

STATE OF INDIANA )  
 ) SS: BEFORE THE INDIANA  
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

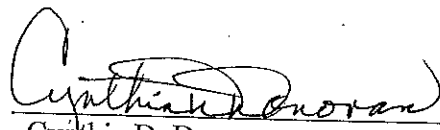
**NOTICE OF ENTRY OF ORDER**

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 sent to you on May 26, 2015, 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.

7/10/2015  
Date

  
Cynthia D. Donovan  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 91 7190 0005 2720 0045 8589**

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5814 Reed Road )  
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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 April 24, 2015.

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 26, 2015 and was received by the Company on June 1, 2015.

The Company did not file any objections.

NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

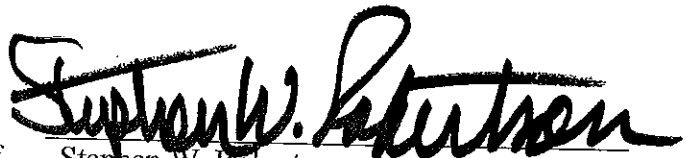
1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the The Medical Protective Company as of December 31, 2013.
2. That the Examiner's Recommendations are reasonable and necessary in order for the The Medical Protective Company to comply with the 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, 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. 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 and Sealed this 10<sup>th</sup> day of

July, 2015.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

## 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.

A handwritten signature in dark ink, appearing to read "Michael J. Whalper". The signature is written in a cursive style and is located in the lower-left quadrant of the page.

**STATE OF INDIANA**

**Department of Insurance**

**REPORT OF EXAMINATION**

**OF**

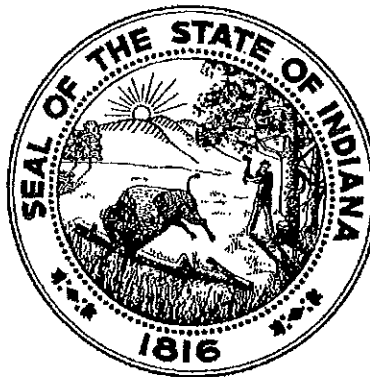
**THE MEDICAL PROTECTIVE COMPANY**

NAIC Co. CODE 11843

NAIC GROUP CODE 0031

As of

December 31, 2013



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# STATE OF INDIANA

# IDOI

MICHAEL R. PENCE, Governor

**Indiana Department of Insurance**  
311 W. Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787  
Telephone: (317) 232-2385  
Fax: (317) 232-5251  
Stephen W. Robertson, Commissioner

April 24, 2015

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 3803, 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 "MedPro", 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, 2013, is hereby respectfully submitted.

ACCREDITED BY THE  
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES (317) 232-2413    COMPANY COMPLIANCE (317) 233-0697    CONSUMER SERVICES (317) 232-2395    EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390    MEDICAL MALPRACTICE (317) 232-2402    SECURITIES/COMPANY RECORDS (317) 232-1991    STATE HEALTH INSURANCE PROGRAM 1-800-332-4674  
1-800-622-4461

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2008. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2009 through December 31, 2013, 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations.

The examination of the Company, a wholly-owned subsidiary of Medical Protective Corporation (MPC), was called by the INDOI in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. This coordinated risk-focused examination also included Company affiliates Princeton Insurance Company (Princeton), a New Jersey domestic insurance company; a controlled risk retention group, MedPro RRG Risk Retention Group (MedPro RRG), domiciled in the District of Columbia; and another controlled risk retention group, AttPro RRG Reciprocal Risk Retention Group (AttPro RRG), also domiciled in the District of Columbia. The INDOI served as the lead state on the examination and the New Jersey Department of Banking and Insurance and the District of Columbia Department of Securities and Banking served as participants.

Merlinos & Associates, Inc., provided all actuarial services throughout the examination and conducted a review of the Company's actuarially determined balances as of December 31, 2013.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## HISTORY

The Company was formed in 1899, as the Physicians Guaranty Company and changed its name in 1901, to the Physicians Defense Company. The Company subsequently incorporated on December 2, 1909, as The Medical Protective Company under and in accordance with the laws of the state of Indiana and commenced business on January 1, 1910. Employers Reinsurance Corporation (ERC), a subsidiary of GE Global Insurance Holding Corporation and General Electric Company, acquired the Company by purchasing all of the outstanding capital stock of MPC on October 15, 1998. Effective December 29, 1999, ERC transferred its ownership in MPC to GE Insurance Solutions Corporation. On June 30, 2005, all of the outstanding common stock of MPC was purchased by Columbia Insurance Company (CIC), a Nebraska corporation. All common shares of CIC are directly owned by BH Columbia, Inc. (BHCI), a Nebraska corporation. All common shares of BHCI are owned by Berkshire Hathaway, Inc. (BHI), a Delaware corporation. All preferred shares of CIC are directly owned by Berkshire Hathaway Life Insurance Company of Nebraska (BHLN), an insurance company domiciled in Nebraska. All shares of BHLN are owned by National Indemnity Company (NICO), an insurance company domiciled in Nebraska. All shares of NICO are owned by BHI. As of December 31, 2013, Warren E. Buffett owned approximately 19.6% of the economic interest and 33.5% of the aggregate voting power of BHI.



## CAPITAL AND SURPLUS

As of December 31, 2013, 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

In accordance with Indiana Code (IC) 27-1-23-4(h), the payment of dividends to any affiliate within a holding company system may not exceed the greater of 10% of the Company's prior year surplus or the Company's net income from the prior year. MedPro did not pay any extraordinary dividends during the examination period. In 2010, the Company paid MPC a \$75 million dividend that was 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 dividends declared during the examination period.

In addition, the Company made capital contributions, (in 000s), to the following affiliates:

	2009	2010	2011	2012	2013
MedPro RRG	\$ 1,500	\$ 1,750	\$ -	\$ -	\$ -
AttPro RRG	-	1,500	-	-	-
<b>Total</b>	<b>\$ 1,500</b>	<b>\$ 3,250</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## TERRITORY AND PLAN OF OPERATION

MedPro is licensed to sell its products in fifty (50) states and the District of Columbia, and principally underwrites professional liability insurance coverages for healthcare providers in forty-nine (49) states. The five (5) largest states are Florida, Indiana, Ohio, Pennsylvania, and Texas. MedPro offers primary occurrence and claims-made products for dentists, hospitals and health systems, individual physicians, professional corporations, as well as 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.

## 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
2013	\$ 3,286,341	\$ 1,880,621	\$ 1,405,721	\$ 371,800	\$ 205,284
2012	3,013,477	1,938,084	1,075,393	616,895	133,289
2011	2,442,487	1,578,577	863,910	302,854	96,141
2010	2,271,164	1,515,457	775,707	322,278	53,680
2009	2,148,587	1,425,771	722,816	332,500	79,173

\*\* Liabilities and Surplus and Other Funds do not equal Admitted Assets in 2013 due to a rounding error.

The Company's admitted assets and surplus increased each year during the examination period primarily as a result of cash generated from operations.

Increases in amounts shown above for 2012 are primarily due to a Loss Portfolio Transfer Agreement and a Quota Share Reinsurance Agreement with Princeton, both effective January 1, 2012, under which the Company assumed 80% of Princeton's premiums. The \$72 million increase in net income from 2012 to 2013 was due to underwriting gains and investment income.

**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 at least three (3) members or such other number as the Board may from time to time determine by resolution. At least one (1) of the directors must be a resident of Indiana. The shareholders elect the members of the Board at each annual meeting.

The following is a listing of persons serving as directors on December 31, 2013, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Ajit Jain, Chairman Rye, New York	President Berkshire Hathaway, Inc.
Daniel Jaksich Papillion, Nebraska	Chief Accounting Officer, Vice President, and Controller Berkshire Hathaway, Inc.
Timothy Kenesey Fort Wayne, Indiana	President and Chief Executive Officer Medical Protective Group
Donald Wurster Omaha, Nebraska	President National Indemnity Company

IC 27-1-7-10(a) states that the business of every corporation shall be managed by a board of directors, composed of not less than five (5) nor more than the maximum number fixed in the articles of incorporation. Due to the death of former Board member Forrest Krutter on September 26, 2013, the Company is in violation of IC 27-1-7-10(a). See the Other Significant Issues section of this Report of Examination.

Officers

The Bylaws state that the principal officers of the Company shall consist of a Chairman of the Board, a Chief Executive Officer, a President, one (1) or more Vice Presidents, a Chief Financial Officer, a Treasurer, and a Secretary. At the discretion of the Board, the Company may also appoint one (1) or more subordinate officers.

The following is a list of key officers and their respective titles as of December 31, 2013:

Name	Office
Timothy Kenesey	President and Chief Executive Officer
Trent Heinemeyer	Secretary
Daniel Landrigan	Chief Financial Officer
Graham Billingham, M.D.	Chief Medical Officer
Garrett Davenport	Controller
Jim Kunce	Chief Actuary
Robert Ignasiak	Senior Vice-President
Mark Walthour	Senior Vice-President
Anthony Bowser	Vice President and Treasurer

### **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 Conflict of Interest statements as of December 31, 2013.

### **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 such an oath as of December 31, 2013.

### **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 and at such time within that period as the Bylaws may provide. The Bylaws state that the annual meeting shall be held within five (5) months after the close of each fiscal year of the Company on the exact date and at a time as shall be determined by the Board. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

The Company's committee meeting minutes for the examination period and through the end of fieldwork were reviewed for the following committees: Audit and Enterprise Risk Management Committee, Corporate Governance and Nominating Committee, and Executive Committee.

**AFFILIATED COMPANIES**

Organizational Structure

The following abbreviated organizational chart shows the Company's direct upstream parent companies and the insurance subsidiaries of Medical Protective Corporation as of December 31, 2013:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Berkshire Hathaway Incorporated		DE
National Indemnity Company	20087	NE
Berkshire Hathaway Life Insurance Company of Nebraska	62345	NE
Columbia Insurance Company	27812	NE
<b>Medical Protective Corporation</b>		<b>IN</b>
<b>The Medical Protective Company</b>	<b>11843</b>	<b>IN</b>
MedPro RRG Risk Retention Group	13589	DC
AttPro RRG Reciprocal Risk Retention Group	13795	DC
Princeton Insurance Company	42226	NJ

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 and restated effective April 1, 2010, MedPro and MedPro RRG, by and through MedPro Risk Retention Services, Inc. (MedPro RRS), are parties to a Management and Services Agreement, in which MedPro 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 20% of their annual direct written premium. The April 1, 2010, amendment allows for a reduced service fee percentage for premiums written by agents receiving a commission rate in excess of 10%, or those agents providing some of the services for these policies. MedPro earned \$4,383,603 in the 2013 calendar year, under this agreement.

Effective January 1, 2011, AttPro RRG, by and through MedPro RRS, Somerset Services, Inc. (Somerset), doing business as (d/b/a) Attorney Protective, and MedPro are parties to a Management and Services Agreement, in which Attorney Protective, together with MedPro, 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 17.5% of AttPro RRG's annual direct written premium. MedPro earned \$45,741 in the 2013 calendar year, under this agreement.

*Operating Agreements*

Effective October 1, 2005, MedPro and National Fire and Marine Insurance Company (NF&M) entered into a Claims Services Agreement in which MedPro will provide claims services, anti-fraud services/training, and compliance duties to NF&M in exchange for a handling fee of \$3,000 for each separate claim that MedPro manages. MedPro earned \$405,941 in the 2013 calendar year, under this agreement.

Effective July 1, 2005, MedPro and NF&M entered into an Operating Agreement in which MedPro will provide underwriting services to NF&M in exchange for 19.8% of any and all premiums collected on policies issued pursuant to this agreement. MedPro was compensated \$10,488,869 in the 2013 calendar year, under this agreement.

Effective August 28, 2009, MedPro and Somerset d/b/a Attorney Protective (collectively called "Underwriters") entered into an Operating Agreement with National Liability and Fire Insurance Company (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. MedPro was compensated \$768,950 in the 2013 calendar year, under this agreement.

As amended and restated effective January 1, 2012, MPC, MedPro, and Princeton are parties to a Cost-Sharing Agreement in which the parent 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 of each service that can be reasonably identified as being incurred for the sole benefit of that party. For the purpose of sharing in costs and expenses, in 2013, MedPro allocated \$44,380 to MPC, \$134,570 to Medical Protective Insurance Services, \$140,470 to Medical Protective Finance Corporation, and \$1,339,200 to Somerset.

#### *Tax-Sharing Agreement*

Effective July 1, 2005, BHI and MedPro have entered into a Consolidated Federal Income Tax Allocation Agreement in which the full amount of the income tax due and payable upon each consolidated return, including deficiencies determined by the IRS, shall be paid by BHI. Any refunds of income taxes due in respect of the consolidated returns shall be received by BHI. MedPro paid \$77,415,011 in the 2013 calendar year, under this agreement.

#### *Reinsurance Agreements*

Effective June 30, 2005, MedPro and ERC entered into an Assignment, Transfer, and Novation Agreement with NICO to assign and transfer the reinsurance agreements between MedPro and ERC to NICO.

Effective December 31, 2005, CIC and NICO entered into a Loss Portfolio Transfer Agreement where each company assumed 25% of MedPro's outstanding net loss and LAE expenses. Effective January 1, 2014, this agreement was amended to increase the MedPro ceding percentage to 75%. Furthermore, a Novation Agreement was entered into under which NICO replaces CIC in the reinsurance agreement.

Effective December 31, 2005, CIC and NICO entered into a Quota Share Agreement where each company assumed 25% of MedPro's unearned premium reserves as of December 31, 2005, and 25% of all MedPro 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, this agreement was amended to increase the MedPro ceding percentage to 75% and remove CIC as a party to the agreement via the previously mentioned Novation Agreement. MedPro paid \$85,734,388 in ceded premium net of ceding commission and losses and LAE in the 2013 calendar year.

Effective July 1, 2009, MedPro entered into a Quota Share Agreement with MedPro RRG. Under this agreement, MedPro assumes 95% of all of Med Pro RRG's business which consists of medical professional liability insurance. MedPro received \$14,412,701 in assumed premium net of ceding commission and losses and LAE in the 2013 calendar year.

Effective January 1, 2011, MedPro entered into a Quota Share Agreement with AttPro RRG. Under this agreement, MedPro assumes 95% of all of AttPro RRG's business which consists of legal professional liability insurance. MedPro received \$156,472 in assumed premium net of ceding commission and losses and LAE in the 2013 calendar year.

Effective January 1, 2012, MedPro entered into a Loss Portfolio Transfer Reinsurance Agreement with Princeton. Under this agreement, MedPro assumed 80% of Princeton's aggregate ultimate net loss except for workers' compensation which MedPro assumes 100%.

Effective January 1, 2012, MedPro entered into a Quota Share Agreement with Princeton. Under this agreement, Princeton cedes to MedPro 80% of Princeton's premiums. MedPro received \$26,295,300 in assumed premium net of ceding commission and losses and LAE in the 2013 calendar year.

#### *Investment Agreements*

On November 7, 2013, MedPro and Princeton entered into a Corporate Debt Agreement with MEHC, unconditionally guaranteed by NICO. Initial investment in the debentures issued by MEHC was \$100 million for Princeton and \$500 million for MedPro.

On June 23, 2011, MedPro entered into a Corporate Debt Agreement, unconditionally guaranteed by NICO, with Lubrizol. MedPro's initial investment in the Lubrizol bond issue was \$750 million.

#### *Surplus Note Agreements*

Effective March 2, 2009, MedPro RRG entered into a Subordinated Surplus Note Agreement with MedPro, in which MedPro agrees to lend up to an aggregate amount of \$10 million and in exchange MedPro RRG, by and through MedPro RRS, shall deliver a Subordinated Surplus Note. The principal and interest due under the loan is to be payable no later than fifteen (15) years from the date of issuance. As of December 31, 2013, MedPro RRG has issued three (3) Subordinated Surplus Notes in the amounts of \$1,300,000, \$200,000, and \$1,750,000.

Effective August 12, 2010, AttPro RRG entered into a Subordinated Surplus Note Agreement with MedPro, in which MedPro agrees to lend up to an aggregate amount of \$10 million and in exchange AttPro RRG, by and through MedPro RRS, shall deliver a Subordinated Surplus Note. The principle and interest due under the loan is to be payable no later than fifteen (15) years from the date of issuance. As of December 31, 2013, AttPro RRG has issued a Subordinated Surplus Note in the amount of \$1.5 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 Continental Insurance Company. The bond has a single loss coverage limit of \$5,000,000, with a \$75,000 deductible. The Company also has a fidelity bond policy with Great American Insurance Company, in which Great American Insurance Company will indemnify MedPro for losses exceeding the limit of liability of the underlying carrier. The bond has a single loss coverage of \$5,000,000 each loss with an aggregate limit of \$5,000,000 in excess of the underlying policy. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2013, including but not limited to losses resulting from agents coverage, central handling of securities, computer systems fraud, extortion, forgery or alteration, premises, securities, threats to property, trading loss, and transit.

## PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

MPC sponsors a postretirement health care benefit plan covering substantially all employees of the Company who reach retirement age while working for the Company. MPC makes contributions to this plan as claims are incurred. The Company's share of health care plan expenses for retirees was \$416,000 and (\$607,000) for 2012 and 2013, respectively. The Company has no legal obligation for benefits under this plan.

MPC sponsors a defined contribution retirement plan covering all employees of the Company. The plan includes an MPC paid primary retirement (profit sharing) plan based on years of service and pay. MPC 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 \$2,172,000 and \$2,452,000 for 2012 and 2013, respectively.

In addition, MPC sponsors a 401(k) plan for eligible employees. The MPC paid matching contribution is one dollar (\$1.00) for each dollar of the first 4% of the participant's compensation for the plan year that the participant contributes to the plan. MPC charges each affiliate for its allocable share of such contributions based on a percentage of payroll. The Company's costs for the plan were \$1,138,000 and \$1,265,000 for 2012 and 2013, respectively.

## STATUTORY DEPOSITS

The Company reported the following statutory deposits, (in 000s), at December 31, 2013:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 2,991	\$ 2,994
All Other Special Deposits:		
Georgia	120	120
Nevada	609	631
New Mexico	339	339
North Carolina	406	420
Virginia	295	305
Total Deposits	<u>\$ 4,760</u>	<u>\$ 4,809</u>

## REINSURANCE

### Ceded Reinsurance

Since its acquisition by BHI in June 2005, the Company has significantly limited the placement of reinsurance outside of the Berkshire Hathaway organization. Following the acquisition, the Company entered into a Loss Portfolio Transfer Agreement of Reinsurance of its net losses and loss adjustment expenses outstanding as of December 31, 2005. Additionally, a Quota Share Agreement of Reinsurance was put into place whereby the Company would cede 50% of its net written premium on all business written after December 31, 2005. Coverage under these two (2) contracts was divided equally between two (2) affiliates, CIC and NICO, and remained in effect through December 31, 2013. See the Subsequent Events section of this Report of Examination.

### Assumed Reinsurance

MedPro reinsures 95% of all losses and loss adjustment expenses incurred by MedPro RRG and AttPro RRG. MedPro also reinsures 80% of all losses, loss adjustment expenses, and underwriting expenses of Princeton in addition to 100% of Princeton's workers' compensation insurance losses, loss adjustment expenses, and underwriting expenses.

### 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, 2012 and December 31, 2013, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2009 through December 31, 2013, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.



THE MEDICAL PROTECTIVE COMPANY  
 Assets  
 As of December 31, 2013  
 (in 000s)

	Per Examination*
Bonds	\$ 1,427,465
Stocks	
Common Stocks	784,305
Real Estate:	
Properties occupied by the company	9,530
Cash, cash equivalents and short-term investments	864,147
Receivables for securities	855
Subtotals, cash and invested assets	3,086,301
Investment income due and accrued	20,307
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	50,234
Deferred premiums, agents' balances and installments booked but deferred and not yet due	57,564
Reinsurance:	
Amounts recoverable from reinsurers	46,781
Net deferred tax asset	17,406
Guaranty funds receivable or on deposit	760
Electronic data processing equipment and software	895
Receivables from parent, subsidiaries and affiliates	4,334
Aggregate write-ins for other than invested assets	1,758
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	3,286,341
Total**	\$ 3,286,341

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

\*\* Totals and sub-totals may not foot due to rounding errors.

THE MEDICAL PROTECTIVE COMPANY  
 Liabilities, Surplus and Other Funds  
 As of December 31, 2013  
 (in 000s)

	Per Examination*
Losses	\$ 1,085,449
Reinsurance payable on paid losses and loss adjustment expenses	16,665
Loss adjustment expenses	447,422
Commissions payable, contingent commissions and other similar charges	(491)
Other expenses	2,578
Taxes, licenses and fees	2,651
Current federal and foreign income taxes	8,455
Unearned premiums	211,912
Advance premiums	23,934
Ceded reinsurance premiums payable	49,829
Amounts withheld or retained by company for account of others	3,718
Remittances and items not allocated	13,343
Provision for reinsurance	3,895
Payable to parent, subsidiaries and affiliates	6,261
Aggregate write-ins for liabilities	4,999
TOTAL Liabilities excluding protected cell liabilities	1,880,621
TOTAL Liabilities	1,880,621
Common capital stock	4,800
Gross paid in and contributed surplus	30,000
Unassigned funds (surplus)	1,370,921
Surplus as regards policyholders	1,405,721
TOTALS**	\$ 3,286,341

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

\*\* Totals and sub-totals may not foot due to rounding errors.

THE MEDICAL PROTECTIVE COMPANY  
Statement of Income  
For the Year Ended December 31, 2013

	Per Examination*
<b>UNDERWRITING INCOME</b>	
Premiums earned	\$ 371,800
<b>DEDUCTIONS</b>	
Losses incurred	108,054
Loss adjustment expenses incurred	82,592
Other underwriting expenses incurred	88,272
<b>TOTAL Underwriting Deductions</b>	<b>278,918</b>
Net underwriting gain or (loss)	92,882
<b>INVESTMENT INCOME</b>	
Net investment income earned	121,841
Net realized capital gains (losses) less capital gains tax	29,395
Net investment gain or (loss)	151,236
<b>OTHER INCOME</b>	
Net gain or (loss) from agents' or premium balances charged off	(7)
Finance and service charges not included in premiums	273
Aggregate write-ins for miscellaneous income	12,022
<b>TOTAL Other Income</b>	<b>12,288</b>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	256,406
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	256,406
Federal and foreign income taxes incurred	51,122
Net income	\$ 205,284

\* 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)

	2013	2012	2011	2010	2009
Surplus as regards policyholders, December 31 prior year	\$1,075,393	\$863,910	\$755,707	\$722,816	\$631,682
Net income	205,284	133,289	96,141	53,680	79,173
Change in net unrealized capital gains or (losses) less capital gains tax	101,209	35,671	4,983	36,769	5,372
Change in net unrealized foreign exchange capital gain (loss)	1,131	1,307	399	293	2,295
Change in net deferred income tax	(22,358)	16,885	18,793	23,984	7,890
Change in nonadmitted assets	48,795	8,878	(12,644)	(6,307)	(3,593)
Change in provision for reinsurance	(3,734)	(161)	531	(528)	(3)
Cumulative effect of changes in accounting principles	-	15,613	-	-	-
Dividends to stockholders	-	-	-	(75,000)	-
Change in surplus as regards policyholders for the year	330,328	211,483	108,203	32,891	91,134
Surplus as regards policyholders, December 31 current year**	\$1,405,721	\$1,075,393	\$863,910	\$755,707	\$722,816

\*\* Totals and sub-totals may not foot due to rounding errors.

## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2013, based on the results of this examination.

### OTHER SIGNIFICANT ISSUES

As discussed in the Management and Control section of this Report of Examination, the Company is in violation of the minimum number of Board members required by IC 27-1-7-10(a). Due to the death of a Board member during the final year of the examination period the Board concluded the examination period with only four (4) Board members while the referenced code section requires a minimum of five (5). It is recommended that the Company come into compliance with IC 27-1-7-10(a) by electing an additional member of the Board at the earliest possible date.

### SUBSEQUENT EVENTS

The following are events subsequent to the examination date and prior to the completion of fieldwork that were considered material events requiring disclosure in the Report of Examination:

Effective January 1, 2014, a Novation Agreement was entered into in which the novation of MedPro coverage from CIC to NICO occurred. In the agreement 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 MedPro's business assumed in their previous reinsurance agreement. NICO shall be substituted for CIC as reinsurer.

Effective January 1, 2014, the Loss Portfolio Transfer Agreement was amended to increase the amount ceded by MedPro to 75%. CIC and NICO had previously entered into a Loss Portfolio Transfer Agreement, effective December 31, 2005, whereby each company assumed 25% of MedPro's outstanding net losses and loss adjustment expenses. In the Novation Agreement, described above, NICO replaced CIC as the reinsurer.

Effective January 1, 2014, the Quota Share Agreement was amended to increase the amount ceded by MedPro to 75%. CIC and NICO had previously entered into a Quota Share Agreement whereby each company assumed 25% of MedPro's unearned premium reserves, as of December 31, 2005. In addition, 25% of MedPro's premiums written and earned as well as 25% of all losses and loss adjustment expenses incurred will be assumed subsequent to December 31, 2005. In the Novation Agreement, described above, NICO replaced CIC as the reinsurer.



**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 Merlino & Associates, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of The Medical Protective Company, as of December 31, 2013.

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, 2013, as determined by the undersigned.



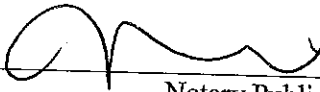
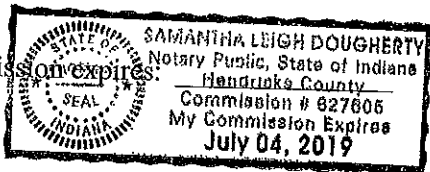
Roy Eft, CPA, CFE, MCM  
Noble Consulting Services, Inc.

State of: Indiana  
County of: Marion

On this 24 day of April, 2015, before me personally appeared, Roy Eft, to sign this document.

IN WITNESS WHEREOF, 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:



Notary Public

