

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

Re: Report on Examination – MMIC Risk Retention Group, Inc. as of December 31, 2022

ORDER

In accord with the authority established by D.C. Official Code § 31-1402, an examination of **MMIC Risk Retention Group, Inc.**, (the “Company”), as of December 31, 2022, 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 12th day of June 2024, 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
Deputy Commissioner for Market Operations



Government of the District of Columbia

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING



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

REPORT ON EXAMINATION

MMIC RISK RETENTION GROUP, INC.

AS OF

DECEMBER 31, 2022

NAIC NUMBER 14062

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Washington, D.C.
May 20, 2024

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

MMIC Risk Retention Group, Inc.

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

SCOPE OF EXAMINATION

This full-scope examination, covering the period from January 1, 2021 through December 31, 2022, including any material transactions and/or events noted occurring subsequent to December 31, 2022, was conducted by the District of Columbia Department of Insurance, Securities and Banking (the “Department”).

Our examination of the Company was one of four coordinated financial condition examinations conducted of companies in the Constellation Group (“Group”) by the States of Minnesota, Arkansas, and Utah in addition to the District of Columbia. The examinations were coordinated by the Minnesota Department of Commerce.

We conducted our coordinated examination in accordance with the NAIC Financial Condition Examiners Handbook (“Handbook”) and the policies and standards established by the Department. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles (“SAP”). The examination does not attest to the fair presentation of the financial statements

included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to Section 31-1404(a) of the District of Columbia Official Code and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

The Company was audited annually by an independent public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for the calendar years 2021 and 2022. We placed substantial reliance on the audited financial statements for the calendar year 2021, and consequently performed only minimal testing for that period. We concentrated our examination efforts on the year ended December 31, 2022. We obtained and reviewed the working papers prepared by the independent public accounting firm related to the audit for the year ended December 31, 2022. 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, 2020, which covered the period of January 1, 2016 to December 31, 2020. There were no material adverse findings, significant findings of non-compliance, or material changes in the financial statements.

HISTORY

General:

MMIC Risk Retention Group, Inc. (formerly MMIC RRG, Inc.), was licensed on May 5, 2011 as a mutual captive insurance company, operating as a risk retention group, under the captive insurance laws of the District of Columbia. The Company commenced business on January 1, 2012.

The Company's formation was sponsored by Constellation, Inc. (formerly MMIC Group, Inc.), a mutual insurance holding company organized under Minnesota statutes. MMIC Insurance, Inc. ("MMIC") is a stock insurance company wholly owned by Constellation, Inc. ("Constellation") and is a Minnesota state licensed insurance company. The Company was formed to provide medical professional liability insurance to individual practitioners, practice groups, hospitals or

other healthcare facilities in the states where MMIC is not licensed or permitted to write insurance business. Effective October 1, 2023, Constellation merged with Curi Holdings, Inc. (“Curi”), with Curi as the surviving entity.

Membership:

As a risk retention group, the Company is owned by its member insureds, consisting of individual and group physicians, and other health care facilities. As a mutual insurer, the Company does not issue stock or other certificates of ownership. Each insured is automatically a member of the Company per the Bylaws.

Dividends and Distributions:

The Company did not declare or pay any dividends during the period under examination. For the year 2022, with the approval of the Department, the Company paid a total of \$320,663 to Constellation for interest on the surplus note issued to the Company, as further detailed in the “Affiliated Parties and Transactions” section of this Report.

MANAGEMENT AND CONTROL

Board of Directors and Officers:

The Company’s directors serving as of December 31, 2022 were as follows:

<u>Name and State of Residence</u>	<u>Principal Occupation</u>
Scott R. Riddle Minneapolis, Minnesota	Retired Executive
Lori H. Trygg St. Paul, Minnesota	Attorney-at-Law Retired
Jon G. Behnken ⁽¹⁾ Minneapolis, Minnesota	Senior Manager, Business Reporting and Analysis Constellation, Inc.

⁽¹⁾ In December 2023, Jon G. Behnken was replaced by Ryan J. Crawford.

The following persons were serving as the Company’s officers as of December 31, 2022:

<u>Name</u>	<u>Position</u>
Jeffrey S. Pearson ⁽²⁾	President
Jon G. Behnken ⁽³⁾	Treasurer
Cinda A. Velasco	Secretary

⁽²⁾ In June 2023, Jeffrey S. Pearson was replaced by Derek J. Gordon.

⁽³⁾ In December 2023, Jon G. Behnken was replaced by Gary A. Seifert.

Committees:

As of December 31, 2022, 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's directors and officers for the period under examination disclosed no conflicts that would adversely affect the Company. Furthermore, no additional conflicts of interest were identified during our examination.

Corporate Records:

We reviewed the minutes of the meetings of the board of directors and members for the period under examination. Based on our review, it appears that the minutes have documented the review and approval of the Company's significant transactions and events.

Captive Manager:

Effective October 1, 2017, Advantage Insurance Management (USA) LLC ("Advantage") became the Company's captive manager. Advantage provided regulatory and captive management services to the Company during the examination period.

Affiliated Parties and Transactions:

In May 2013, the Company filed with, and the Department approved a disclaimer of affiliation from Constellation. Subsequently, in August 2020 the Company filed to withdraw the disclaimer of affiliation from Constellation. As of December 31, 2022, the Company is a member of the Constellation holding company system.

Constellation has no ownership interest in the Company, however, Constellation has sponsored the Company's formation and has been managing the Company's daily business operations since inception, under a management agreement. In addition, Constellation is the lender to the Company of \$700,000 pursuant to a subordinated surplus note agreement.

During the period under examination, the Company had the following transactions with Constellation and MMIC:

Through a Management Agreement effective May 19, 2014, the Company's daily operations, including marketing, underwriting, financial management, risk management and loss prevention, claims handling, and information technology, are managed by Constellation. As of December 31,

2022, compensation for the services provided is based on its proportional share for operating, general and overhead expenses based on direct written premiums and certain direct expenses. Fees for 2022 amounted to \$3,231,785. Effective October 1, 2023, the agreement was amended and restated to be between MMIC RRG and Curi.

Constellation provided the initial capitalization of the Company with a letter of credit (“LOC”) totaling \$400,000 and a surplus note issued to Constellation in the amount of \$200,000 dated April 12, 2011 which matured on May 31, 2023. Constellation increased the LOC by \$100,000 on September 10, 2021, for a total of \$500,000 as of December 31, 2022. Effective February 28, 2024, the LOC was amended to name Curi as the applicant. Constellation amended the surplus note to increase the principal amount by \$200,000 on May 31, 2013, by \$200,000 on March 29, 2018 and by \$100,000 on September 20, 2021. As of December 31, 2022, the total amount of the surplus note was \$700,000 and matures on September 20, 2031, with an annual interest rate of six percent (6%) payable in quarterly installments subject to approval of the Department. During 2022, with the approval of the Department, the Company paid \$320,663 as interest on the surplus note.

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

TERRITORY AND PLAN OF OPERATION

As of December 31, 2022, the Company was licensed in the District of Columbia, and was registered as a risk retention group in all states, except Pennsylvania. During 2022, the Company wrote premiums of approximately \$24,331,000, all in Arizona, Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, and Wyoming.

The Company offers medical professional liability insurance on a claims made basis and general liability insurance on an occurrence basis with primary limits of \$1,000,000 per claim and \$3,000,000 per policy aggregate to individual physician members and health organization members. The Company also offers medical professional insurance on a claims made basis and general liability insurance on an occurrence basis with limits of \$20,000,000 per claim and \$20,000,000 per policy aggregate, in excess of the primary layer. The excess insurance limits are fully reinsured. Extended reporting coverage and tail coverage endorsements are available for purchase separately. Effective October 1, 2021, the Company began offering medical professional liability and general liability coverage on both claims made and occurrence basis to long-term care and senior living facilities with limits up to \$11,000,000 per claim and \$13,000,000 in the aggregate.

For the 2021 and 2022 policy years, as part of the medical professional liability program, the Company also offers cyber liability coverage, Cyber Solutions®, to eligible physicians and facilities with limits up to \$100,000, with an option to purchase limits up to \$10,000,000 at an additional cost. For the 2021 and 2022 policy years, Meddefense® coverage is available to eligible physicians and facilities on limits up to \$50,000 with an option to purchase limits up to \$1,000,000 at an additional cost.

The Company has no employees. Its daily business operations are managed by Constellation in Minneapolis, Minnesota. Its captive manager, Advantage, provides regulatory services to the Company.

REINSURANCE

Assumed:

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

Ceded:

For the period under examination, the Company was a party to a quota-share reinsurance agreement with MMIC. Under the terms of the agreement, the Company ceded ninety-five percent (95%) of its premiums and losses of the Company's first \$1,000,000 of net liability in respects of each occurrence, and one hundred percent (100%) of its premiums and losses in excess of \$1,000,000 in respect of each occurrence. The reinsurance agreement covers all policies issued or renewed by the Company classified as medical professional and general liability business written on a claims made or occurrence basis. The cyber and Medefense coverages added to its current policy form are one hundred percent (100%) reinsured with MMIC. The Company received a ceding commission of thirty-five percent (35%) of the premiums ceded. Effective January 1, 2023, the ceding commission decreased to thirty percent (30%). The contract is automatically renewed each year until terminated by either party by written notice to the other given at least 90 days prior to the expiration date.

During 2022, the Company ceded premiums of approximately \$23,364,000 under this agreement. As of December 31, 2022, the Company reported amounts recoverable from reinsurers of approximately \$596,000, representing amounts recoverable on paid losses. In addition, the Company reported ceded loss reserves of approximately \$10,392,000 and ceded unearned premiums of approximately \$10,572,000. If the reinsurer was unable to meet its obligations under the agreement, the Company would be liable for any defaulted amounts.

FINANCIAL STATEMENTS

The following financial statements are based on the Annual Statement filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2022. The financial statements were prepared in accordance with SAP prescribed or permitted by the Department. Management is responsible for the preparation and fair presentation of these financial statements. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

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BALANCE SHEET

ASSETS

	<i>December 31, 2022</i>
Cash	1,298,040
Subtotal cash and invested assets	\$ 1,298,040
Uncollected premiums and agents' balances in the course of collection	372,456
Deferred premiums, agents' balances and installments booked but deferred and not yet due	6,879,133
Amounts recoverable from reinsurers	595,843
Net deferred tax asset	444,869
Letter of credit	500,000
Total	<u>\$ 10,090,341</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

	<i>December 31, 2022</i>
Losses (NOTE 1)	\$ 245,560
Loss adjustment expenses (NOTE 1)	202,951
Commissions payable, contingent commissions and other charges	2,143,908
Other expenses (excluding taxes , licenses and fees)	10,686
Taxes, licenses and fees (excluding federal and foreign income taxes)	349,873
Current federal and foreign income taxes	9,688
Unearned premiums (after deducting unearned premiums for ceded reinsurance of \$10,572,314)	417,648
Advance premium	259,840
Ceded reinsurance premiums payable (net of ceding commissions)	4,343,138
Amounts withheld for account of others	5,319
Payable to affiliates	563,838
Total liabilities	<u>\$ 8,552,447</u>
Surplus notes	\$ 700,000
Gross paid in and contributed surplus	500,000
Unassigned funds (surplus)	<u>337,894</u>
Surplus as regards policyholders	<u>\$ 1,537,894</u>
Total	<u><u>\$ 10,090,341</u></u>

STATEMENT OF INCOME

	<i>December 31, 2022</i>
UNDERWRITING INCOME	
Premiums earned	\$ 669,671
DEDUCTIONS	
Losses incurred	238,671
Loss adjustment expenses incurred	287,499
Other underwriting expenses incurred	(1,169,371)
Total underwriting expenses	\$ (643,201)
Net underwriting profit	\$ 1,312,872
INVESTMENT INCOME	
Net investment income earned	\$ (320,663)
OTHER INCOME	
Net loss from agents' or premium balances charged off	\$ (3)
Miscellaneous income	7
Net income before dividends and taxes	\$ 992,213
Federal and foreign income taxes incurred	534,688
Net income	<u>\$ 457,525</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2020	<u>\$ 563,374</u>
Net loss, 2021	(120,189)
Change in net deferred income taxes	117,132
Change in nonadmitted assets	(20,292)
Change in surplus notes	100,000
Surplus adjustment: Paid-in	<u>100,000</u>
Net change in surplus as regards policyholders, 2021	<u>176,651</u>
Surplus as regards policyholders, December 31, 2021	<u>\$ 740,025</u>
Net income, 2022	457,525
Change in net deferred income taxes	327,737
Change in nonadmitted assets	<u>12,607</u>
Net change in surplus as regards policyholders, 2022	<u>797,869</u>
Surplus as regards policyholders, December 31, 2022	<u>\$ 1,537,894</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 \$245,560 and \$202,951, respectively. These reserves represent management’s best estimate of the net amounts necessary to pay all claims and related expenses that have been incurred but are still unpaid as of December 31, 2022.

The methodologies utilized by the Company to compute reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2022 were reviewed as part of our examination. As part of our review, a casualty actuary from the Minnesota Department of Commerce reviewed the actuarial report as of December 31, 2022 prepared by the Company’s independent actuary and concurred that the Company’s loss and loss adjustment expense reserves as of December 31, 2022 were reasonable.

SUBSEQUENT EVENTS

Centurion Medical Liability Protection Risk Retention Group, Inc. and MMIC RRG entered into an agreement to merge effective January 1, 2024, with MMIC RRG being the surviving entity. The merger was approved by the Department.

SUMMARY OF RECOMMENDATIONS

During the examination, no issues warranting recommendations in this examination report were noted.

SIGNATURES

In addition to the undersigned, David Palmer, CFE, of Lewis & Ellis, Inc., representing the Department, and David Christhilf, ACAS, MAAA, from the Department, participated in this examination.

Respectfully submitted,



Omar D. Akel, CFE
Examiner-In-Charge
Lewis & Ellis, Inc.

Under the Supervision of,



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

Via E-mail

June 11, 2024

Derek J. Gordon, President
MMIC Risk Retention Group, Inc.
1050 Connecticut Ave. NW, Suite 1100
Washington, D.C. 20036

RE: Examination of MMIC Risk Retention Group, Inc., as of December 31, 2022

Dear Mr. Gordon:

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 MMIC Risk Retention Group, Inc., (the “Company”), as of December 31, 2022.

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 June 20, 2024. 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 and
Acting Associate Commissioner
Risk Finance Bureau
Enclosure



June 11, 2024

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

Re: Reporting of Examination as of 12/31/2022
MMIC Risk Retention Group, Inc., NAIC Company Code – 14062

Dear Mr. O'Donnell:

On behalf of MMIC Risk Retention Group, I accept the Report of Examination as of December 31, 2022.

If you have any questions, please contact me at (952) 838-6704 or Derek.Gordon@curi.com. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Derek Gordon", written in a cursive style.

Derek Gordon
President
MMIC Risk Retention Group, Inc.

Via E-mail

June 11, 2024

Derek J. Gordon, President
MMIC Risk Retention Group, Inc.
1050 Connecticut Ave. NW, Suite 1100
Washington, D.C. 20036

RE: Examination of MMIC Risk Retention Group, Inc., as of December 31, 2022

Dear Mr. Gordon:

We are in receipt of your response, dated June 11, 2024, regarding the Report on Examination of MMIC Risk Retention Group, Inc., (the “Company”), as of December 31, 2022. 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 and
Acting Associate Commissioner
Risk Finance Bureau
sean.odonnell@dc.gov

Enclosure