

**REPORT ON EXAMINATION**  
**OF**  
**FLORIDA DOCTORS INSURANCE**  
**COMPANY**  
**JACKSONVILLE, FLORIDA**

**AS OF**  
**DECEMBER 31, 2007**

**BY THE**  
**OFFICE OF INSURANCE REGULATION**

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Tallahassee, Florida

December 19, 2008

Kevin M. McCarty  
Commissioner  
Office of Insurance Regulation  
State of Florida  
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination of December 31, 2007, of the financial condition and corporate affairs of:

**FLORIDA DOCTORS INSURANCE COMPANY  
4655 SALISBURY ROAD, SUITE 110  
JACKSONVILLE, FLORIDA 32256**

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, 2007 through December 31, 2007. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2006. This examination commenced, with planning at the Office, on October 20, 2008, to October 24, 2008. The fieldwork commenced on October 27, 2008, and was concluded as of December 19, 2008.

This financial examination was a statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

The *Financial Condition Examiners Handbook* requires that the examination be planned and performed 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 and management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

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

In this examination, emphasis was directed to the quality, value and integrity of the statement of assets and the determination of liabilities, as those balances affect the financial solvency of the Company as of December 31, 2007. Transactions subsequent to year-end 2007 were reviewed where relevant and deemed significant to the Company's financial condition.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio reports, the A.M. Best Report, the Company's independent audit reports and certain work papers prepared by the Company's independent certified public accountant (CPA) and other reports as considered necessary were reviewed and utilized where applicable within the scope of this examination.

This report of examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

### **Status of Adverse Findings from Prior Examination**

There were no significant adverse findings contained in the Office's prior examination report as of December 31, 2006.

## **HISTORY**

### **General**

The Company was incorporated in Florida on October 28, 2005, and commenced business on November 3, 2005 as Florida Doctors Insurance Company.

The Company was a party to Consent Order 83771-05 filed October 24, 2005 with the Office regarding the application for the issuance of a Certificate of Authority. The Company was in compliance with the Consent Order. The Company was party to Consent Order 90311-07 filed May 23, 2007 with the OIR regarding the acquisition of all the issued and outstanding membership interest in Florida Healthcare Providers Insurance Services Company, LLC, the Attorney-in-Fact of Florida Healthcare Providers Insurance Exchange, by Florida Doctors Holding Company, LLC. The Company was in compliance with the Consent Order.

The Company was authorized to transact professional medical malpractice insurance coverage in Florida on December 31, 2007.

The articles of incorporation and the bylaws were not amended during the period covered by this examination.

### **Capital Stock**

As of December 31, 2007, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$10,000,000.00
Par value per share	\$ 10.00

Control of the Company was maintained by its parent, Florida Doctors Holding Company, LLC, a Florida corporation, who owned 100% of the stock issued by the Company.

### **Profitability of Company**

The following table shows the profitability trend (in dollars) of the Company for the period of operations, as reported in the filed Annual Statements.

	<b>2007</b>	<b>2006</b>
Premiums Earned	5,582,148	1,956,950
Net Underwriting Gain/(Loss)	114,029	(678,746)
Net Income (Loss)	(561,652)	(281,489)
Total Admitted Assets	36,918,604	13,572,662
Total Liabilities	26,895,048	3,716,453
Surplus As Regards Policyholders	10,023,556	9,856,209

### **Dividends to Stockholders**

There were no dividends declared or paid to its stockholder during the period covered by this examination.

### **Management**

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2007, were:

#### **Directors**

<b>Name and Location</b>	<b>Principal Occupation</b>
Elizabeth Proctor Kagan Fort Myers, FL	Attorney
Ellen Sue Block (a) Golden Beach, FL	Attorney
Clay Morris Biddinger Palm Harbor, FL	Entrepreneur

William Richard Russell Ponte Vedra Beach, FL	CEO, Florida Doctors Insurance Company
Charles Hamilton Knox Fort Myers, FL	Certified Public Accountant
Wayne (nmi) Isaacson Fort Myers, FL	Doctor

(a) José Ramon Foradada III, M.D. replaced Ellen Sue Block effective April 1, 2008

The Board of Directors in accordance with the Company's bylaws appointed the following senior officers:

### Senior Officers

Name	Title
William Richard Russell (a)	Chief Executive Officer and President
Mark Cecil Shealy	Senior Vice President and Chief Financial Officer and Treasurer
Melodee Susanne Dixon	Senior Vice President, Chief Operating Officer and Actuary
Pamela Jo Appling	Vice President – Underwriting
Ray Abram Carey	Vice President – Claims
Patrick Clayton Ellis	Vice President – Marketing
Andrew Thomas Kagan (b)	Vice President – Strategic Planning

(a) Effective January 1, 2008, Kurt John Cetin replaced Mr. Russell as President; Mr. Russell retained his title as CEO.

(b) Effective March 31, 2008, Mr. Kagan took a leave of absence and was not replaced.

The Company's board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following are the principal internal board committees and their members as of December 31, 2007:

Executive Committee	Audit Committee	Finance, Budget and Investment Committee
Elizabeth Proctor Kagan <sup>1</sup> Charles Hamilton Knox	Charles Hamilton Knox <sup>1</sup> Ellen Sue Block <sup>3</sup>	Clay Morris Biddinger <sup>1</sup> Wayne Isaacson

Ellen Sue Block <sup>2</sup>  
Clay Morris Biddinger  
Wayne Isaacson  
William Richard Russell

Clay Morris Biddinger  
Melodee Susanne Dixon

Charles Hamilton Knox  
Mark Cecil Shealy

<sup>1</sup> Chairman

<sup>2</sup> José Ramon Foradada III, M.D. replaced Ellen Sue Block effective April 1, 2008

<sup>3</sup> Replaced by Elizabeth Proctor Kagan effective April 1, 2008

#### **Underwriting Committee**

Elizabeth Proctor Kagan <sup>1</sup>  
Clay Morris Biddinger  
Wayne Isaacson  
Pamela Jo Appling

#### **Claims Committee**

Elizabeth Proctor Kagan <sup>1</sup>  
Ellen Sue Block <sup>2</sup>  
Wayne Isaacson  
Ray Abram Carey  
Andrew Thomas Kagan <sup>3</sup>

<sup>1</sup> Chairman

<sup>2</sup> Resigned from Board of Directors effective April 1, 2008, was not replaced on committee

<sup>3</sup> Effective March 31, 2008, Mr. Kagan took a leave of absence and was not replaced on the committee.

It is noted that one member of the audit committee was also a member of Company management. Additionally, the Audit Committee Chairman is a managing partner of an audit firm that has as one of its clients, an unaffiliated company partially owned by a family member of the Chairman of the Board. Based on the aforementioned, the Audit Committee was not in compliance with Section 624.424(8)(c), Florida Statutes, which requires that the audit committee be comprised solely of members who are free from any relationship that would interfere with the exercise of independent judgment as a committee member.

## **Conflict of Interest Procedure**

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook. No exceptions were noted during this examination period.

## **Corporate Records**

The recorded minutes of the shareholder, Board of Directors, and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

## **Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales Through Reinsurance**

Effective December 31, 2007, the Company entered into a portfolio reinsurance agreement with Florida Healthcare Providers Insurance Exchange (FLHPIX), an entity under common control and that has common business interests, to assume all prior and future liabilities related to FLHPIX's liabilities on prior and in force policies. Under the agreement, the Company assumed loss reserves of \$9,658,600, unearned premiums of \$5,528,122, death, disability, and retirement reserves of \$1,333,800, premiums receivable of \$1,837,921, and other liabilities of \$922,638. The Company was due \$15,605,239 from FLHPIX at December 31, 2007. There was no gain or loss recognized under the assumption agreement in 2007 and 2006.

**Subsequent event:** The Company received approximately \$14.4 million in cash and securities between January and February 2008 related to the FLHPIX portfolio reinsurance agreement.

## **Surplus Debentures**

The Company had no surplus debentures.

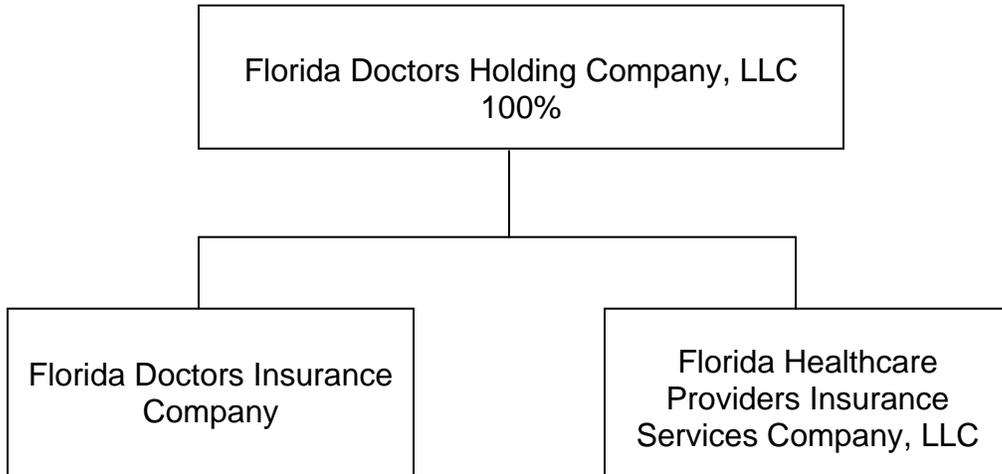
## **AFFILIATED COMPANIES**

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on June 24, 2008 as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

A simplified organizational chart as of December 31, 2007, reflecting the holding company system, is shown below. Schedule Y of the Company's 2007 annual statement provided a list of all related companies of the holding company group.

**FLORIDA DOCTORS INSURANCE COMPANY  
ORGANIZATIONAL CHART**

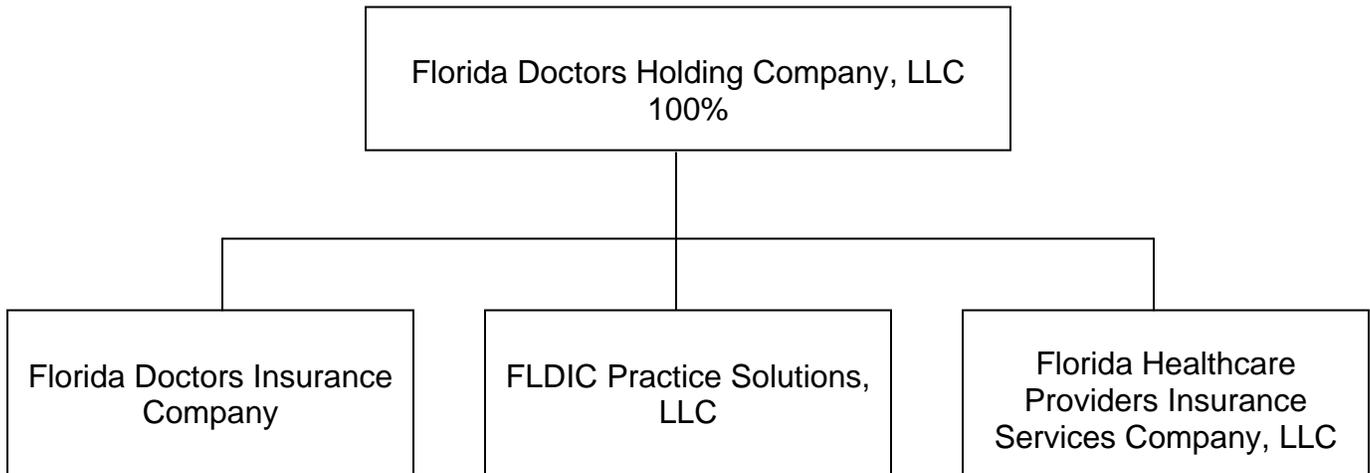
**DECEMBER 31, 2007**



**Subsequent event:** The Company filed an updated holding company registration statement on July 10, 2008.

**FLORIDA DOCTORS INSURANCE COMPANY  
ORGANIZATIONAL CHART**

**July 10, 2008**



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

### **Cost Sharing Agreement**

Effective June 1, 2007, but entered into on February 22, 2008, the Company was party to a Cost Allocation Agreement with Florida Healthcare Providers Insurance Services Company (FLHPISC) and FLHPIX. This agreement covered shared expenses related to IT, accounting, executive management, and actuarial. The agreement was in place covering expenses incurred from June 1, 2007 to December 31, 2007, terminating as of December 31, 2007, for most expenses as FLHPIX operations were rolled into FLDIC. The agreement continues to be in force however until December 31, 2008, with regards to the payment of commissions to independent retail agents on business placed with FLHPIX by FLHPISC. FLHPISC will fully disclose these commissions to FLDIC, and transfer the assets needed to pay any commissions related to business placed with FLHPIX, until December 31, 2008.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company maintained a fidelity bond with single loss limit liability coverage of up to \$1,000,000 with a deductible of \$50,000, which adequately covers the suggested minimum amount of coverage for the Company as recommended by the NAIC.

The Company also maintained professional Errors and Omissions (E&O) liability insurance with limits of \$1,000,000, employment practices liability with limits of \$1,000,000, a Package Policy which includes property, umbrella and extension of coverage with a general aggregate of \$2,000,000, and workers compensation insurance with limits of \$500,000.

## PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no pension plans or stock ownership plans; however, the Company sponsors a defined contribution plan covering substantially all employees, i.e., a "SIMPLE Plan" as defined by the Internal Revenue Service Code. The plan allows employees to contribute a percentage of their salary. The Plan may be terminated at any time with the Company not having any continuing obligation.

## STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes:

STATE	DESCRIPTION	RATE	MATURITY DATE	PAR VALUE	MARKET VALUE
FL	Cash Deposit			\$ 275,422	\$ 275,422
TOTAL FL DEPOSITS				\$ 275,422	\$ 275,422

## INSURANCE PRODUCTS

### Territory

The Company was authorized to transact medical malpractice insurance only in the State of Florida.

**Subsequent event:** On September 29, 2008, the Company received approval from the Office to write Other Liability as it relates to General Liabilities for outpatient surgery centers/facilities (not written on a stand alone basis but as part of a professional liability package), and Reinsurance Assumed (strictly as it relates to Medical Professional Liability). The Company had planned on becoming a reinsurer for this line of business, but since obtaining approval, this

opportunity did not materialize. With regards to these two new lines, no new business has been written and no rate filings have been filed. The Company is estimating early 2009 for a rate filing.

### **Treatment of Policyholders**

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

## **REINSURANCE**

The reinsurance agreements were reviewed by the Company's appointed Actuary and were utilized in determining the ultimate loss opinion.

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

### **Assumed**

Effective December 31, 2007, the Company entered into a portfolio reinsurance agreement with FLHPIX, an entity under common control and that has common business interests, to assume all prior and future liabilities related to FLHPIX's liabilities on prior and in force policies. Under the agreement, the Company assumed loss reserves of \$9,658,600, unearned premiums of \$5,528,122, death, disability, and retirement reserves of \$1,333,800, premiums receivable of \$1,837,921, and other liabilities of \$922,638. The Company is due \$15,605,239 from FLHPIX at December 31, 2007. There was no gain or loss recognized under the assumption agreement in 2007 and 2006.

## **Ceded**

The Company ceded risk to Harco National Insurance Company, Aspen Insurance UK Ltd and Lloyds Syndicate 2003 (Catlyn) on an excess of loss basis, through a treaty that was effective November 1, 2005 through January 1, 2009.

**Subsequent event:** As a result of the portfolio reinsurance agreement with FLHPIX, effective January 1, 2008, the Company replaced the aforementioned excess of loss treaty with a renegotiated excess of loss treaty covering both FLDIC and assumed business from FLHPIX. The renegotiated treaty is effective January 1, 2008 through January 1, 2009. In addition, the Company entered into an Awards Made treaty covering the period January 1, 2008 through January 1, 2009, which provides supplementary coverage for both FLDIC and assumed FLHPIX policies on a retroactive and forward going basis.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational office in Jacksonville, Florida, where this examination was conducted.

An independent CPA audited the Company's statutory basis financial statements for the current examination year, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Company and non-affiliates had the following agreements:

### **Independent Auditor Agreement**

The Company had an agreement with Thomas Howell Ferguson, P.A. of Tallahassee, Florida, to perform an audit of its statutory financial statements for 2007.

### **Custodial Agreement**

The Company had a custodial agreement with Investor's Security Trust Company effective November 1, 2005. The agreement was in compliance with Rule 69O-143.042, Florida Administrative Code.

### **Independent Actuarial Agreement**

The Company had an agreement with James D. Hurley of Towers Perrin Tillinghast for actuarial services.

### **Information Technology Report**

INS Services, Inc. performed a computer systems evaluation on the Company. Results of the evaluation were noted in the Information Technology (IT) report provided to the Company.

## **FINANCIAL STATEMENTS PER EXAMINATION**

The following pages contain financial statements showing the Company's financial position as of December 31, 2007, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of the report captioned, "Comparative Analysis of Changes in Surplus."

**FLORIDA DOCTORS INSURANCE COMPANY**  
**Assets**

**DECEMBER 31, 2007**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$7,764,636		\$7,764,636
Cash:	6,638,414		6,638,414
Aggregate write-in for invested assets	16,107,372	(497,808)	15,609,564
Investment income due and accrued	108,907		108,907
Agents' Balances:			
Uncollected premium	5,335,380	(196,801)	5,138,579
Reinsurance			
Funds held by or deposited with reinsured companies		372,805	372,805
Net deferred tax asset	910,951		910,951
EDP Equipment	28,564		28,564
Receivable from parents, subsidiaries and affiliates	24,380		24,380
	<hr/>		
Totals	\$36,918,604	(\$321,804)	\$36,596,800
	<hr/> <hr/>		

**FLORIDA DOCTORS INSURANCE COMPANY**  
**Liabilities, Surplus and Other Funds**

**DECEMBER 31, 2007**

	Per Company	Examination Adjustments	Per Examination
Losses	\$2,399,688		\$2,399,688
Loss adjustment expenses	1,158,290		1,158,290
Commissions payable, contingent commissions and other similar charges	335,419		335,419
Other expenses	44,410		44,410
Taxes, licenses and fees	43,869	(23,019)	20,850
Current federal and foreign income taxes	440,737	(134,477)	306,260
Unearned premium	9,969,904	1,338,372	11,308,276
Advance premiums	941,706	(224,619)	717,087
Ceded reinsurance premiums payable	568,625	301,219	869,844
Aggregate write-ins for liabilities	10,992,400	(1,333,800)	9,658,600
<b>Total Liabilities</b>	<b>\$26,895,048</b>	<b>(\$76,324)</b>	<b>\$26,818,724</b>
Common capital stock	\$10,000,000		\$10,000,000
Gross paid in and contributed surplus	500,000		500,000
Unassigned funds (surplus)	(476,444)	(245,480)	(721,924)
Surplus as regards policyholders	\$10,023,556	(245,480)	\$9,778,076
<b>Total liabilities, surplus and other funds</b>	<b>\$36,918,604</b>	<b>(\$321,804)</b>	<b>\$36,596,800</b>

**FLORIDA DOCTORS INSURANCE COMPANY**  
**Statement of Income**

**DECEMBER 31, 2007**

**Underwriting Income**

Premiums earned		\$5,582,148
	<b>Deductions:</b>	
Losses incurred		1,897,332
Loss expenses incurred		894,854
Other underwriting expenses incurred		2,675,933
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$5,468,119
Net underwriting gain or (loss)		\$114,029

**Investment Income**

Net investment income earned		\$536,141
Net realized capital gains or (losses)		(960)
Net investment gain or (loss)		\$535,181

**Other Income**

Net gain or (loss) from agents' or premium balances charged off		\$0
Finance and service charges not included in premiums		0
Aggregate write-ins for miscellaneous income		0
Total other income		\$0

Net income before dividends to policyholders and before federal & foreign income taxes		\$649,210
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$649,210
Federal & foreign income taxes		1,210,862
Net Income		(\$561,652)

**Capital and Surplus Account**

Surplus as regards policyholders, December 31 prior year		\$9,856,209
Net Income		(\$561,652)
Net deferred income tax		977,283
Change in non-admitted assets		(248,284)
Capital changes: Paid in		(500,000)
Surplus adjustments: Paid in		500,000
Examination Adjustment		(245,480)
Change in surplus as regards policyholders for the year		(\$78,133)
Surplus as regards policyholders, December 31 current year		\$9,778,076

## COMMENTS ON FINANCIAL STATEMENTS

### Assets

**Aggregate write-ins for invested assets** \$15,609,564

Aggregate write-ins for invested assets reported as \$16,107,372, were reduced by \$497,808 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. Additionally, the Company was in violation of Rule 69O-137.001(4)(a), Florida Administrative Code, and NAIC *Annual Statement Instructions*, which require proper reporting of aggregate write-ins for invested assets, as well as terms of the loss portfolio reinsurance agreement.

**Uncollected Premium** \$5,138,579

Uncollected premiums reported as \$5,335,380, were reduced by \$196,801 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. Additionally, the Company was in violation of Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and SSAP 6 and 53, which require proper reporting of uncollected premiums.

**Reinsurance: Funds held by or deposited with reinsured companies** \$372,805

Reinsurance: Funds held by or deposited with reinsured companies reported as \$0, were increased by \$372,805 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. Additionally, the Company was (1) in violation of Rule 69O-137.001(4)(a), Florida Administrative Code and NAIC *Annual Statement Instructions*, which require proper reporting of funds held by or deposited with

reinsured companies, and (2) did not report funds held by or deposited with reinsured companies in accordance with the terms of the loss portfolio reinsurance agreement.

## **Liabilities**

### **Losses and Loss Adjustment Expenses \$3,557,978**

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2007, make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The consulting actuary reviewed work papers provided by the Company and was in concurrence with this opinion.

### **Taxes, licenses and fees \$20,850**

The amount reported by the Company of \$43,869, was decreased by \$23,019 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period.

### **Current federal and foreign income taxes \$306,260**

The amount reported by the Company of \$440,737, was decreased by \$134,477 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period.

**Unearned premium** \$11,308,276

The amount reported by the Company of \$9,969,904, was increased by \$1,338,372 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. Additionally, the Company was in violation of Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and SSAP 6 and 53, which require proper reporting of unearned premiums.

**Advance premiums** \$717,087

The amount reported by the Company of \$941,706, was decreased by \$224,619 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. Additionally, the Company was in violation of Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and SSAP 6 and 53, which require proper reporting of advance premiums.

**Ceded reinsurance premiums payable** \$869,844

The amount reported by the Company of \$568,625, was increased by \$301,219 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. Additionally, the Company was (1) in violation of Rule 69O-137.001(4)(a) Florida Administrative Code and NAIC *Annual Statement Instructions*, which require proper reporting of ceded reinsurance premiums payable, and (2) did not report ceded reinsurance premiums payable in accordance with the terms of the loss portfolio reinsurance agreement.

**Aggregate write-ins for liabilities**\$9,658,600

The amount reported by the Company of \$10,992,400, was decreased by \$1,333,800 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. Additionally, the Company was in violation of Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and SSAP 65, which require proper reporting of aggregate write-ins for liabilities.

**Capital and Surplus**

The adjusted capital and surplus of \$9,778,076, exceeds the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

A comparative analysis of changes in surplus is shown below.

**FLORIDA DOCTORS INSURANCE COMPANY  
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS**

**DECEMBER 31, 2007**

The following is a reconciliation of Surplus as regards policyholders between that reported by the Company and as determined by the examination.

Surplus as Regards Policyholders  
December 31, 2007, per Annual Statement \$10,023,556

	<u>PER COMPANY</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
<b>ASSETS:</b>			
Aggregate write-ins	\$16,107,372	\$15,609,564	(\$497,808)
Uncollected premiums	5,335,380	5,138,579	(196,801)
Aggregate write-ins for assets:			
Funds held or deposited with reinsured companies	0	372,805	372,805
<b>LIABILITIES:</b>			
Taxes, licenses and fees	\$43,869	\$20,850	\$23,019
Current federal and foreign income taxes	440,737	306,260	134,477
Unearned premiums	9,969,904	11,308,276	(1,338,372)
Advance premiums	941,706	717,087	224,619
Ceded reinsurance premiums payable	568,625	869,844	(301,219)
Aggregate write-ins for liabilities:			
Retroactive reinsurance reserve	10,992,400	9,658,600	1,333,800
Net Change in Surplus:			(245,480)
Surplus as Regards Policyholders December 31, 2007, Per Examination			\$9,778,076

## SUMMARY OF FINDINGS

### Current examination comments and corrective action

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2007.

### Management

The Company did not have an independent audit committee. One member of the audit committee was also a member of management, and the Audit Committee Chairman was the CFO of an unaffiliated company owned by a family member of the Chairman of the Board at December 31, 2007. **We recommend that the Audit Committee be comprised solely of members who are free from any relationship that would interfere with the exercise of independent judgment as a committee member in compliance with Section 624.424(8)(c), Florida Statutes.**

### Aggregate write-ins for invested assets

Aggregate write-ins for invested assets reported as \$16,107,372, were reduced by \$497,808 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. **We recommend that the Company continue to report Reinsurance: Funds held by or deposited with reinsured companies in accordance with Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and in accordance with the terms of the loss portfolio reinsurance agreement.**

### Uncollected Premiums

\$5,138,579

Uncollected premiums reported as \$5,335,380, were reduced by \$196,801 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the

Company in the subsequent period. **We recommend that the Company continue to report Uncollected premiums in accordance with Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and SSAP 6 and 53.**

**Reinsurance: Funds held by or deposited with reinsured companies**

Reinsurance: Funds held by or deposited with reinsured companies reported as \$0, were increased by \$372,805 to record the adjustment carried to the 2007 audited financial statements, and which was likewise booked by the Company in the subsequent period. **We recommend that the Company continue to report Reinsurance: Funds held by or deposited with reinsured companies in accordance with Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and in accordance with the terms of the loss portfolio reinsurance agreement.**

**Taxes, licenses and fees**

The amount reported by the Company of \$43,869, was decreased by \$23,019 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. **We recommend that the Company continue to report the amount of taxes, license and fees in accordance with the NAIC *Annual Statement Instructions*.**

**Current federal and foreign income taxes**

The amount reported by the Company of \$440,737, was decreased by \$134,477 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. **We recommend that the Company continue to report the**

**amount of current federal and foreign income taxes in accordance with the NAIC Annual Statement Instructions.**

#### **Unearned premiums**

The amount reported by the Company of \$9,969,904, was increased by \$1,338,372 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. **We recommend that the Company continue to report Unearned premiums in accordance with Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and SSAP 65.**

#### **Advance premiums**

The amount reported by the Company of \$941,706, was decreased by \$224,619 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. **We recommend that the Company continue to report Advance premiums in accordance with Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and SSAP 6 and 53.**

#### **Ceded reinsurance premiums payable**

The amount reported by the Company of \$568,625, was increased by \$301,219 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. **We recommend that the Company continue to report Ceded reinsurance premiums payable in accordance with Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and in accordance with the terms of the loss portfolio reinsurance agreement.**

**Aggregate write-ins for liabilities: Retroactive reinsurance reserve**

The amount reported by the Company of \$10,992,400, was decreased by \$1,333,800 to record the adjustment carried to the 2007 audited financial statements, which was likewise booked by the Company in the subsequent period. **We recommend that the Company continue to report**

**Aggregate write-ins for liabilities in accordance with Rule 69O-137.001(4)(a), Florida Administrative Code, NAIC *Annual Statement Instructions*, and SSAP 65.**

## CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Florida Doctors Insurance Company** as of December 31, 2007, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as Regards Policyholders was \$9,778,076, in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Patricia Casey Davis, CPA, CFE, INSRIS Supervisor; Maria Chrysikos, CFE, INSRIS Financial Examiner; Keith E. Misenheimer, CFE, ALMI, INSRIS Examiner in charge and Michael Morrow, ACAS, MAAA, INS Consultants, Inc, participated in the examination. We also recognize INS Services, Inc. participation in the examination.

Respectfully submitted,

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Kethessa Carpenter, CPA  
Financial Examiner/Analyst Supervisor  
Florida Office of Insurance Regulation