

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

Re: Report on Examination – Integris Risk Retention Group, Inc. as of December 31, 2021

ORDER

In accord with the authority established by D.C. Official Code § 31-1402, an examination of **Integris Risk Retention Group, Inc.**, (the “Company”), as of December 31, 2021 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 February 2023, 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
Associate Commissioner
Risk Finance Bureau

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



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

REPORT ON EXAMINATION

INTEGRIS RISK RETENTION GROUP, INC.

AS OF

DECEMBER 31, 2021

NAIC NUMBER 13756

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Washington, D.C.
January 24, 2023

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

Integris Risk Retention Group, Inc.

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

SCOPE OF EXAMINATION

This full-scope examination, covering the period from January 1, 2018 through December 31, 2021, including any material transactions and/or events noted occurring subsequent to December 31, 2021, 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 Integris Group by the State of Connecticut and by the District of Columbia. The examinations were coordinated by the Connecticut 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 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 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 2018 through 2021. We placed substantial reliance on the audited financial statements for calendar years 2018 through 2020, and consequently performed only minimal testing for those periods. We concentrated our examination efforts on the year ended December 31, 2021. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2021. 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, 2017, which covered the period of January 1, 2015 through December 31, 2017. There were no material adverse findings, significant findings of non-compliance, or material changes in financial statements.

HISTORY

General:

Integris Risk Retention Group, Inc. (formerly CMIC Risk Retention Group) was licensed on March 1, 2010 as an association captive insurance company, operating as a risk retention group under the captive insurance laws of the District of Columbia. The Company commenced business on April 1, 2010.

The Company's formation was sponsored by Connecticut Medical Insurance Company, now known as Integris Insurance Company ("IIC"), to provide medical professional liability insurance to individual practitioners, practice groups, hospitals, or other healthcare facilities initially in one or more states in close proximity to IIC's existing territory of Connecticut and Massachusetts.

Membership:

As a risk retention group, the Company is owned by its member insureds, consisting of physicians, dentists, podiatrists, hospitals and other healthcare facilities and allied healthcare professionals. As a mutual insurer, Integris RRG does not issue stock or other certificates of ownership. Each insured is automatically a member and owner of Integris RRG.

Dividends and Distributions:

The Company did not declare or pay any dividends during the period under examination. For the years 2018 through 2021, the Company paid a total of \$167,863 to IIC for interest on a surplus note issued to the Company. All interest payments were pre-approved by the Department.

MANAGEMENT AND CONTROL

Board of Directors and Officers:

The Company's directors serving as of December 31, 2021 were as follows:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Edmund S. Schiavoni, Jr., M.D., Chairman New Hampshire	Physician Southern NH Internal Medicine Associates
Mark A. D'Agostino, M.D. * Connecticut	Physician Southern NE Ear, Nose, Throat & Facial Plastic Surgery Group LLP
John B. Hornby, M.D. Connecticut	Physician Eye MD, LLC

*In January 2022, Mark A. D'Agostino, M.D. was replaced by Stratton G. Danes, M.D.

The following persons were serving as the Company's officers as of December 31, 2021:

<u>Name</u>	<u>Position</u>
Edmund S. Schiavoni, Jr., M.D.	President
Stephen J. Gallant	Chief Executive Officer
John B. Hornby, M.D.	Vice President
Mark A. D'Agostino, M.D.**	Treasurer
Michael P. Conneely	Secretary

****In January 2022, Michael P. Conneely replaced Mark A. D'Agostino, M.D. as Treasurer.**

Committees:

As of December 31, 2021, the Company's board of directors had established the following committee:

Finance and Audit Committee

Mark D'Agostino, M.D.
John B. Hornby, M.D.
Nicholas Bontempo, M.D.
Victoria Reyes, M.D.

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:

USA Risk Group served as the Company's captive manager from inception and up to December 11, 2018, providing regulatory and annual statement preparatory services to the Company. The Company requested and received approval from the Department to become self-managed effective December 12, 2018.

Affiliated Parties and Transactions:

In February 2013, the Company filed with, and the Department approved a disclaimer of affiliation from IIC. Subsequently, in January 2019, the Company filed to withdraw its disclaimer of affiliation from IIC. As of December 31, 2021, the Company is a member of the IIC holding company system.

IIC has no ownership interest in the Company; however, IIC has sponsored the Company's formation and has been managing the Company's daily business operations since inception, under a management agreement. In addition, IIC is the lender to the Company of \$3,250,000 pursuant to a surplus note agreement.

During the period under examination, the Company had the following transactions with IIC:

The Company was initially capitalized by the issuance of a surplus note to IIC in the amount of \$3,250,000. The note is dated April 1, 2010 and matures on April 1, 2035. Interest is due quarterly on the last day of each calendar quarter with the final payment of any accrued and unpaid interest to be concurrent with the payment of principal on April 1, 2035. The initial interest rate was 2% per annum for the first ten years; thereafter the interest rate is to be reset for each of the next five-year periods at the five-year Treasury Bill rate on the note's anniversary date until the principal is paid. Effective April 1, 2020, the interest on the surplus note was reset to 0.38% and will be in effect for the next five years. No interest shall be paid without prior approval of the Department. Interest expensed in 2021 was \$12,350 and total interest paid since the note's inception is \$668,525. All interest payments have been approved by the Department.

Through a Services Agreement effective January 1, 2011, the Company's daily operations, including underwriting and marketing, risk management, claims administration, accounting, premium billing and collection, and cash and disbursement management, are managed by IIC. Compensation for the services provided is 3.33% of direct written premium ceded to IIC and is due within 30 days from the end of the month such premium is ceded.

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

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, Integris RRG was licensed in the District of Columbia, and was registered as a risk retention group in the following states: Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, South Carolina, Vermont and Virginia. Ninety-six percent of its 2021 premiums, which totaled approximately \$4,300,000, was written in New Hampshire, New Jersey and Rhode Island.

Integris RRG offers medical professional liability insurance on a claims made or modified basis with limits up to \$2,500,000 per claim and \$7,500,000 per policy aggregate to individual physician members and health organization members. Extended reporting coverage and tail coverage endorsements are available for purchase separately. The Company also offers commercial general liability insurance to its members on an occurrence basis with limits up to \$2,000,000 per claim and \$6,000,000 per policy aggregate and offers health care organizations excess professional and umbrella liability coverage with limits up to \$10,000,000.

The Company has no employees. USA Risk Group provided regulatory and annual statement preparatory services to the Company until December 11, 2018. Effective December 12, 2018, the Company became self-managed.

REINSURANCE

Assumed:

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

Ceded:

During the period under examination, the Company was party to a quota-share reinsurance agreement with IIC. Under the terms of the agreement, the Company ceded to IIC ninety-five percent (95%) of its premiums and losses up to \$3,000,000 per claim. All losses above \$3,000,000 are 100% reinsured under various excess of loss reinsurance agreements with unaffiliated reinsurers. The Company received a ceding commission of 33% of the premiums ceded.

During 2021, the Company ceded premiums of approximately \$4,100,000. As of December 31, 2021, the Company reported estimated reinsurance recoverable on unpaid losses and ceded unearned premiums totaling approximately \$39,000,000 and \$2,060,000, respectively. If the reinsurers were unable to meet their obligations under the agreements, 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, 2021. 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>
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BALANCE SHEET

ASSETS

	<i>December 31, 2021</i>
Bonds	\$ 3,086,647
Cash, cash equivalents, and short-term investments	<u>3,084,693</u>
Subtotals, cash and invested assets	\$ 6,171,340
Investment income due and accrued	6,837
Uncollected premiums and agents' balances in the course of collection	263,062
Deferred premiums, agents' balances and installments booked but deferred and not yet due	231,312
Amounts recoverable from reinsurers	170,485
Rounding	<u>2</u>
Total	<u><u>\$ 6,843,038</u></u>

LIABILITIES, SURPLUS AND OTHER FUNDS

	<i>December 31, 2021</i>
Losses (NOTE 1)	\$ 1,990,830
Loss adjustment expenses (NOTE 1)	620,162
Commissions payable, contingent commissions and other similar charges	167,348
Other expenses (excluding taxes, licenses and fees)	83,524
Taxes, licenses and fees (excluding federal and foreign income taxes)	88,594
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$2,065,086)	907,689
Advance premium	37,379
Ceded reinsurance premiums payable (net of ceding commissions)	1,252,105
Payable to parent, subsidiaries and affiliates	65,831
Aggregate write-ins for liabilities	<u>15,000</u>
Total liabilities	<u>\$ 5,228,462</u>
Surplus Notes	\$ 3,250,000
Unassigned funds (surplus)	<u>(1,635,424)</u>
Surplus as regards policyholders	<u>\$ 1,614,576</u>
Total liabilities, capital and surplus	<u><u>\$ 6,843,038</u></u>

STATEMENT OF INCOME

	<i>December 31, 2021</i>
UNDERWRITING INCOME	
Premiums earned	\$ 576,465
DEDUCTIONS	
Losses incurred	868,992
Loss adjustment expenses incurred	351,478
Other underwriting expenses incurred	(391,808)
Total underwriting expenses	\$ 828,662
Net underwriting loss	\$ (252,197)
INVESTMENT INCOME	
Net investment income earned	49,772
Net realized capital gains	37,064
OTHER INCOME	
Net gain from agents' or premium charged off	\$ 21,775
Aggregate write-ins for miscellaneous income	2
Income before federal income taxes	(143,584)
Federal income taxes incurred	(9,852)
Net loss	\$ <u>(133,732)</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2017	\$ 2,235,072
Net income	171,680
Change in nonadmitted assets	<u>(348)</u>
Net change in surplus as regards policyholders, 2018	<u>171,332</u>
Surplus as regards policyholders, December 31, 2018	\$ <u>2,406,404</u>
Net loss	(536,596)
Change in nonadmitted assets	<u>(18,878)</u>
Net change in surplus as regards policyholders, 2019	<u>(555,474)</u>
Surplus as regards policyholders, December 31, 2019	\$ <u>1,850,930</u>
Net loss	(121,848)
Change in nonadmitted assets	<u>13,101</u>
Net change in surplus as regards policyholders, 2020	<u>(108,747)</u>
Surplus as regards policyholders, December 31, 2020	\$ <u>1,742,183</u>
Net loss	(133,732)
Change in nonadmitted assets	<u>6,125</u>
Net change in surplus as regards policyholders, 2021	<u>(127,607)</u>
Surplus as regards policyholders, December 31, 2021	\$ <u><u>1,614,576</u></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 \$1,990,830 and \$620,162, 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, 2021.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2021 were reviewed as part of our examination. As part of our review, a casualty actuary from the Connecticut Department of Insurance reviewed the actuarial report as of December 31, 2021 prepared by the Company’s independent actuary and concurred that the Company’s loss and loss adjustment expense reserves as of December 31, 2021 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, Karen Milster, CFE, from Noble Consulting Services, Inc., representing the Department, and David Christhlf, ACAS, MAAA, from the Department, participated in this examination as members of the examination team.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "James Menck", written over a horizontal line.

James Menck, CFE
Examiner-In-Charge
Noble Consulting Services, Inc.

Under the Supervision of,

A handwritten signature in blue ink, appearing to read "Christine Afolabi", written over a horizontal line.

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

Via E-mail

February 23, 2023

Stephen J. Gallant, Chief Executive Officer
Integris Risk Retention Group, Inc.
1401 Eye Street N.W., Suite 600
Washington, D.C. 20005

RE: Examination of Integris Risk Retention Group, Inc., as of December 31, 2021

Dear Mr. Gallant:

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 Integris Risk Retention Group, Inc., (the “Company”), as of December 31, 2021.

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 March 27, 2023. 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,
Risk Finance Bureau
Enclosure



Integris Risk Retention Group, Inc.

February 24, 2023

Sean O'Donnell
Director of Financial Examination,
Risk Finance Bureau
Department of Insurance, Securities and Banking
1050 First Street, NE, Suite 801
Washington, DC 20002

Re: Examination of Integris Risk Retention Group, Inc. as of December 31, 2021

Dear Mr. O'Donnell:

We are in receipt of your letter dated February 23, 2023, along with the draft copy of the Report on the Examination of Integris Risk Retention Group as of December 31, 2021.

We have no comments or corrections to any of the information and as there are no recommendations requiring our responses, we are providing this letter to state that we accept the report as provided.

As requested, the letter and Report provided to us have both been provided via email to Edmund Schiavoni, M.D., Integris Risk Retention Group's President and Board Chair. We await the final issued report and will ensure that it is delivered at the next regularly scheduled Board Meeting.

We thank you and your team for their professionalism, communication and assistance throughout the exam process.

Sincerely,

Stephen J. Gallant, CEO
Integris Risk Retention Group, Inc.

Via E-mail

February 27, 2023

Edmund S. Schiavoni, Jr., M.D., President
Integris Risk Retention Group, Inc.
1401 Eye Street N.W., Suite 600
Washington, D.C. 20005

RE: Examination of Integris Risk Retention Group, Inc., as of December 31, 2021

Dear Dr. Schiavoni, Jr.:

We are in receipt of your response, dated February 24, 2023, from Stephen J. Gallant, the Company's Chief Executive Officer regarding the Report on Examination of Integris Risk Retention Group, Inc., (the "Company"), as of December 31, 2021. 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,
Risk Finance Bureau
sean.odonnell@dc.gov

Enclosure