

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

Re: Report on Examination – Medical Providers Mutual Insurance Company, A Risk Retention Group as of December 31, 2021

ORDER

In accord with the authority established by D.C. Official Code § 31-1402, an examination of **Medical Providers Mutual Insurance Company, A Risk Retention Group**, (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 2nd day of March 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

MEDICAL PROVIDERS MUTUAL INSURANCE
COMPANY, A RISK RETENTION GROUP

AS OF

DECEMBER 31, 2021

NAIC NUMBER 11813

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Washington, D.C.
December 19, 2022

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

Medical Providers Mutual Insurance Company, A Risk Retention Group

hereinafter referred to as the “Company” or “MPMIC”.

SCOPE OF EXAMINATION

This full-scope examination, covering the period from January 1, 2017 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”).

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 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 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 2017 through 2021. We placed substantial reliance on the audited financial statements for calendar years 2017 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 examination was conducted by the Department as of December 31, 2016, which covered the period of January 1, 2012 through December 31, 2016. There were no material adverse findings, significant findings of non-compliance, or material changes in the financial statements.

HISTORY

General:

Medical Providers Mutual Insurance Company, A Risk Retention Group (formally known as Health Network Providers Mutual Insurance Company, A Risk Retention Group) was incorporated as an association captive insurer operating as a risk retention group under the captive laws of the District of Columbia on April 24, 2003 and commenced business on October 27, 2003.

The Company is organized as a mutual insurance company and was initially capitalized with a \$700,000 letter of credit, which was subsequently replaced in September 2004 with cash contributions from members. Additional capital contributions are made by new members.

The Company provides claims made medical professional liability insurance coverage to physician members of Memorial Hermann Health Network Providers, an independent physician organization located in Texas, and other physicians located in Texas. The Company requested and was granted approval to change its name from Health Network Providers Mutual Insurance

Company, A Risk Retention Group to Medical Providers Mutual Insurance Company, A Risk Retention Group on March 6, 2012.

Membership and Capitalization:

As a risk retention group, the Company is owned by its member insureds, consisting of physicians. As a mutual insurer, MPMIC does not issue stock or other certificates of ownership. To be eligible for membership, and to be insured by the Company, a prospective insured must:

1. Possess an unrestricted license to practice medicine in the State of Texas;
2. Satisfy the Requirements of Membership as set forth in the Company's bylaws; and
3. Meet the Company's underwriting standards.

Each member is entitled to one vote on matters submitted to members as provided in the Company's bylaws. Members are required to make a one-time surplus contribution, called "reserve premium", to contribute to the Company's surplus. Reserve premiums are an obligation of and are payable by the member upon signing the Participation Commitment Agreement ("Agreement"). The Agreement governs termination of a member's participation in the program and any related distributions.

New members contribute a reserve premium equal to ten percent (10%) of the mature claims made premium applicable to the limits of coverage requested by the member. In the event of membership termination, the member's reserve premium is not returnable and the member holds no equity in the Company upon termination of insurance coverage. Prior to 2006, members were allowed to contribute a reserve premium contribution equal to eighty percent (80%) of the mature claims made premium applicable to the limits of coverage requested by the member. A terminated member may receive back one hundred percent (100%) of the reserve premium contributed under this option.

Dividends and Distributions:

The Company declared and paid the following policyholder dividends during the years under examination. All dividends were approved by the Department and were recorded as deductions to policyholder premiums:

<u>Year</u>	<u>Amount</u>
2017	\$ 251,248
2018	\$ 238,139
2019	\$ 233,185
2020	\$ 260,497
2021	\$ 277,428

In addition, during the years under examination, the Department approved the return of reserve premium contributions to members who had terminated coverage with the Company and were eligible for return of their reserve premium contribution. Upon approval by the Department, returns to prior members are paid out over five years in equal installments. These returns are recorded as

negative “Paid in Surplus adjustments” and are included in the “Capital and Surplus Account” section of this report.

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>
Philip L. Berman, M.D. Texas	Partner President/Cardiologist Memorial Cardiology Associates, P.A.
Todd M. Holt, M.D. Texas	Physician Self-Employed
Robert E. McDonald, M.D.* Texas	Physician Self-Employed
John Van Osdall Texas	President/Owner Physicians Underwriting Management Group, Inc.
Rajender K. Syal, M.D. Texas	Physician Self-Employed
Gregg C. Waddill, III Texas	Chairman/Owner Physicians Underwriting Management Group, Inc.

*In November 2022, Gloria Hui, M.D. replaced Robert E. McDonald, M.D.

The following persons were serving as the MPMIC RRG’s officers as of December 31, 2021:

<u>Name</u>	<u>Position</u>
Philip L. Berman, M.D.	President
Gregg C. Waddill, III	Secretary
John Van Osdall	Vice President & Treasurer
Steve D. Bevins	Assistant Secretary

Committees:

As of December 31, 2021, there were no formal committees of the board of directors. The Company notified the Department that the entire board of directors of the Company constitutes the audit committee.

Conflicts of Interest:

The Company has an established procedure for the disclosure of any material interests or affiliations on the part of its directors and officers. Our review of the conflict of interest statements signed by the Company directors and officers for the period under examination disclosed no conflicts of interest that would adversely impact 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:

Risk Services, LLC (“Risk Services”) has been the Company’s captive manager since inception, providing regulatory and annual statement preparatory services to the Company.

Affiliated Parties and Transactions:

The Company is not a member of a holding company group. Under terms of an “Underwriting Management and Claims Services Agreement” (“Agreement”) between the Company and Physicians Underwriting Management Group, Inc. (“PUMGI”), a Delaware corporation, PUMGI provides services to manage the Company’s daily operations, including underwriting and marketing, risk management, claims administration, premium billing and collection, and investment management. The Company compensates PUMGI eighteen percent (18%) of annual gross written premium and, during 2021, the Company paid fees to PUMGI of approximately \$215,000. Jon Van Osdall, president/owner of PUMGI and Gregg C. Waddill, III, Chairman/owner of PUMGI, are members of the Company’s board of directors and are also officers of the company. They are each fifty percent (50%) shareholders of PUMGI. PUMGI has no ownership interest in the Company.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, the Company was licensed in the District of Columbia and registered as a risk retention group in the state of Texas. During 2021, the Company wrote approximately \$1,200,000 of premiums, all in Texas.

The Company offers “claims made” medical professional liability coverage to physician members of Memorial Hermann Health Network Providers located in Texas, and other physicians located in Texas. The Company currently offers policies with limits of up to \$500,000 per occurrence and \$1,500,000 per policy aggregate plus coverage of defense costs.

In addition, policyholders may elect to add an endorsement to the medical professional liability policy that covers certain liability exposures not covered in the primary policy such as multimedia liability, security and privacy liability, privacy regulatory defense, privacy breach, network asset protection, cyber extortion, cyber terrorism, MEDEFENSE® Plus, PCI DSS assessment, BrandGuard®, and Cyber Crime. Policy limits are \$50,000 per insured physician, and up to \$250,000 per insured entity.

The above medical professional liability and endorsement coverages are partly or wholly reinsured. See the “Reinsurance” section of this report for further comments regarding the Company’s reinsurance coverages.

The Company has no employees. Its daily business operations are managed by PUMGI in Houston, Texas as discussed in the “Affiliated Parties and Transactions” section of this report.

REINSURANCE

Assumed Reinsurance:

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

Ceded Reinsurance:

During the examination period, the Company maintained excess of loss reinsurance coverage with Lloyd’s of London. As of December 31, 2021, under the terms of the treaty, Lloyd’s of London assumes \$800,000 in excess of \$200,000 ultimate net loss for each and every claim and assumes \$500,000 in excess of \$200,000 ultimate net loss for each and every loss. The Company offers policy limits up to \$500,000 per occurrence, however, the reinsurance coverage per claim exceeds the policy limits to cover for any losses in excess of policy limits or extra contractual obligations. The agreement contains a cut-through clause for physicians with privileges at the Methodist Hospital System in Texas.

In addition, for the period under examination, the Company was party to a quota-share reinsurance agreement with Houston Casualty Company. The agreement covers privacy breach and other liability exposures offered in the endorsement described in the “Territory and Plan of Operation” section of this report. Under the terms of the agreement, the reinsurers accept one hundred percent (100%) of the Company’s liability up to \$50,000 for any one insured physician and up to \$250,000 for any one insured entity. The Company receives a ceding commission of fifteen percent (15%) of the gross reinsurance premium.

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 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.

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BALANCE SHEET

ASSETS

	<i>December 31, 2021</i>
Bonds	\$ 5,055,591
Preferred stocks	225,238
Cash (\$1,534,712) and cash equivalents (\$843,062)	2,377,774
Subtotals, cash and invested assets	\$ 7,658,603
Investment income due and accrued	56,317
Uncollected premiums and agents' balances in the course of collection	285,514
Current federal income tax recoverable	44,875
Aggregate write-ins for other-than-invested assets	145,750
Total	<u>\$ 8,191,059</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

	<i>December 31, 2021</i>
Losses (NOTE 1)	\$ 1,775,497
Loss adjustment expenses (NOTE 1)	1,532,766
Other expenses (excluding taxes, licenses and fees)	99,625
Taxes, licenses and fees (excluding federal and foreign income taxes)	14,498
Net deferred tax liability	45,936
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$142,739)	416,801
Advance premium	35,735
Ceded reinsurance premiums payable (net of ceding commissions)	<u>75,314</u>
Total liabilities	<u>\$ 3,996,172</u>
Gross paid in and contributed surplus	\$ 1,195,687
Unassigned funds (surplus)	<u>2,999,200</u>
Surplus as regards policyholders	<u>\$ 4,194,887</u>
Total	<u><u>\$ 8,191,059</u></u>

STATEMENT OF INCOME

	<i>December 31, 2021</i>
UNDERWRITING INCOME	
Net premiums earned	\$ 980,250
DEDUCTIONS	
Losses incurred	316,726
Loss adjustment expenses incurred	163,350
Other underwriting expenses incurred	400,229
Total underwriting deductions	\$ 880,305
Net underwriting gain (loss)	\$ 99,945
INVESTMENT INCOME	
Net investment income earned	\$ 118,961
Net investment gain	\$ 118,961
Net income before dividends to policyholders	\$ 218,906
Dividends to policyholders	277,428
Net income, after dividends to policyholders, after capital gains tax and before all other federal income taxes	\$ (58,522)
Federal income taxes incurred	22,075
Net Loss	<u>\$ (80,597)</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2016	<u>\$ 3,114,637</u>
Net loss, 2017	(49,556)
Change in net unrealized capital gains	156
Surplus adjustments: Paid in	<u>(69,191)</u>
Net change in surplus as regards policyholders, 2017	<u>(118,591)</u>
Surplus as regards policyholders, December 31, 2017	<u>\$ 2,996,046</u>
Net income, 2018	780,182
Change in net unrealized capital losses	(168,067)
Surplus adjustments: Paid in	<u>(43,530)</u>
Net change in surplus as regards policyholders, 2018	<u>568,585</u>
Surplus as regards policyholders, December 31, 2018	<u>\$ 3,564,631</u>
Net income, 2019	209,612
Change in net unrealized capital gains	292,641
Surplus adjustments: Paid in	<u>(89,330)</u>
Net change in surplus as regards policyholders, 2019	<u>412,923</u>
Surplus as regards policyholders, December 31, 2019	<u>\$ 3,977,554</u>
Net income, 2020	305,275
Change in net unrealized capital gains	213,729
Surplus adjustments: Paid in	<u>(27,781)</u>
Net change in surplus as regards policyholders, 2020	<u>491,223</u>
Surplus as regards policyholders, December 31, 2020	<u>\$ 4,468,777</u>
Net loss, 2021	(80,597)
Change in net unrealized capital losses	(169,873)
Surplus adjustments: Paid in	<u>(23,420)</u>
Net change in surplus as regards policyholders, 2021	<u>(273,890)</u>
Surplus as regards policyholders, December 31, 2021	<u>\$ 4,194,887</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 \$1,775,497 and \$1,532,766, 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, 2021. Reserve credits taken for loss and loss adjustment expenses as of December 31, 2021 for cessions to the Company's reinsurer totaled \$295,000.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expenses reserves as of December 31, 2021 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 independent 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, 2021, were reasonable and adequate.

SUBSEQUENT EVENTS

We noted no significant subsequent events 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 following examiners representing the Department participated in this examination as members of the examination team:

Thomas Mayberry, CFE, EWM Group, PC
Paul Sliwinski, ARe, EWM Group, PC
Chris Davis, EWM Group, PC
Koye Arulogun, EWM Group, PC
Jenny Jeffers, CISA, AES, Jennan Enterprises
Joanna Latham, CISA, AES, CFE, CPA, Jennan Enterprises

The actuarial portion of this examination was completed by David A. Christhlf, ACAS, MAAA, of the Department.

Respectfully submitted,



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

Under the Supervision of,



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

Via E-mail

February 21, 2023

Philip L. Berman, M.D., President
Medical Providers Mutual Insurance Company, A Risk Retention Group
1050 30th Street, N.W.
Washington, D.C. 20007

RE: Examination of Medical Providers Mutual Insurance Company, A Risk Retention Group as of December 31, 2021

Dear Dr. Berman:

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 Medical Providers Mutual Insurance Company, A Risk Retention Group (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 23, 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

Medical Providers Mutual Insurance Company, A RRG

1050 30th Street, N.W.,
Washington, D.C. 20007

February 25, 2023

Sean O'Donnell
Director of Financial Examination
Risk Finance Bureau
D.C. Department of Insurance, Securities & Banking
1050 First Street, NE Suite 801
Washington, D.C. 20002
Phone: 202-442-8153

**Re: Medical Providers Mutual Insurance Company, A Risk Retention Group
NAIC Company Code: 11813; NAIC Group Code: 0000; FEIN: 27-0061785
D.C. License No. RR0019
Final Draft Exam Report**

Dear Mr. O'Donnell:

In response to the Department's transmittal letter dated February 21, 2023 regarding the final draft examination report of Medical Providers Mutual Insurance Company, A Risk Retention Group as of December 31, 2021, upon review we find no errors or omissions.

MPMIC formally accepts the final draft exam report as the final report.

Sincerely,



Philip Berman, M.D.
President

Medical Providers Mutual Insurance Company, A Risk Retention Group

Via E-mail

March 1, 2023

Philip L. Berman, M.D., President
Medical Providers Mutual Insurance Company, A Risk Retention Group
1050 30th Street, N.W.
Washington, D.C. 20007

RE: Examination of Medical Providers Mutual Insurance Company, A Risk Retention Group,
as of December 31, 2021

Dear Dr. Berman:

We are in receipt of your response, dated February 25, 2023, regarding the Report on Examination of Medical Providers Mutual Insurance Company, A Risk Retention Group, (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