPro RRG Reciprocal Risk Retention Group. TMPC, a wholly-owned subsidiary of MedPro Group, provides management and operations services for the Company, on behalf of the AIF.

TMPC has no ownership interest in the Company. However, TMPC has sponsored the Company's formation and has been managing the Company's daily business operations, through the AIF, since inception under a management services agreement. In addition, TMPC is the lender to the Company of \$7.25 million pursuant to four Subordinated Surplus Note Agreements ("Surplus Notes").

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

TMPC provided the initial capitalization of the Company with a \$1,300,000 surplus note dated March 2, 2009, as amended July 31, 2009, that matures March 2, 2024. The Department approved a second surplus note dated July 31, 2009 in the amount of \$200,000 that matures on July 31, 2024. A third surplus note was issued on August 6, 2010, with the approval of the Department, in the amount of \$1,750,000 that matures on August 6, 2025. The Department approved a fourth surplus note dated October 24, 2014 in the amount of \$4,000,000 that matures October 24, 2029, resulting

in a surplus note total of \$7,250,000. The initial surplus note interest rate is fixed over the term of the note and is equal to eight percent (8%) per annum; thereafter the loans carry an interest rate of 425 basis points above the 10-year Treasury Note rate in effect at the time of the issuance of the note. No interest or principal on any of the four surplus notes has been paid since inception of the Company and none shall be paid without prior approval of the Department.

Through a Management and Services Agreement effective March 2, 2009, and as amended, TMPC was responsible for underwriting, rate making and pricing, premium billing and collection, marketing, claims, treasury, data processing, legal, reporting, and other services as reasonably requested. Compensation for the services provided was twenty percent (20%) of gross written premium payable on a quarterly basis. Effective February 1, 2017, the fee was changed to sixteen percent (16%). During 2018, the Company incurred fees of \$23,944,605 under this agreement.

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

TERRITORY AND PLAN OF OPERATION

As of December 31, 2018, the Company was licensed in the District of Columbia, and was registered as a risk retention group in the following states: Alaska, Connecticut, Hawaii, Maryland, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, and Wyoming. During 2018, the Company wrote direct premiums totaling approximately \$156 million, ninety six percent (96%) of which was written in New York.

The Company offers professional liability insurance to its member subscribers and makes available for purchase other ancillary coverages which may be part of the professional liability insurance policy including cyber liability, general liability, and employment practices liability. Excess liability coverage is also available to hospital member subscribers requesting such coverage. The Company provides coverage on both an occurrence and claims made basis including extended reporting period endorsements. Policy limits up to \$5,000,000 per occurrence and \$10,000,000 annual policy aggregate are available for individual healthcare providers. Hospitals and other health care facilities have coverage options up to \$1,000,000 per occurrence and \$3,000,000 annual policy aggregate, with excess liability insurance available for up to \$50,000,000. A small number of policies have deductibles ranging from zero to \$50,000 and self-insured retentions of up to \$1,000,000. Allocated loss adjustment expenses are added to losses for purposes of calculating deductibles and self-insured retentions.

REINSURANCE

Ceded:

The Company entered into a quota share reinsurance agreement, effective July 1, 2009, with TMPC. Under this agreement, the Company ceded ninety five percent (95%) of premiums and losses to TMPC. The agreement was amended effective January 1, 2015 to increase the premiums and losses ceded to TPMC to ninety eight percent (98%). The amended agreement is subject to an

aggregate ceded limit for each calendar year equal to three times the earned premium ceded by the Company for that calendar accident year.

In conjunction with the above-mentioned January 1, 2015 amendment to the Company's quota share reinsurance agreement, effective January 1, 2015, the Company entered into a Loss Portfolio Agreement of Reinsurance with TMPC under which TMPC pays the Company three percent (3%) of the amount of aggregate ultimate net losses paid on claims occurring prior to January 1, 2015. The effect of this Loss Portfolio Agreement of Reinsurance was to retroactively increase the premiums and losses ceded by the Company to TMPC to ninety eight percent (98%) for all business written since inception of the Company.

During 2018, the Company ceded premiums of approximately \$152 million. As of December 31, 2018, the Company reported as assets "Amounts recoverable from reinsurers" totaling approximately \$13 million which represents amounts receivable from reinsurers on paid losses. In addition, the Company reported ceded loss reserves of approximately \$474 million and ceded unearned premiums of approximately \$89 million. 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 treaty, 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, 2018. 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.

<u>STATEMENT</u>	<u>PAGE</u>
Balance Sheet:	8
Assets	8
Liabilities, Surplus and Other Funds	9
Statement of Income	10
Capital and Surplus Account	11
Analysis of Examination Changes to Surplus	11

BALANCE SHEET

ASSETS

	<i>December 31, 2018</i>
Cash	\$ <u>46,961,734</u>
Subtotal cash and invested assets	\$ 46,961,734
Uncollected premiums and agents' balances in the course of collection	8,124,090
Deferred premiums and agents' balances	30,939,368
Amounts recoverable from reinsurers	12,920,482
Current federal tax recoverable	600,000
Net deferred tax asset	89,695
Prepaid expense	10,731,622
Deferred acquisition cost	260,978
Deductible recoverable	161,694
Total assets	\$ <u><u>110,789,663</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

	<i>December 31, 2018</i>
Losses (NOTE 1)	\$ 7,030,270
Loss adjustment expenses (NOTE 1)	2,617,118
Commissions payable	381,852
Other expenses (excluding taxes, licenses and fees)	96,061
Taxes, licenses and fees (excluding federal and foreign income taxes)	461,121
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$88,724,097)	1,804,363
Advance premium	2,128,660
Ceded reinsurance premiums payable	68,944,019
Amounts withheld for account of others	398,544
Remittances and items not allocated	2,055,506
Payable to parent, subsidiaries and affiliates	7,483,927
Unearned ceding commission - GAAP	10,516,989
Total liabilities	<u>\$ 103,918,430</u>
Surplus notes	7,250,000
Unassigned funds (surplus)	<u>(378,767)</u>
Surplus as regard policyholders	<u>\$ 6,871,233</u>
Total	<u><u>\$ 110,789,663</u></u>

STATEMENT OF INCOME

	<i>December 31, 2018</i>
UNDERWRITING INCOME	
Premiums earned	\$ 3,038,068
DEDUCTIONS	
Losses incurred	2,010,546
Loss adjustment expenses incurred	510,059
Other underwriting expenses incurred	816,000
Total underwriting deductions	\$ 3,336,605
Net underwriting loss	\$ (298,537)
INVESTMENT INCOME	
Net investment income earned	\$ 695,018
Net loss from agents' or premium balances charged off (\$45,675)	(45,675)
Net income before dividends and taxes	\$ 350,806
Federal and foreign income taxes incurred	121,609
Net income	<u>\$ 229,197</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2013	\$ 3,158,390
Net income, 2014	888,296
Change in surplus notes	<u>4,000,000</u>
Net change in surplus as regards policyholders, 2014	<u>4,888,296</u>
Surplus as regards policyholders, December 31, 2014	<u>\$ 8,046,686</u>
Net loss, 2015	<u>(529,023)</u>
Net change in surplus as regards policyholders, 2015	<u>(529,023)</u>
Surplus as regards policyholders, December 31, 2015	<u>\$ 7,517,663</u>
Net loss, 2016	<u>(634,571)</u>
Net change in surplus as regards policyholders, 2016	<u>(634,571)</u>
Surplus as regards policyholders, December 31, 2016	<u>\$ 6,883,092</u>
Net loss, 2017	<u>(241,056)</u>
Net change in surplus as regards policholders, 2017	<u>(241,056)</u>
Surplus as regards policyholders, December 31, 2017	<u>\$ 6,642,036</u>
Net income, 2018	<u>229,197</u>
Net change in surplus as regards policyholders, 2018	<u>229,197</u>
Surplus as regards policyholders, December 31, 2018	<u>\$ 6,871,233</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 \$7,030,270 and \$2,617,118, 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, 2018.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2018 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, we relied upon an examination actuary to review the methods employed, assumptions relied upon, and conclusions reached by the Company’s actuary. The independent actuary utilized in our examination concluded that the loss reserves reported by the Company as of December 31, 2018, appeared sufficient.

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, the actuarial portion of this examination was completed by Greg Fanoë, FCAS, MAAA, of Merlino & Associates.

Respectfully submitted,

Nadine Treon

Nadine Treon, CFE
Examiner-In-Charge
Noble Consulting Services, Inc.

Under the Supervision of,

Christine Afolabi

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



**Government of the District of Columbia
Department of Insurance, Securities and Banking**

**Karima Woods
Acting Commissioner**

Via E-mail

April 1, 2020

Timothy Kenesey, President
MedPro RRG Risk Retention Group
C/o Faegre Drinker Consulting Insurance Services
1050 K Street, Suite 400
Washington, D.C. 20001

RE: Examination of MedPro RRG Risk Retention Group as of December 31, 2018

Dear Mr. Kenesey:

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 MedPro RRG Risk Retention Group (the “Company”) as of December 31, 2018.

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 May 1, 2020. 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



April 24, 2020

VIA ELECTRONIC and REGULAR U.S MAIL

Sean O'Donnell
Department of Insurance, Securities and Banking
Director of Financial Examination
Risk Finance Bureau
1050 First Street, NE
Suite 801
Washington, DC 2002
sean.odonnell@dc.gov

RE: Examination of MedPro RRG Risk Retention Group as of December 31, 2018

Dear Mr. O'Donnell:

Please accept this letter as confirmation of the receipt of the Report on Examination for MedPro RRG Risk Retention Group ("MedPro RRG") as of December 31, 2018 ("Report"). At this time, I have reviewed the Report and have no additional comments and no rebuttal statements to any of the provisions of the Report. As a result, I accept this Report as final on behalf of MedPro RRG.

Sincerely,

/s/ Timothy J. Kenesey

Timothy J. Kenesey
President
MedPro RRG Risk Retention Group
5814 Reed Road
Fort Wayne, Indiana 46835

Cc: Larry Stern, Captive Manager
Faegre Drinker Consulting Insurance Services

MedPro Group is the marketing name used to refer to the insurance operations of The Medical Protective Company, Princeton Insurance Company, PLICO, Inc. and MedPro RRG Risk Retention Group. All insurance products are administered by MedPro Group and underwritten by these and other Berkshire Hathaway affiliates, including National Fire & Marine Insurance Company. Product availability is based upon business and/or regulatory approval and may differ among companies.



Government of the District of Columbia
Department of Insurance, Securities and Banking

Karima Woods
Acting Commissioner

April 27, 2020

Timothy Kenesey, President
MedPro RRG Risk Retention Group
C/o FaegreBD Group LLC
1050 K Street, Suite 400
Washington, D.C. 20001

RE: Examination of **MedPro RRG Risk Retention Group** as of December 31, 2018

Dear Mr. Kenesey:

We are in receipt of your response, dated April 24, 2020, regarding the Report on Examination of MedPro RRG Risk Retention Group (the “Company”), as of December 31, 2018. 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

Sean O’Donnell
Director of Financial Examination
Risk Finance Bureau
Enclosures