STATE OF INDIANA

Department of Insurance

REPORT OF EXAMINATION

OF

THE MEDICAL PROTECTIVE COMPANY

NAIC CO. CODE 11843
NAIC GROUP CODE 0031

As of

December 31, 2018

TABLE OF CONTENTS

February 3, 2020

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4002, an examination has been made of the affairs and financial condition of:

The Medical Protective Company
5814 Reed Road
Fort Wayne, Indiana 46835

hereinafter referred to as the "Company", or "TMPC", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Fort Wayne, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2018, is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2009 through December 31, 2013. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2014 through December 31, 2018, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). 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.

The Nebraska Department of Insurance (NDOI) called the MedPro Group Inc. (MPG) exam in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The examination of the Indiana domestic insurance companies of MPG was called by the INDOI. The INDOI served as the facilitating state on the examination, with NDOI being the lead state of the Berkshire Hathaway Group. The District of Columbia Department of Insurance, Securities and Banking, Oklahoma Insurance Department, New Jersey Department of Banking and Insurance, and New York State Department of Financial Services served as participating states. The INDOI appointed Merlinos & Associates to perform actuarial services throughout the examination and conduct a review of the Company's actuarial related risks as of December 31, 2018.

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. 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, as in the Indiana Code (IC) 27-1-3.1-10 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.

HISTORY

The Company has specialized in providing professional liability coverage for healthcare providers for over 100 years, and it is the oldest insurer of its kind in the country.

The Physicians' Defense Company, formerly the Physicians' Guarantee Company was formed in 1899 to provide pre-paid legal defense services for medical malpractice lawsuits. TMPC, founded in 1907, was initially formed to provide pre-paid legal defense coverage to healthcare providers and expanded its coverage to include indemnity coverage by means of medical professional liability insurance. In 1913 the Company acquired Physicians Defense Company and in 1914 became the largest medical malpractice insurance company in the country. In 1998 coverage was expanded to countrywide when General Electric purchased TMPC. In 2005 Berkshire Hathaway Incorporated (The Corporation) purchased TMPC from General Electric. The Company's home office is located in Fort Wayne, Indiana.

CAPITAL AND SURPLUS

MPG owned 100% of the Company's issued and outstanding stock as of the examination date. The Corporation is the ultimate controlling party. As of December 31, 2018, the Company had 120,000 authorized and outstanding shares of $40 par value common stock. The company received no capital contributions during the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends, (in 000s), to the Corporation during the examination period:

Year	Total	Ordinary Dividends
2018	$ -	$ -
2017	-	-
2016	-	-
2015	90,000	90,000
2014	-	-
Total	$ 90,000	$ 90,000

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer of the prior year. The Company paid no extraordinary dividends during the examination period. Other dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

On January 1, 2018, MPG underwent a plan of restructuring to better align synergies between legal entities. MPG contributed the following six (6) entities to TMPC. Amounts recorded on TMPC 2018 Schedule BA – Part 2, Joint Venture Interest Common Stock Affiliated are:

Description	Actual Cost at Time of Acquisition
MedPro Insurance Services, LLC	$ 1,999,794
Somerset Services, LLC	278,206
C&R Insurance Services, LLC	2,987,058
C&R Legal Insurance Agency, LLC	244,972
Wellfleet Group, LLC	34,211,670
CHP Insurance Agency, LLC	-
Total	$ 39,721,700

This transaction resulted in contributed surplus amounting to $39.7 million for TMPC in 2018.

The Company made no capital contributions to affiliates in the exam period.

TERRITORY AND PLAN OF OPERATION

The Company offers both primary occurrence and claims-made products for individual physicians, dentists, professional corporations, hospitals and other healthcare facilities and healthcare providers. These products are marketed on both a direct basis through employed market managers and on an indirect basis through a network of independent agents and brokers. The Company manages its risk portfolio based on geography as well as by healthcare provider type.

The Company is licensed in all fifty (50) states along with the District of Columbia and Puerto Rico. The five (5) largest states based on direct written premium are: Texas, Pennsylvania, Florida, Georgia, and Ohio. These account for 42% of the Company's direct premium written.

The Company has a history of reporting net underwriting gains. RBC ratio has been 600% or greater the past five (5) years. The Company has an AM Best rating of A++ which reflects the Company's excellent balance sheet strength, long-term operating performance, and the significant market position it maintains in the medical professional liability sector. The Company is one of the largest writers of physician and dental professional liability insurance in the country.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results, (in 000s), of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income
2018	$ 3,204,063	$ 1,265,588	$ 1,938,475	$ 260,308	$ 163,328
2017*	3,317,987	1,297,030	2,020,958	251,863	83,251
2016	2,996,141	1,286,663	1,709,478	228,980	109,188
2015*	2,790,356	1,219,564	1,570,791	214,665	130,133
2014	2,699,597	1,110,523	1,589,074	(575,282)	140,051

* Note: Immaterial differences due to rounding.

The 2014 negative balance for Premiums Earned is the result of the Loss portfolio agreement, Quota Share agreement, the Loss Transfer, and Novation Agreement with National Indemnity Company (NICO) effective January 1, 2014. Under these agreements, the Company ceded unearned premium as of December 31, 2013 and premiums written and earned, thereafter. Due to the multiple agreements taking place during the same year, ceded premium exceeded direct and assumed premium. These transactions resulted in negative net premiums earned being reported for 2014.

Net income decreased in 2017 (24%) or ($25.9 million) due to a 92% increase in federal income tax expense. The changes implemented in the Tax Cuts and Jobs Act (TCJA) required a re-measurement of the Company's deferred tax asset/liability. This re-measurement resulted in a single charge to federal income tax expense of $25.1 million as of December 31, 2017.

Net income increased 96% or $80.0 million in 2018 primarily as a result of a (58%) or ($48.9 million) decrease in the Company's federal income tax expense. This decrease is partially due to the one-time prior year write-down, as well as the TCJA corporate tax rate change, which reduced the Company's tax rate from 35% to 21% effective in 2018.

Admitted Assets increased 11% or $321.8 million in 2017 as a result of a $361.8 million increase in invested assets, primarily in common stocks. The subsequent decrease of (3%) or ($113.9 million) in Admitted Assets in 2018 is the result of invested assets decreasing by ($103.9 million).

Surplus increased $311.5 million or 18% in 2017, as compared to a decrease of ($82.5 million) or (4%) in 2018, primarily due to the increase in net unrealized capital gains of $191.6 million in 2017, versus a decrease of ($270.2 million) in 2018. This change correlates to the change in admitted assets noted above.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than three (3) directors. At least one (1) of the directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors as of December 31, 2018, and their principal occupations as of that date:

Name and Address	Principal Occupation
Dr. Graham Torquil Billingham Rolling Hills, California	Chief Medical Officer MedPro Group Inc.
Anthony Allen Bowser Fort Wayne, Indiana	Treasurer, Chief Financial Officer and Vice President MedPro Group Inc.
Dr. Carl Truman Hook Norman, Oklahoma	Former Chief Executive Officer PLICO, Inc.
Timothy John Kenesey Fort Wayne, Indiana	President and Chief Executive Officer MedPro Group Inc.
Charles William Lefevre Hamilton Square, New Jersey	President and Chief Executive Officer Princeton Insurance Company

Officers

The Bylaws state that the elected officers of the Company shall consist of a Chairman of the Board, a Chief Executive Officer, a President, one or more Vice Presidents, a Chief Financial Officer, a Treasurer, and a Secretary. At the discretion of the Board of Directors, the Company also may appoint one or more subordinate officers, including Assistant Vice Presidents, Assistant Secretaries and Assistant Treasurers and such other officers or agents as the business of the Company may require. Officers may be on the Board of Directors, and any two (2) or more offices may be held by the same person. Officers serve at the discretion of the Board, unless appointed for a designated term.

The following is a list of key officers and their respective titles as of December 31, 2018:

Name	Officer
Timothy John Kenesey	Chief Executive Officer and President
Anthony Allen Bowser	Treasurer, Chief Financial Officer and Vice President
Angela Marie Adams	Secretary
Dr. Graham Torquil Billingham	Chief Medical Officer and Vice President
James Douglas Kunce	Chief Actuary and Senior Vice President
Robert Lawrence Ignasiak	Senior Vice President and Claims Leader
Mark Tatnal Walthour	Senior Vice President and Underwriting Leader

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2018.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of the year they were initially elected. **See Other Significant Issues section of this Report of Examination.**

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of Shareholders, Members, or Policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws indicate that the annual meeting of shareholders shall be held within five (5) months of the close of the fiscal year, consistent with IC 27-1-7-7(b). Per review of the Shareholder meeting minutes, each annual Shareholder meeting of TMPC was held within five (5) months after the close of each fiscal year.

The Corporation committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee and Investment Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and subsidiaries as of December 31, 2018:

	NAIC Co. Code	Domiciliary State/Country
Berkshire Hathaway Inc.		DE
Berkshire Hathaway Finance Corporation		DE
BH Columbia Inc.		NE
Columbia Insurance Company	27812	NE
MedPro Group Inc.		IN
Wellfleet New York Insurance Company (Formerly Atlanta International Insurance Company)	20931	NY
AttPro RRG Reciprocal Risk Retention Group	13795	DC
Wellfleet Insurance Company (Formerly Commercial Casualty Insurance Company)	**32280**	**IN**
Medical Protective Finance Corporation		IN
MedPro Risk Retention Services, Inc.		IN
MedPro RRG Risk Retention Group	13589	DC
PLICO, Inc.	39594	OK
PLICO Financial, Inc.		OK
Princeton Insurance Company	42226	NJ
Princeton Risk Protection, Inc.		NJ
The Medical Protective Company	**11843**	**IN**
C&R Insurance Services, LLC		PA
C&R Legal Insurance Agency, LLC		PA
CHP Insurance Agency, LLC		MA
MedPro Insurance Services, LLC		IN
Somerset Services, LLC		IN
Wellfleet Group, LLC (formerly Consolidated Health Plans, LLC)		MA

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Management and Services Agreements
As amended effective May 1, 2017, the Company, along with Wellfleet Insurance Company (WIC), Princeton Insurance Company (PIC), Wellfleet New York Insurance Company (WNYIC), and PLICO, Inc. are parties to a Cost-Sharing Agreement in which the parent MPG and its subsidiaries agree to share certain expenses of

administration, data processing, investments, management, payroll, personnel, taxes, and other shared expenses not specifically listed. Each party shall be responsible for and pay the charges, costs, and expenses for each service that can be reasonably identified as being incurred for the sole benefit of that party. Amounts paid to MPG from TMPC under this agreement were: $111.2 million in 2018, and $107.1 million in 2017.

As amended and restated effective February 1, 2017, TMPC and MedPro RRG Risk Retention Group (MedPro RRG), by and through MedPro Risk Retention Services, Inc. (MedPro RRS), are parties to a Management and Services Agreement, in which TMPC will provide or arrange for the provision of all services necessary in connection with the management and operation of MedPro RRG, in exchange for a fee equal to 16% of their annual direct written premium. The February 1, 2017, amendment reduced the fee to 16% from 20% of annual direct written premium, and allows for a reduced service fee percentage for premiums written by agents receiving a commission rate, or those agents providing some of the services for these policies. Amounts paid to TMPC under this agreement were $23.9 million in both 2018 and 2017.

Effective September 29, 2014, TMPC and Berkshire Hathaway International Insurance Limited (BHIL) entered into a services agreement in which TMPC will provide certain underwriting and claims advisory services in relation to medical professional liability insurance bound through BHIL. Amounts paid to TMPC under this agreement were $1.4 million in 2018 and $1.3 million in 2017.

Effective February 1, 2017, AttPro RRG Reciprocal Risk Retention Group (AttPro RRG), by and through MedPro RRS, Somerset Services, Inc. (Somerset), doing business as (d/b/a) Attorney Protective, and TMPC are parties to a Management and Services Agreement, in which Attorney Protective, together with TMPC, will provide or arrange for the provision of all services necessary in connection with the management and operation of MedPro RRS and AttPro RRG, in exchange for a fee equal to 18% of AttPro RRG's annual direct written premium. Amounts paid to TMPC under this agreement were $841,510 in 2018 and $682,447 in 2017.

Operating Agreements:
Effective July 1, 2005, TMPC and National Fire & Marine Insurance Company (NF&M) entered into an Operating Agreement in which TMPC will provide underwriting services to NF&M in exchange for 20% of any and all premiums collected on policies issued pursuant to this agreement. Amounts paid to TMPC under this agreement were $51.1 million in 2018 and $32.2 million in 2017.

Effective August 28, 2009, TMPC and Somerset d/b/a Attorney Protective (collectively called "Underwriters") entered into an operating agreement with National Liability & Fire (NL&F) in which the Underwriters provide underwriting services to NL&F in exchange for 20% of any and all premiums collected on policies issued pursuant to this agreement. Amounts paid to TMPC under this agreement were $0 in 2018 and $3.3 million in 2017.

Debt Note Agreements:
Effective July 22, 2011, TMPC invested $750.0 million in a Corporate Debt Instrument with Lubrizol Corporation, unconditionally guaranteed by NICO.

Tax-Sharing Agreement
Effective September 1, 2015, WIC, TMPC, PIC, WNYIC, and PLICO, Inc. together with other affiliates in the MPG group entered into a written Federal Income Tax allocation agreement with MPG. MPG then entered into a written Federal Income Tax Allocation Agreement with The Corporation. The consolidated tax liability is allocated among affiliates in the ratio that each affiliate's separate return tax liability bears to the sum of the separate return tax liabilities of all affiliates that are members of the consolidated group. In addition, a complementary method is used which results in reimbursement by profitable affiliates to loss affiliates for tax benefits generated by loss affiliates. For fiscal years 2018 and 2017 the tax recoverable by TMPC pursuant to the Tax Sharing Agreement was $3.4 million and $8.0 million, respectively.

Reinsurance Agreements
Effective December 31, 2005, Columbia Insurance Company (CIC) and NICO entered into a Loss Portfolio Agreement where each company assumed 25% of the outstanding net loss and loss adjustment expenses (LAE) of TMPC. At the same time, the companies entered into a Quota Share Agreement where each company assumed 25% of the unearned premium reserves as of December 31, 2005; each company will in turn assume from TMPC 25% of all premiums written and earned thereafter in return for each assuming 25% of all losses and LAE expenses incurred after December 31, 2005. Effective January 1, 2014, CIC entered into a Novation Agreement with NICO where CIC transfers, assigns and novates to NICO, and NICO assumes, and will be responsible for, any and all of the rights, duties, liabilities, and obligations of CIC stemming from the TMPC business assumed in the previous agreement. NICO was substituted for CIC as the reinsurer. TMPC incurred $159.4 million and $82.3 million in ceded premium net of ceding commission and losses and LAE in 2018 and 2017, respectively.

Effective January 1, 2015, TMPC entered into an amended Quota Share Reinsurance Agreement and a Loss Portfolio Agreement with its affiliate, MedPro RRG. Under the Agreement, TMPC assumes 98% of all premiums written and earned in return for assuming 98% of all losses and loss adjustment expenses incurred and all underwriting expenses associated with the ceded subject premium. TMPC received (including accruals) $71.8 million and $82.9 million in assumed premium net of ceding commission and losses and LAE in 2018 and 2017, respectively.

Effective January 1, 2015, TMPC entered into an amended Quota Share Reinsurance Agreement and a Loss Portfolio Agreement with its affiliate, AttPro RRG. Under the Agreement, TMPC assumes 98% of all of premiums written and earned in return for assuming 98% of all losses and loss adjustment expenses incurred and all underwriting expenses associated with the ceded subject premium. Under these agreements, TMPC received (including accruals) $2.5 million and $1.8 million in assumed premium net of ceding commission and losses and LAE in 2018 and 2017, respectively.

Effective September 1, 2015, the Company entered into a Loss Portfolio Agreement of Reinsurance and a Quota Share Agreement of Reinsurance with its affiliate, PLICO, Inc. Under the agreement, TMPC assumes 80% of PLICO, Inc.'s aggregate ultimate net loss. Under these agreements, TMPC received (including accruals) $0 and $2.6 million in assumed premium net of ceding commission and losses and LAE in 2018 and 2017, respectively.

Effective January 1, 2012, TMPC entered into a Loss Portfolio Agreement of Reinsurance and a Quota Share Agreement of Reinsurance with its affiliate, PIC. Under the agreement, TMPC assumes 80% of PIC's aggregate ultimate net loss except for workers' compensation, which is 100% under the PIC's policies. TMPC received (including accruals) $3.6 million and $8.7 million in assumed premium net of ceding commission and losses and LAE in 2018 and 2017, respectively.

Effective January 1, 2017, the Company entered into a Quota Share Agreement of Reinsurance with its affiliate, WNYIC. Under the agreement, TMPC assumes 80% of WNYIC's accident and health business. TMPC received/(paid) (including accruals) was ($4.3) million and $33.9 million in assumed premium net of ceding commission and losses and LAE in 2018 and 2017, respectively.

Effective January 1, 2017, WIC entered into a Quota Share Agreement with TMPC under which WIC cedes on a quota share basis 100% of the net loss arising from occurrences taking place on or after January 1, 2017 on all accident and health lines of insurance and reinsurance written by WIC and administered by its affiliated third party administrator, Consolidated Health Plans, Inc. TMPC received (including accruals) $29.7 million in assumed premium net of ceding commission and losses and LAE in 2018, and ($0.3) million in 2017. The 2017 amount is negative given there were no assumed premiums or losses in that year, but there was a ceding commission paid to WIC of $0.3 million.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by CNA Insurance Company. The bond has a single loss coverage limit of $5.0 million, with a $75,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2018, including but not limited to commercial auto, commercial property liability, employment practices liability, fiduciary, foreign policy, professional liability, umbrella, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

MPG, the parent company, sponsors a postretirement health care benefit plan covering employees hired prior to 2005 by the Company who reach retirement age while working for the Company. MPG makes contributions to this plan as claims are incurred. The Company's share of health care plan expenses for retirees was ($331,500) and $158,700 for 2018 and 2017 respectively. The Company has no legal obligation for benefits under this plan.

MPG sponsors a defined contribution retirement plan covering all employees. The plan includes a parent-paid primary retirement (profit-sharing) plan based on years of service and pay. MPG charges each affiliate for its allocable share of such contributions based on a percentage of payroll. The Company's allocated costs for the plan were $3.6 million and $3.5 million for 2018 and 2017 respectively.

MPG sponsors a 401k plan for eligible employees. MPG's matching contribution is one dollar ($1.00) for each dollar of the first four percent (4%) of the participant's compensation for the plan year that the participant contributes to the plan. MPG charges each affiliate for its allocable share of such contributions based on a percentage of payroll. The Company's costs for the plan were $2.0 million and $1.9 million for 2018 and 2017 respectively.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits, (in 000s), as of December 31, 2018:

State	Book Value	Fair Value
For All Policyholders:		
Indiana	$ 3,003	$ 2,951
All Other Special Deposits:		
Arkansas	100	98
Georgia	120	118
Nevada	601	590
New Mexico	340	334
North Carolina	400	393
Virginia	290	285
Puerto Rico	1,004	1,062
Total Deposits	$ 5,858	$ 5,832

* Immaterial differences dues to rounding.

REINSURANCE

Assumed Reinsurance

Since its acquisition by The Berkshire Hathaway Group (BHG) in 2005, there has been a steadily increasing emphasis on the use of internal reinsurance as a means to retain the maximum portion of each risk within BHG. To this end, the companies are generally structured as a vertical tower whereby risk is raised to upstream affiliate(s) having the capital strength to absorb the risk. As part of this process, TMPC assumes the majority of the business written by downstream affiliate companies through quota share reinsurance. In turn, TMPC then retro-cedes 75% of their total direct and assumed business upstream to NICO.

In addition to business assumed from each of the MPG affiliates, TMPC has also begun writing a small block of assumed reinsurance as a stand-alone product line. This is a relatively new venture for the company, commencing in 2013 and consists primarily of facultative reinsurance written through open market brokerage sources. Limits for this product are no greater than $25.0 million per facultative certificate. In 2018, this venture accounted for slightly more than $50.4 million in total assumed premiums.

Ceded Reinsurance

As discussed above, The Company has significantly limited the placement of reinsurance outside BHG. In 2018, TMPC ceded 75% of its total direct and assumed business to NICO through a quota share reinsurance arrangement. This contract accounted for $781.3 million (99%) of the TMPC ceded premium of $787.0 million and $3.1 billion (98%) of the total reinsurance recoverables.

The Company participates in a state operated medical malpractice reinsurance facility. This participation accounts for TMPC's second largest reinsurance recoverable ($13.6 million).

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2017 and December 31, 2018, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2017 through December 31, 2018, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

THE MEDICAL PROTECTIVE COMPANY
Assets
As of December 31, 2018
(in 000s)

	Per Examination*
Bonds	$ 768,334
Stocks:	
Common stocks	1,802,209
Real Estate:	
Properties occupied by the company	11,296
Cash, cash equivalents and short-term investments	192,646
Other invested assets	22,975
Subtotals, cash and invested assets	2,797,460
Investment income due and accrued	17,669
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	204,431
Deferred premiums and agents' balances and installments booked but deferred and not yet due	48,626
Reinsurance:	
Amounts recoverable from reinsurers	115,070
Current federal and foreign income tax recoverable and interest thereon	3,391
Guaranty funds receivable or on deposit	369
Electronic data processing equipment and software	1,900
Receivables from parent, subsidiaries and affiliates	11,801
Aggregate write-ins for other than invested assets	3,347
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts**	3,204,063
Totals**	$ 3,204,063

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** Immaterial differences dues to rounding.

THE MEDICAL PROTECTIVE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2018
(in 000s)

	Per Examination*
Losses	$ 629,879
Reinsurance payable on paid losses and loss adjustment expenses	64,272
Loss adjustment expenses	217,160
Commissions payable, contingent commissions and other similar charges	(1,132)
Other expenses (excluding taxes, licenses and fees)	3,206
Taxes, licenses and fees (excluding federal and foreign taxes)	4,325
Net deferred tax liability	8,382
Unearned premiums	134,065
Advance premium	22,034
Ceded reinsurance premiums payable (net of ceding commissions)	108,495
Amounts withheld or retained by company for account of others	4,582
Remittances and items not allocated	17,148
Provision for reinsurance	4,395
Payable to parent, subsidiaries and affiliates	7,577
Aggregate write-ins for liabilities	41,199
Total liabilities excluding protected cell liabilities**	1,265,588
Total liabilities**	1,265,588
Common capital stock	4,800
Gross paid in and contributed surplus	69,722
Unassigned funds (surplus)	1,863,953
Surplus as regards policyholders	1,938,475
Totals**	$ 3,204,063

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** Immaterial differences dues to rounding.

THE MEDICAL PROTECTIVE COMPANY
Statement of Income
For the Year Ended December 31, 2018
(in 000s)

		Per Examination*
UNDERWRITING INCOME		
Premiums earned	$	260,308
DEDUCTIONS		
Losses incurred		149,533
Loss adjustment expenses incurred		17,524
Other underwriting expenses incurred		62,406
Total underwriting deductions		229,463
Net underwriting gain or (loss)		30,845
INVESTMENT INCOME		
Net investment income earned		104,683
Net realized capital gains or (losses) less capital gains tax		17,155
Net investment gain (loss)		121,838
OTHER INCOME		
Net gain (loss) from agents' or premium balances charged off		151
Finance and service charges not included in premiums		276
Aggregate write-ins for miscellaneous income		44,948
Total other income		45,375
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		198,058
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes		198,058
Federal and foreign income taxes incurred		34,730
Net income	$	163,328

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

THE MEDICAL PROTECTIVE COMPANY
Capital and Surplus Account Reconciliation
(in 000s)

	2018	2017	2016	2015	2014
Surplus as regards policyholders, December 31 prior year	$ 2,020,958	$ 1,709,478	$ 1,570,791	$ 1,589,074	$ 1,405,721
Net income	163,328	83,251	109,188	130,133	140,051
Change in net unrealized capital gains or (losses) less capital gains tax	(270,173)	191,604	31,634	(30,192)	73,195
Change in net unrealized foreign exchange capital gain (loss)	258	993	(190)	(679)	(496)
Change in net deferred income tax	4,467	42,675	(246)	(24,546)	(29,237)
Change in nonadmitted assets	(21,251)	(4,461)	(2,965)	557	(3,367)
Change in provision for reinsurance	1,167	(2,583)	1,265	(3,556)	3,207
Surplus adjustments:					
Paid in	39,722	-	-	-	-
Dividends to stockholders	-	-	-	(90,000)	-
Change in surplus as regards policyholders for the year	(82,483)	311,480	138,687	(18,283)	183,354
**Surplus as regards policyholders, December 31 current year	$ 1,938,475	$ 2,020,958	$ 1,709,478	$ 1,570,791	$ 1,589,074

** The balances include immaterial balancing differences.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2018, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that while each director does have an Oath of Office statement on file, not all were current as of their last elected date. It is recommended that every director shall take and subscribe to an Oath of Office at the time of annual election and reelection to the Board.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Merlinos & Associates, Inc., performed an examination of The Medical Protective Company, as of December 31, 2018.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of The Medical Protective Company as of December 31, 2018, as determined by the undersigned.

Brad Neff

Brad Neff, CFE
Noble Consulting Services, Inc.

Under the Supervision of:

Jerry Ehlers

Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 7th day of February 2020, before me personally appeared, Brad Neff and Jerry Ehlers, to sign this document.

IN WITNESS WHEROF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: Nov 8, 2026 Rochelle Atkins
Notary Public

NOTARY PUBLIC SEAL INDIANA
ROCHELLE ATKINS
Notary Public, State of Indiana
Hendricks County
Commission Number NP0716900
My Commission Expires
November 08, 2026

Rochelle Atkins
Notary Public

STATE OF INDIANA	)	BEFORE THE INDIANA
	) SS:	
COUNTY OF MARION	)	COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
The Medical Protective Company)
5814 Reed Road)
Fort Wayne, IN 46835)

Examination of: **The Medical Protective Company**

NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of The Medical Protective Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of The Medical Protective Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 10, 2020
Date

Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7017 3040 0000 9294 9384

STATE OF INDIANA	)	BEFORE THE INDIANA
	) SS:	
COUNTY OF MARION	)	COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
The Medical Protective Company)
5814 Reed Road)
Fort Wayne, IN 46835)

Examination of: **The Medical Protective Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of The Medical Protective Company (hereinafter "Company") for the time period January 1, 2009 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on February 3, 2020.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 19, 2020 and was received by the Company on May 19, 2020.

On May 19, 2020 pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2018.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.

2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.

3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 10 day of June, 2020.

Stephen W. Robertson
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.