



Janet T. Mills
Governor

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION
BUREAU OF INSURANCE

Anne L. Head
DPFR Commissioner



Timothy N. Schott
Acting Superintendent

June 15, 2023

Timothy N. Schott, Acting Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Acting Superintendent:

Pursuant to the provisions of 24-A M.R.S. §221, and in conformity with your instructions, a financial examination has been made of the

MEDICAL MUTUAL INSURANCE COMPANY OF MAINE

as of December 31, 2021. The following report is respectfully submitted.

Office Location: 76 Northern Avenue, Gardiner, Maine 04345
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**STATE OF MAINE
BUREAU OF INSURANCE**

REPORT OF FINANCIAL EXAMINATION

**MEDICAL MUTUAL INSURANCE COMPANY OF MAINE
PORTLAND, MAINE**

AS OF DECEMBER 31, 2021

NAIC COMPANY CODE: 36277

ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of Medical Mutual Insurance Company of Maine dated June 15, 2023, was delivered to that insurer on June 22, 2023; and

WHEREAS no hearing with respect to the Report of Examination has been requested by Medical Mutual Insurance Company of Maine;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated: June 27, 2023



Timothy N. Schott, Acting Superintendent

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SCOPE OF EXAMINATION

Medical Mutual Insurance Company of Maine (MMIC or the “Company”) was last examined as of December 31, 2016, by the state of Maine Bureau of Insurance (MBOI). This examination covered the period from January 1, 2017, to December 31, 2021.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with statutory accounting practices, NAIC guidelines, the 2022 Financial Condition Examiners Handbook and the laws, rules, and regulations prescribed or permitted by the State of Maine. The examination consisted of a review of the Company's operations, controls, corporate governance, valuation of assets, and determination of liabilities at December 31, 2021. The examination also included the identification and evaluation of significant risks that could cause the Company'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. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for the purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

None noted.

CURRENT EXAMINATION

None noted.

THE COMPANY

HISTORY

MMIC was organized as a mutual insurance company under the general laws of the state of Maine on March 20, 1978, and was licensed to transact business on September 1, 1978, by the Superintendent of Insurance. In 1992, the Company became licensed to write medical malpractice insurance in New Hampshire and Vermont, and began to actively write business in New Hampshire during 1992, and in Vermont during 1995. The Company became licensed to write

physicians medical professional liability insurance and hospital medical professional liability insurance in Massachusetts on February 1, 2012, and June 1, 2012, respectively.

In 1997, the Company formed MMIC Services Company, LLC (MMICSC), a wholly owned subsidiary, to provide accounting and data processing services to the Company. In turn, MMICSC formed a wholly owned subsidiary, Medical Provider Management Company (MPMC) in 1997, to provide managerial, planning, financial, and other services to health care practices in New England.

In 2002, MMICSC formed another wholly owned subsidiary, Specialty Insurance Placement Services, LLC (SIPS) to provide placement of insurance products other than medical malpractice for the Company's policyholders.

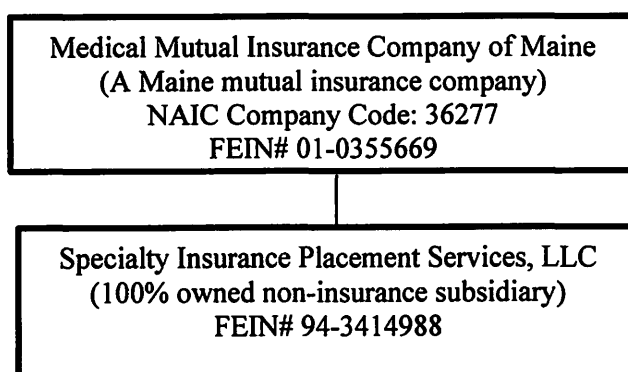
Operations of MPMC were discontinued on June 30, 2003, and the assets of MPMC were distributed to MMICSC and the Company. Effective December 31, 2018, MPMC's certificate of formation was cancelled.

In 2004, the Company's Board of Directors ("Board") voted to discontinue the operations of the Technology Services Division of MMICSC effective December 31, 2005. Effective December 31, 2018, MMICSC was merged with and into its subsidiary, SIPS, with SIPS being the surviving corporation.

In 2012, MMIC sponsored the creation of a risk retention group formed as a Maine-domiciled industrial insured captive insurance company, BeaconHarbor Mutual Risk Retention Group (BHMRRG), primarily for the purpose of providing cross-border coverage for insureds in states in which MMIC was not admitted. BHMRRG was dissolved effective December 30, 2019.

MANAGEMENT AND CONTROL

MMIC's corporate ownership structure is as follows:



CORPORATE RECORDS

The Company's articles of incorporation, bylaws, and minutes of the Board meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

The Company is governed and overseen by its Board and management team.

As of December 31, 2021, the Board of the Company consisted of the following members:

<u>Name</u>	<u>Title</u>
O. Robert Stevens, M.D.	Chairman
David B. McDermott, M.D.	Vice Chairman
Cynthia A. DeSoi, M.D.	Director
Matthew C. Dugan, D.O.	Director
Rebekah J. Gass, M.D.	Director
Sean T. Hanley, M.D.	Director
Adam W. Kunin, M.D.	Director
Frank W. Lavoie, M.D.	Director
Wendy J. Merchant	Director
Jeremy R. Morton, M.D.	Director
Robert D. Sansonetti, M.D.	Director
Lois N. Skillings	Director
Albert G. Swallow III	Director
Robert L. Trowbridge, M.D.	Director

The following changes to the Board occurred subsequent to December 31, 2021:

- Robert D. Sansonetti, M.D. retired from the Board effective May 6, 2022;
- Shawn D. Anderson and Tamara H.W. Schwartz, M.D. were elected as directors by the Company's members on May 6, 2022; and
- Zaki Nashed, M.D. was elected as a director by the Company's members on May 5, 2023.

As of December 31, 2021, the officers of the Company consisted of the following individuals:

<u>Name</u>	<u>Title</u>
Frank W. Lavoie, M.D.	President
O. Robert Stevens, M.D.	Chairman
David B. McDermott, M.D.	Vice Chairman
Cynthia A. DeSoi, M.D.	Secretary
Adam W. Kunin, M.D.	Treasurer
Michelle L. Boucher	VP Risk Management
John P. Doyle	VP Marketing/Administration
David L. Herzer, Jr.	VP Claims
Stephen D. Hodgkin	VP/CIO
David L. Johnson	VP Underwriting
Barbara T. Sinclair	VP/CFO

Subsequent to December 31, 2021, Holly L. Bulger was appointed by the President as VP/CFO on April 11, 2022.

TRANSACTIONS WITH AFFILIATES

Effective December 31, 2019, the Company entered into an Affiliate Services and Transaction Settlement Agreement with its subsidiary, SIPS, under which the Company provides SIPS with management and other services such as corporate governance, legal, marketing, policy administration, compliance, information and technology services, etc. SIPS provides the Company's direct written physician book of business access to select insurance products not underwritten by the Company. The agreement also contains a provision for income taxes which are allocated based on each party's approximate tax liability or benefit calculated on a standalone basis.

TERRITORY AND PLAN OF OPERATION

The Company was formed to transact the business of medical professional liability insurance for health care providers including hospitals, health care facilities and institutions, physicians licensed to practice medicine and other medical personnel, and to transact the business of liability insurance, generally, for such persons, facilities and institutions. The Company also provides cyber liability insurance to its physician, nursing home and allied facility policyholders on a claims-made basis. The Company is licensed and writes business in Maine, New Hampshire, Vermont, and Massachusetts.

REINSURANCE

The Company has an excess of loss reinsurance contract with various reinsurers that covers its Primary Professional Liability Policies and/or Managed Healthcare Liability and Business Errors and Omissions Liability Policies (written on a claims-made basis), Primary General Liability Policies (written on an occurrence or claims-made basis), Excess Professional Liability Policies (written on a claims-made basis) and Umbrella Excess Liability Policies (written on an occurrence or claims-made basis). The table below describes the excess of loss reinsurance agreement in place at December 31, 2021:

	Type of Coverage	Company's Retention	Reinsurer's Limits
Coverage A	All business subject to agreement	The first \$1,000,000 of ultimate net loss each claim or occurrence, each insured	\$1,000,000 each claim or occurrence, each insured
Coverage B	All business subject to agreement	The first \$2,000,000 of ultimate net loss (regardless of the number of policies/interests insured) arising from each loss event	\$10,000,000 on any one loss event
Coverage C	All business subject to agreement with policy limits greater than \$2,000,000 per claim or occurrence	The first \$2,000,000 of ultimate net loss for each claim, each insured and/or \$4,000,000 of ultimate net loss in the aggregate, each insured	\$15,000,000 each claim or occurrence and/or in the aggregate, each insured, plus losses in excess of policy limits and extra contractual obligations

The company has a quota share reinsurance contract covering its cyber liability insurance. Under this contract, the Company cedes, and the reinsurer accepts, 100% of the Company's net liability subject to a maximum per claim and aggregate limit of \$100,000; however, there are increased aggregate limits for physician groups of which the maximum is \$500,000.

The Company maintained similar excess of loss and quota share reinsurance coverage throughout the examination period.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Income, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the MBOI and thus the MBOI does not express an opinion on the financial statements as a whole.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2021**

Assets

Bonds	\$ 266,619,575
Common stocks	63,499,362
Cash and short-term investments	25,910,164
Other invested assets	2,178,959
Receivable for securities	437
Investment income due and accrued	1,798,079
Uncollected premiums and agents' balances	561,787
Deferred premiums, agents' balances and installments	27,477,774
Amounts recoverable from reinsurers	319,951
Electronic data processing equipment and software	180,574
Receivables from parent, subsidiaries, and affiliates	7,635
Aggregate write-ins for other than invested assets	<u>3,578,139</u>
Total assets	<u>\$ 392,132,436</u>

Liabilities

Losses	\$ 78,256,590
Loss adjustment expenses	25,183,975
Commissions payable	67,878
Other expenses	1,313,968
Taxes, licenses and fees	206,035
Current federal and foreign income taxes	1,449,595
Net deferred tax liability	4,702,779
Unearned premiums	23,678,675
Advance premium	238,499
Dividends declared and unpaid: Policyholders	8,090,273
Ceded reinsurance premiums payable	10,869,766
Amounts withheld or retained for account of others	918,045
Aggregate write-ins for liabilities	<u>4,258,536</u>
Total liabilities	<u>\$ 159,234,614</u>

Capital and Surplus

Unassigned funds	<u>232,897,822</u>
Surplus as regards policyholders	<u>232,897,822</u>
Total liabilities, capital and surplus	<u>\$ 392,132,436</u>

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2021

Premiums earned	\$ 37,063,896
Deductions:	
Losses incurred	15,536,616
Loss adjustment expenses	6,378,396
Other underwriting expenses	8,366,610
Aggregate write-ins for underwriting deductions	<u>3,929</u>
Total underwriting deductions	<u>30,285,551</u>
Net underwriting gain	<u>6,778,345</u>
Net investment income earned	7,676,774
Net realized capital gains	<u>8,242,026</u>
Net investment gain	<u>15,918,800</u>
Finance and service charges not included in premiums	23,155
Aggregate write-ins for miscellaneous income	<u>4,295</u>
Total other income	<u>27,450</u>
Net income before dividends and federal income taxes	22,724,595
Dividends to policyholders	<u>7,982,612</u>
Net income after dividends and before federal income taxes	14,741,983
Federal income taxes incurred	<u>1,396,609</u>
Net income	<u>\$ 13,345,374</u>

**STATEMENT OF CAPITAL AND SURPLUS
YEAR ENDED DECEMBER 31, 2021**

Capital and surplus, December 31, 2020	\$ 216,394,330
Net income	13,345,374
Change in net unrealized capital gains less capital gains tax	3,517,699
Change in net deferred income tax	(465,379)
Change in nonadmitted assets	113,758
Aggregate write-ins for gains and losses in surplus	<u>(7,960)</u>
Net change in surplus	<u>16,503,492</u>
Capital and surplus, December 31, 2021	<u>\$ 232,897,822</u>

COMMENTS ON THE FINANCIAL STATEMENTS

NOTE 1 – RESERVES

Lewis & Ellis, Inc. (“consulting actuary”) was engaged to provide actuarial assistance for the financial examination of the Company as of December 31, 2021. The consulting actuary’s review included: participation in interviews and discussions with key personnel, including the Appointed Actuary, to gain an understanding of the processes to develop and report reserves and liabilities and appropriately price products; review of controls to mitigate certain reserving and pricing risks; review of the Appointed Actuary’s 2021 Actuarial Opinion and Memorandum; and testing to verify that the assumptions and methodologies used by the Company to determine liabilities and reserves are reasonable, appropriate, and in line with established actuarial practice.

NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the five-year period since the MBOI’s last examination of the Company, dated December 31, 2016:

Capital and surplus, December 31, 2016	\$ 165,815,989
Net income	49,379,216
Change in net unrealized capital gains (losses), net of capital gains tax	20,897,027
Change in net deferred income tax	(2,937,208)
Change in nonadmitted assets	(111,021)
Aggregate write-ins for gains and losses in surplus	(146,181)
Net change in capital and surplus	<u>67,081,833</u>
Capital and surplus, December 31, 2021	<u>\$ 232,897,822</u>

SUBSEQUENT EVENTS

Subsequent to December 31, 2021, there were no financially significant items that came to our attention for inclusion in the report of examination.

SUMMARY OF RECOMMENDATIONS

There are no report level recommendations.

**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Timothy N. Schott, Acting Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

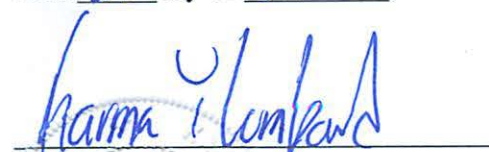
MEDICAL MUTUAL INSURANCE COMPANY OF MAINE

located in Portland, Maine as of December 31, 2021, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. Noble Consulting Services, Inc. performed the examination. The following examiners from the Bureau of Insurance assisted:

Arias Wan, CPA, CFE


Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 27 day of June, 2023



Notary Public
My Commission Expires:

Karma Y. Lombard
Notary Public, State of Maine
My Commission Expires June 12, 2030

