



**Examination Report
Of
Physicians Insurance Company
Palm Beach Gardens, Florida**

NAIC Company Code: 11588

**as of
December 31, 2020**

**By The
Florida Office of Insurance Regulation**

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April 1, 2022

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("the NAIC"), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of

Physicians Insurance Company
2000 PGA Boulevard, Suite 4440
Palm Beach Gardens, Florida 33408

hereinafter referred to as the "Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2017, through December 31, 2020 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on July 6, 2021. The fieldwork concluded as of April 1, 2022. The Company's last full scope exam by representatives of the Office covered the period of January 1, 2012 through December 31, 2016.

The examination was a multi-state/coordinated holding company group examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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 lead state for this examination was Texas, and Florida participated.

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 the NAIC Statements of Statutory Accounting Principles (“SSAP”).

This examination report includes information obtained from the examination of the records, accounts, files, and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no significant findings as a result of this examination.

Previous Examination Findings

The following is an update on other significant regulatory information disclosed in the previous examination.

The Office was not provided written notice of changes to personnel among the Directors or Principal Officers of the insurer within forty-five days of such change in three of the four years under examination. This was a violation of Section 628.261, Florida Statutes. The examination reviewed notification of changes in Directors during the exam period and verified that notifications were appropriate. This finding had been remediated.

COMPANY HISTORY

General

The Company was organized on January 31, 2003 and received its Florida Certificate of Authority on February 26, 2003 to write Medical Professional Liability insurance. The Office approved the Company's expansion into Texas in 2005.

The Company was directly owned by PIC Group, LLC, a Florida limited liability company. On December 27, 2011, the members of PIC Group, LLC entered into a Membership Interest Purchase Agreement to sell their interests in PIC Group, LLC to Texas Medical Liability Trust (TMLT). On May 2, 2012, the Office filed a Consent Order approving TMLT's indirect acquisition of the Company. On May 4, 2012, TMLT purchased 100% of the membership interest of PIC Group, LLC.

In August 2019, Managed Insurance Services, LLC (MIS), the Company's program manager, entered into an agreement with a third party to sell the renewal rights of the Company's Florida

policies produced through MIS. The policies began converting to the new company in December 2019 and the conversion was completed on November 30, 2020.

For the four-year period covered by the exam, the Company wrote Medical Professional Liability insurance on a Claims Made and Occurrence basis. Since the prior examination, the Company has not established any new products or distribution channels.

Dividends

The Company did not declare or pay any dividends during the period under examination.

Capital Stock and Capital Contributions

Effective December 5, 2017, the Company amended its articles of incorporation to change the par value per share of common stock from \$2.50 to \$6.25. The effect of this change in par value per share is a reclassification of \$1,500,000 from gross paid in and contributed surplus to common capital stock. The change was made to comply with statutory requirements in Texas.

As of December 31, 2020, the Company's capitalization was as follows:

Number of authorized common capital shares	500,000
Number of shares issued and outstanding	400,000
Total common capital stock	\$2,500,000
Par value per share	\$6.25

The Company received \$4,000,000 in surplus contributions during 2019 from TMLT. \$2,000,000 was received in August 2019 and \$2,000,000 was received in December 2019.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

On November 30, 2019, PIC Group (FB), LLC, an affiliate of the Company, sold Insurance Innovations, LLC to an unrelated party.

The transition of the Company's Florida book of business to another carrier was completed on November 30, 2020.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with Section 628.231, Florida Statutes. Directors serving as of December 31, 2020 are shown below:

Directors (a)		
Name	City, State	Principal Occupation, Company Name
Robert David Donohoe	Austin, Texas	Chief Executive Officer, Texas Medical Liability Trust
John Jarboe Devin	Austin, Texas	Chief Operating Officer, Texas Medical Liability Trust
Vincent Lee Kasch	Austin, Texas	Chief Financial Officer, Texas Medical Liability Trust
Deborah Jean Giese	Austin, Texas	Senior Vice President, Texas Medical Liability Trust
Susan Denise Mills (b)	Austin, Texas	Senior Vice President, Texas Medical Liability Trust

(a) The Company has an audit committee, as required by Section 624.424(8)(c), Florida Statutes. In accordance with Rule 69O-137.002(3)(c) and (14)(c) The Company's entire Board of Directors acted as the audit committee.

(b) Susan Denise Mills resigned in 2020 and was replaced by Marc William Clint on January 6, 2021. Marc William Clint was removed in September 2021, and Ben Hayden Stewart was added to the Board on December 14, 2021. This note also applies to her position as one of the senior officers depicted in the table below.

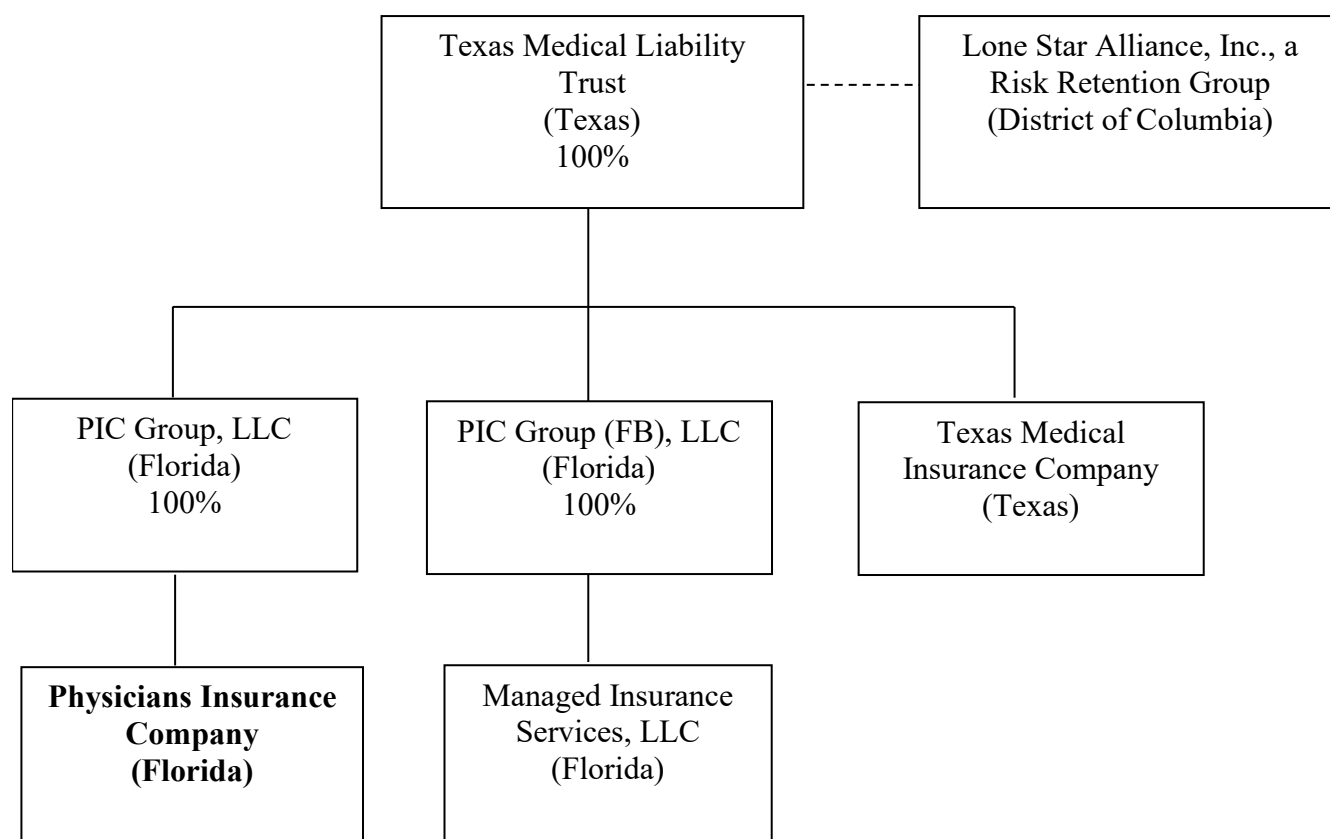
In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Robert David Donohoe	Austin, Texas	President
Gregory Michael Harmon	Austin, Texas	Vice President
Vincent Lee Kasch	Austin, Texas	Treasurer
John Jarboe Devin	Austin, Texas	Secretary
Susan Denise Mills (b)	Austin, Texas	Secretary

Holding Company System

A simplified organizational chart as of December 31, 2020, reflecting the holding company system, is shown below. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group.

Physicians Insurance Company Simplified Organizational Chart December 31, 2020



The following agreements were in effect between the Company and its affiliates:

Cost Allocation Agreement

Effective November 20, 2019, the Company, along with all its affiliates, entered into a cost allocation agreement with TMLT. The companies entered into this agreement to formalize cost allocations and the reimbursement process between affiliates. All reimbursements owed under the agreement were settled on at least a quarterly basis.

Program Manager Agreement

Effective January 1, 2012, the Company has a program manager agreement with Managed Insurance Services, LLC (MIS). The management fee was based on 25% of Gross Written Premium due to the Company on policies bound, written, renewed, or continued. Under terms of this agreement, the Company paid management fees of \$5,250 in 2020.

Tax Allocation Agreement

Effective May 1, 2012, the Company and its parent entered into a consolidated federal income tax allocation agreement with TMLT. Under the terms of the agreement, TMLT filed consolidated federal income tax returns on behalf of the Company and its parent. The agreement was filed with the Texas Department of Insurance and bore Texas Holding Company Section No. 939548, dated July 2, 2013.

ACCOUNTS AND RECORDS

The Company maintained its principal operational office in Austin, Texas.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the states of Florida and Texas. In Florida the Company was authorized to transact Medical Professional Liability insurance as of December 31, 2020.

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Company's reinsurance structure remained relatively consistent from 2017 through 2019. While participating reinsurers had some changes, the participation balances were relatively consistent among the top reinsurers. In 2020, the Company did not renew the Excess of Loss reinsurance contract due to the transfer of its Florida policies.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities and Surplus and Other Funds; statutory Statement of Income or Summary of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2020. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2020. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Physicians Insurance Company
Assets
December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$7,494,396		\$7,494,396
Preferred Stock	139,235		139,235
Cash	3,793,810		3,793,810
Subtotals, cash and invested assets	\$11,427,441		\$11,427,441
Investment income due and accrued	117,485		117,485
Uncollected premiums and agents' balances in the course of collection	62,148	8,031	54,117
Amounts recoverable from reinsurers	792,466		792,466
Other amounts receivable under reinsurance contracts	2,941		2,941
Receivables from parent, subsidiaries and affiliates	13,655		13,655
Health care and other amounts receivable	515		515
Aggregate write-ins for other-than-invested assets	2,128	2,128	
Total	\$12,418,779	\$10,159	\$12,408,620

Physicians Insurance Company
Liabilities, Surplus and Other Funds
December 31, 2020

	Per Company
Losses	\$4,016,193
Loss adjustment expenses	1,752,088
Other expenses	23,825
Taxes, licenses and fees	263
Unearned premiums	7,992
Ceded reinsurance premiums payable	2,632
Remittances and items not allocated	1,042
Payable to parent, subsidiaries and affiliates	12,830
TOTAL Liabilities excluding protected cell liabilities	5,816,865
Total Liabilities	\$5,816,865
Common capital stock	2,500,000
Gross paid in contributed surplus	6,500,000
Unassigned funds (surplus)	(2,408,245)
Surplus as regards policyholders	6,591,755
Total	\$12,408,620

Physicians Insurance Company
Statement of Income
December 31, 2020

	Per Company
Underwriting Income	
Premiums earned	\$2,091,349
Deductions	
Losses incurred	2,067,012
Loss adjustment expenses incurred	970,237
Other underwriting expenses incurred	103,340
TOTAL Underwriting Deductions	\$3,140,589
Net underwriting gain or (loss)	(1,049,240)
Investment Income	
Net investment income earned	254,831
Net realized capital gains (losses) less capital gains tax	144
Net invested gain or (loss)	254,975
Other Income	
Net gain or (loss) from agents' or premium balances charged off	(63,154)
Finance and service charges not included in premiums	18,332
TOTAL Other Income	\$(44,822)
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$(839,087)
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	\$(839,087)
Net income	\$(839,087)
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	\$7,218,518
Net income	\$(839,087)
Change in net unrealized capital gains or (losses) less capital gains tax of \$(1,671)	(6,288)
Change in net deferred income tax	(1,671)
Change in nonadmitted assets	220,283
Change in surplus as regards policyholders for the year	\$(626,763)
Surplus as regards policyholders, December 31 current year	\$6,591,755

**Physicians Insurance Company
Reconciliation of Capital and Surplus
December 31, 2020**

No adjustments were made to surplus as regards policyholders as a result of the examination.

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2016, per Company			\$6,306,676
	Increase	Decrease	
Loss in surplus		\$3,739,246	
Change in net unrealized capital gain (loss)	\$6,230		
Change in net deferred income tax		2,262	
Change in non-admitted assets	20,357		
Change in common capital stock	1,500,000		
Change in paid in surplus	4,000,000		
Transferred from surplus		1,500,000	
Net increase (or decrease)			\$285,079
Surplus at December 31, 2020, per Company			\$6,591,755

COMMENTS ON FINANCIAL STATEMENT ITEMS

Capital and Surplus

The amount of capital and surplus reported by the Company of \$6,591,755 exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

SUBSEQUENT EVENTS

Marc William Clint was added to the Board on January 6, 2021 and removed in September 2021. Ben Hayden Stewart was added to the Board on December 14, 2021.

The COVID-19 pandemic has continued to develop throughout 2021 and 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Office has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Physicians Insurance Company as of December 31, 2020, consistent with the insurance laws of the State of Florida.

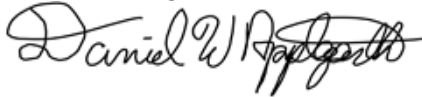
In addition to the undersigned, the following also participated in the examination

James Wheeler	Examiner	Office
Sheri L. Kenney, CFE, MCM	Exam Supervisor	Highland Clark, LLC
Travis R. Harrison, CPA, CPCU	Examiner	Highland Clark, LLC
Lori G. Lewter, CISA	Examiner, IT Specialist	Highland Clark, LLC
Aleksandreja H. Kulits	Examiner	Highland Clark, LLC

Respectfully Submitted,



Tracy D. Gates, CFE, CISA
Examiner-in-Charge and IT Specialist
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