

REPORT ON EXAMINATION
OF
HEALTHCARE UNDERWRITERS GROUP
OF FLORIDA
PLANTATION, FLORIDA

AS OF
DECEMBER 31, 2011

BY THE
FLORIDA OFFICE OF INSURANCE REGULATION

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August 24, 2012

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

Dear Sir:

Pursuant to your instructions, in compliance with Chapter 629 and Section 624.316, Florida Statutes and Rule 69O-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2011, of the financial condition and corporate affairs of:

**HEALTHCARE UNDERWRITERS GROUP OF FLORIDA
1250 SOUTH PINE ISLAND ROAD, SUITE 300
PLANTATION, FLORIDA 33324**

Hereinafter referred to as, the "Reciprocal." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2007, through December 31, 2011. The Reciprocal 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 March 19, 2012, to March 23, 2012. The fieldwork commenced on April 2, 2012, and concluded as of August 24, 2012.

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 Reciprocal by obtaining information about the Reciprocal including corporate governance, identifying and assessing inherent risks within the Reciprocal, 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 Reciprocal were considered in accordance with the risk-focused examination process.

This report of examination is confined to significant adverse findings, a material change in the financial statements or other information of regulatory significance or requiring regulatory action. The report comments on matters that involved departures from laws, regulations or rules, or which were deemed to require special explanation or description.

SUMMARY OF SIGNIFICANT FINDINGS

Current Exam Findings

The following is a summary of material adverse findings, significant non-compliance findings, or material changes in the financial statements noted during this examination.

General

The Reciprocal failed to file a rate filing in 2008. This was not in compliance with Paragraph 22 of Consent Order 74105-CO-03 (2004) and Section 627.0645(3) (b) Florida Statutes.

Claims

The Reciprocal did not timely file certain closed claims upon the conditions and within the time period allowed by Section 627.912, Florida Statutes.

Reinsurance

The Reciprocal had not filed reinsurance summary statements, though it writes greater than \$250,000 in direct premium per calendar quarter. This was not in compliance with Section 624.610 (11), Florida Statutes.

Prior Exam Findings

There were no findings, exceptions or corrective action to be taken by the Reciprocal for the examination as of December 31, 2006.

SUBSEQUENT EVENTS

Two changes were made to management of the Reciprocal subsequent to the examination date. On May 2, 2012, Dr. Alberto Rene Tano elected to non-renew his policy with the Reciprocal, which automatically terminated his membership on the Subscribers' Advisory Committee (SAC). Remaining SAC members are listed below under "Management and Control." In June, the CEO of the Reciprocal and its Attorney-in-Fact (AIF), Steven Lee Salman, JD, passed away, with plans that his son, Joshua Marc Salman, current Chief Operating Officer of the Reciprocal and President of the AIF, succeed him as CEO.

HISTORY

General

The Reciprocal was established in Florida on April 16, 2004, and commenced business on July 1, 2004, as Healthcare Underwriters Group of Florida.

The Reciprocal was party to Consent Order 74105-CO-03 filed February 12, 2004, which replaced Consent Order 71805-03-CO filed on October 20, 2003, regarding the application for the issuance of a Certificate of Authority. The Reciprocal failed to comply with the following provisions of this consent order:

- The Reciprocal failed to file all past annual statements with a sworn oath of the attorney-in-fact. This was not in compliance with Paragraph 18 of Consent Order 74105-CO-03 (2004) and Section 624.424(1) (a), Florida Statutes. **Subsequent Event**: The Reciprocal filed annual statements with a sworn oath of the attorney-in-fact beginning with the Quarterly Statements as of June 30, 2012.
- The Reciprocal failed to file a rate filing in 2008. This was not in compliance with Paragraph 22 of Consent Order 74105-CO-03 (2004) and Section 627.0645(3) (b), Florida Statutes.

The Reciprocal was authorized to transact Medical Malpractice Liability insurance coverage in Florida on March 23, 2004 and continues to be authorized as of December 31, 2011.

Dividends to Subscribers

In accordance with Section 629.271, Florida Statutes, the Reciprocal declared and paid dividends to its subscribers each year from 2008 to 2011 in amounts of \$500,000; \$750,000; \$900,000; and

\$998,805, respectively. The Reciprocal amended their Subscriber Agreement to address dividends.

Capital Stock and Capital Contributions

As a reciprocal insurer, no capital stock was issued.

Control of the Reciprocal was maintained by its subscribers who have full voting rights by means of a subscribers' agreement with the Reciprocal in exchange for individual capital contributions which totaled \$18,090,127, as of December 31, 2011.

Surplus Debentures

The Reciprocal did not have any surplus debentures during the period of this examination.

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

The Reciprocal had no acquisitions, mergers, disposals, and purchase or sales through reinsurance during the period of this examination.

CORPORATE RECORDS

The recorded minutes of the Subscribers, Subscribers' Advisory Committee (SAC), and certain internal committees were reviewed for the period under examination. The recorded minutes of the SAC adequately documented its meetings and approval of Reciprocal transactions and events, in compliance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code and including the authorization of investments as required by Section 625.304, Florida Statutes.

Conflict of Interest

The Reciprocal adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with the NAIC Financial Condition Examiners Handbook adopted by Rule 69O-138.001, Florida Administrative Code.

MANAGEMENT AND CONTROL

Management

The annual subscribers meeting for the election of SAC members was held in accordance with the subscribers' agreement and Section 629.201, Florida Statutes. SAC members serving as of December 31, 2011, were:

Subscribers' Advisory Committee Members

Name and Location	Principal Occupation
Edward Jay Feller, MD Miami, Florida	Physician, Feller, Kafka, Garjian, MDs
Steven David Shapiro, MD Palm Beach Gardens, Florida	Physician, Gardens Dermatology
Siva Prasad Bellam, MD Port St. Lucie, Florida	Physician, Treasure Coast Cancer Care
Steven Lee Salman, JD ^(b) Plantation, Florida	President/CEO/Owner, Attorney in Fact Global Insurance Management Company, LLC
Alicia Rodriguez-Jorge, MD Miami, Florida	Physician
Scot Nevin Ackerman, MD Jacksonville, Florida	Physician, First Coast Oncology
Kenneth Jay Budowsky, MD Hollywood, Florida	Physician, Children's Medical Center

Alberto Rene Tano, MD ^(a)
Coral Gables, Florida

Physician, KIDZ Medical Services Inc.

James Vincent Talano, MD
Naples, Florida

Physician

(a) Resigned, May 2, 2012

(b) Deceased, June 24, 2012

The SAC in accordance with the Reciprocal's SAC Charter appointed the following senior officers:

Senior Officers

Name	Title
Edward Jay Feller, MD	President
Steven David Shapiro, MD	Chairperson
Siva Prasad Bellam, MD	Vice Chairperson
Steven Lee Salman, JD ^(a)	Chief Executive Officer
Alicia Rodriguez-Jorge, MD	Secretary

(a) Deceased, June 24, 2012

The Reciprocal's SAC appointed several internal committees. Following were the principal internal board committees and their members as of December 31, 2011:

Audit Committee

Steven David Shapiro, MD¹
Edward Jay Feller, MD
Siva Prasad Bellam, MD
Steven Lee Salman, JD²
Alicia Rodriguez-Jorge, MD
Scot Nevin Ackerman, MD
Kenneth Jay Budowsky, MD
James Vincent Talano, MD

¹ Chairman

² Deceased, June 24, 2012

Investment Committee

Steven David Shapiro, MD¹
Edward Jay Feller, MD
Siva Prasad Bellam, MD
Steven Lee Salman, JD²
Alicia Rodriguez-Jorge, MD
Scot Nevin Ackerman, MD
Kenneth Jay Budowsky, MD
James Vincent Talano, MD

Underwriting Committee

Scot Nevin Ackerman, MD ¹
Edward Jay Feller, MD
Roberto Palenzuela, JD
Donna Bridge, MD
Kenneth Jay Budowsky, MD

¹ Chairman

Claims Committee

Edward Jay Feller, MD ¹
Scot Nevin Ackerman, MD
Raul Vila, MD
Louis Rosenfield, MD
Leonard Calodney, MD
Stanley Braverman, MD
Siva Prasad Bellam, MD

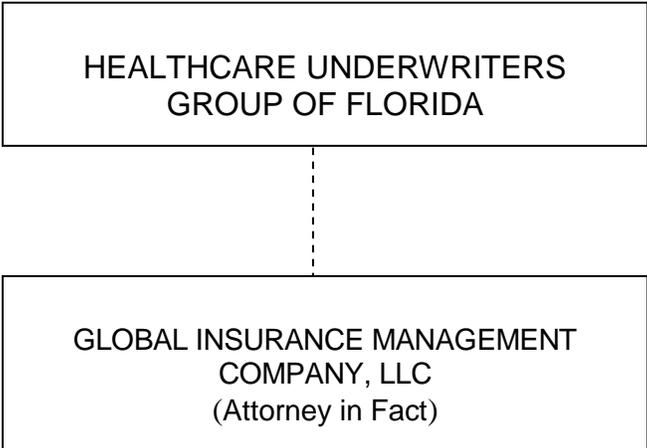
Affiliated Companies

The Reciprocal was managed by Global Insurance Management Company, LLC, an AIF as defined by Section 629.061, Florida Statutes, a relationship governed by a power of attorney agreement pursuant to Section 629.101, Florida Statutes.

A simplified organizational chart as of December 31, 2011, is shown below.

**HEALTHCARE UNDERWRITERS GROUP OF FLORIDA
ORGANIZATIONAL CHART**

DECEMBER 31, 2011



ATTORNEY'S BOND AND OTHER INSURANCE

The Reciprocal maintained attorney's bond coverage of up to \$100,000, in accordance with Section 629.121, Florida Statutes.

The Reciprocal also maintained Directors and Officers (D&O) and Errors and Omissions (E&O) liability insurance coverage with limits of \$5,000,000 and \$5,000,000, respectively, and deductibles of \$25,000 and \$100,000, respectively.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Reciprocal had no employees and, therefore, no pension, stock ownership or insurance plans.

TERRITORY AND PLAN OF OPERATIONS

The Reciprocal was authorized to transact insurance only in the State of Florida.

Treatment of Policyholders

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

The Reciprocal adopted and implemented standards for the proper investigation of claims in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

RECIPROCAL GROWTH

Over the past five years, the Reciprocal has faced a softening Florida market, price competition, and more physicians choosing to practice without liability insurance, causing a continuous slip of approximately 5% per year in the Reciprocal's annual premium volume. Additionally, average claims costs have sharply risen as the annual number of claims jumped just over 50% during the fourth year of operations and remained at this level for another two years until returning in 2010 and 2011 to the previous levels. Nevertheless, the requirement of a substantial, non-refundable capital contribution upon subscribing has strengthened the Reciprocal's capital position over the same period. The Reciprocal acquired a rating of A Prime in late 2011 from Demotech.

Profitability of Reciprocal

The following table shows the profitability trend (in dollars) of the Reciprocal for the period of examination, as reported in the filed annual statements.

	2011	2010	2009	2008	2007
Premiums Earned	8,551,277	8,084,859	8,790,402	9,377,540	8,733,907
Net Underwriting Gain/(Loss)	1,072,778	142,744	1,900,001	374,803	(613,040)
Net Income	1,146,011	674,549	2,147,378	785,253	616,772
Total Assets	45,835,110	43,962,385	43,373,660	38,286,638	34,370,085
Total Liabilities	23,516,047	23,267,143	23,989,865	21,771,340	19,166,626
Surplus As Regards Policyholders	22,319,063	20,695,242	19,383,795	16,515,298	15,203,459

LOSS EXPERIENCE

At year end 2011, the one-year net loss development was favorable at \$943,000 and the two-year net loss development was favorable at \$2,783,000.

The Reciprocal did not timely file certain closed claims upon the conditions and within the time period allowed by Section 627.912, Florida Statutes.

REINSURANCE

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.

The Reciprocal had not filed reinsurance summary statements, though it writes greater than \$250,000 in direct premium per calendar quarter. This was not in compliance with Section 624.610 (11), Florida Statutes.

Assumed

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

Ceded

The Reciprocal ceded losses and a pro-rata share of allocated loss adjustment expenses (LAE) on a primary excess of loss reinsurance contract, composed of nine reinsurers, seven authorized and two unauthorized, all rated A or better by AM Best.

Effective July 1, 2007, the Reciprocal retains 20% of all risk reinsured in excess of its initial retention, which ranged from \$250,000 to \$1,000,000, depending on the underlying policy; generally policies were sold with a \$250,000 limit. If two or more insureds were named in one claim, known as clash coverage, the retention was capped at \$500,000 ($\$250,000 \times 2$), even if three or more insureds were named in a claim. Prior to this date, the Reciprocal reinsured all risks in excess of its initial \$200,000 to \$1,000,000 retention.

The reinsurance limit on an individual claim was \$750,000. Effective October 1, 2010, for clash coverage, the reinsurance limit was \$1,500,000. Similarly, reinsurance was limited to \$1,500,000 regarding claims arising from contractual obligations of the Reciprocal, such as bad faith claims. Prior to this date, these latter two reinsurance limits were \$1,000,000.

The ultimate reinsurance premiums paid by the Reciprocal on the primary excess of loss contract were based on 102.5% (105% prior to October 1, 2009) of cumulative ceded losses and LAE paid and reserved under the contract plus a percentage of written premiums that was subject to certain minimum and maximum limitations.

The Reciprocal's recovery of losses from reinsurers under this contract was limited to 325% of the maximum reinsurance premiums paid or payable per reinsurance contract period. Prior to October 1, 2008, this recovery percentage was 300%.

The reinsurance contracts were reviewed by the Reciprocal's appointed actuary and were utilized in determining the ultimate loss opinion.

ACCOUNTS AND RECORDS

The Reciprocal maintained its principal operational offices in Plantation, Florida.

The Reciprocal failed to file all past annual statements with a sworn oath of the Attorney-in-Fact. This was not in compliance with Paragraph 18 of Consent Order 74105-CO-03 (2004) and Section 624.424(1) (a), Florida Statutes.

The Reciprocal failed to file a rate filing in 2008. This was not in compliance with Paragraph 22 of Consent Order 74105-CO-03 (2004) and Section 627.0645(3) (b) Florida Statutes.

An independent CPA audited the Reciprocal's statutory basis financial statements annually for the years 2007, 2008, 2009, 2010, and 2011 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 Reciprocal's accounting records were maintained on a computerized system. The Reciprocal's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

The Reciprocal and non-affiliates had the following agreements:

Attorney-in-Fact Agreement

The Reciprocal, a non-assessable reciprocal insurer pursuant to Chapter 629, Florida Statutes, entered into an AIF agreement with Global Insurance Management Company, LLC (GIMC) on October 28, 2003. The agreement provided, in general, that GIMC manage the affairs of the Reciprocal which included premiums and claims administration services and also periodic

reporting of the Reciprocal's financials to the SAC. GIMC was subject to the control, supervision and direction of the SAC of the Reciprocal which retained all powers not specifically delegated by the Reciprocal and its Subscribers to GIMC.

Under the terms of the agreement, GIMC provided services and facilities including underwriting.

For providing the services, facilities, personnel, and other functions, GIMC was paid 20% of the total gross written premium for the first \$10 Million and 10.25% on all premiums over \$10 Million for each 12 month period. In addition, GIMC earned a bonus outlined as an incentive to produce and manage to a profitable loss ratio, if it can deliver a better than anticipated loss ratio in any policy year. To qualify, the loss ratio in the subject year must be at least 1% better than that calculated and included in that year's rates by the Reciprocal's independent actuary. The measurement was to be made 12 months from the end of a calendar year and be based upon the incurred losses for that year, as determined by the Reciprocal's independent actuary. The bonus would be equal to 33% of the additional income derived by the lower loss ratio that is less than that anticipated in the rates calculated by the Reciprocal's independent actuary.

At December 31, 2011, the Reciprocal accrued \$238,617, comprised of \$18,374 for management fee and \$220,243 for performance bonus. Performance bonus payments from 2003 to date, at year end 2011, totaled \$3,173,353.

The Reciprocal did not document in its Power of Attorney (AIF) agreement the details of certain related party transactions, specifically the following:

1. Article 9 required the amount of the bonus payment to be "measured" 12 months following the close of the calendar year. It did not, however, establish a due date for

payment. The parties have however made the payments as soon as reasonable possible after the end of a calendar year.

2. The management fee as provided for in the agreement contained a prepaid element for future unpaid loss adjustment expenses; however, the AIF agreement did not provide a due date for settlement of this item in the event the agreement is terminated.

These changes are recommended to assure compliance with SSAP 25.

Subsequent Event: The AIF agreement was amended with an addendum on May 15, 2013 and was submitted to the Office. The addendum includes the details of related party transactions to comply with SSAP 25.

Custodial Agreement

The Reciprocal entered into a custodial agreement with Regions National Bank dated July 21, 2004, which was amended on March 2, 2007. The custodial agreement provided the proper safeguards and controls indemnifying the Reciprocal as provided by Rule 69O-143.042, Florida Administrative Code.

Independent Auditor Agreement

The Reciprocal contracted with an external independent CPA firm to perform the annual audit of its financial statements as required by Rule 69O-137.002 (7) (c), Florida Administrative Code.

Reinsurance Intermediary Broker Agreement

The Reciprocal entered into a contract on July 1, 2004, amended February 12, 2008, with a reinsurance intermediary broker to procure and service reinsurance contracts.

The Reciprocal engaged the services of a reinsurance intermediary broker that was not licensed in either this state or its state of organization during the period October 31, 2008 to May 15, 2009. This was not in compliance with Section 626.7492 (6), Florida Statutes, for that period; however, the Reciprocal was in compliance as of December 31, 2011.

INFORMATION TECHNOLOGY REPORT

Tracy Gates, CPA, CISA, of Highland Clark LLC performed an evaluation of the information technology and computer systems of the Reciprocal. Results of the evaluation were noted in the Information Technology Report provided to the Reciprocal.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes and with various state officials as required or permitted by law:

STATE	Description	Par Value	Market Value
FL	Cash	<u>\$ 250,000</u>	<u>\$ 250,000</u>
TOTAL FLORIDA DEPOSITS		\$ 250,000	\$ 250,000
TOTAL SPECIAL DEPOSITS		<u>\$ 250,000</u>	<u>\$ 250,000</u>

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Reciprocal's financial position as of December 31, 2011, 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 this report captioned, "Comparative Analysis of Changes in Surplus."

HEALTHCARE UNDERWRITERS GROUP OF FLORIDA

Assets

DECEMBER 31, 2011

	Per Company	Examination Adjustments	Per Examination
Bonds	\$42,160,369		\$42,160,369
Cash and Short-Term Investments	1,766,297		1,766,297
Interest and dividend income due & accrued	301,137		301,137
Net deferred tax asset	646,834		646,834
EDP Equipment	10,291		10,291
Receivable from parents, subsidiaries and affiliates	950,182		950,182
	<hr/>		<hr/>
Totals	\$45,835,110		\$45,835,110

HEALTHCARE UNDERWRITERS GROUP OF FLORIDA
Liabilities, Surplus and Other Funds

DECEMBER 31, 2011

	Per Company	Examination Adjustments	Per Examination
Losses	\$10,178,505		\$10,178,505
Loss adjustment expenses	7,986,123		7,986,123
Commissions payable	11,933		11,933
Other expenses	212,669		212,669
Taxes, licenses and fees	60,059		60,059
Current federal and foreign income taxes	263,357		263,357
Unearned premium	3,428,339		3,428,339
Advance premium	362,746		362,746
Ceded reinsurance premium payable	1,012,316		1,012,316
Payable to parent, subsidiaries, and affiliates	0		0
Total Liabilities	\$23,516,047		\$23,516,047
Gross paid in and contributed surplus	\$18,090,127		\$18,090,127
Unassigned funds (surplus)	4,228,936		4,228,936
Surplus as regards policyholders	\$22,319,063		\$22,319,063
Total liabilities, surplus and other funds	\$45,835,110		\$45,835,110

HEALTHCARE UNDERWRITERS GROUP OF FLORIDA
Statement of Income

DECEMBER 31, 2011

Underwriting Income

Premiums earned		\$8,551,277
	Deductions:	
Losses incurred		\$2,082,945
Loss expenses incurred		3,122,368
Other underwriting expenses incurred		2,273,186
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		\$7,478,499
Net underwriting gain or (loss)		\$1,072,778

Investment Income

Net investment income earned		\$1,101,501
Net realized capital gains or (losses)		383,945
Net investment gain or (loss)		\$1,485,446

Other Income

Total other income		\$0
Net income before dividends to policyholders and before federal & foreign income taxes		\$2,558,224
Dividends to policyholders		998,805
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$1,559,419
Federal & foreign income taxes		413,408
Net Income		\$1,146,011

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$20,695,242
Net Income		\$1,146,011
Change in unrealized capital gains and losses		2,961
Change in deferred income taxes		(55,589)
Change in non-admitted assets		73,349
Surplus adjustments: Paid in Examination Adjustment		457,090
Change in surplus as regards policyholders for the year		\$1,623,822
Surplus as regards policyholders, December 31 current year		\$22,319,063

A comparative analysis of changes in surplus is shown below.

HEALTHCARE UNDERWRITERS GROUP OF FLORIDA
Comparative Analysis of Changes in Surplus

DECEMBER 31, 2011

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, 2011, per Annual Statement \$22,319,063

	<u>PER</u> <u>COMPANY</u>	<u>PER</u> <u>EXAM</u>	<u>INCREASE</u> <u>(DECREASE)</u> <u>IN SURPLUS</u>
ASSETS:			
No Adjustment			
LIABILITIES:			
No Adjustment			
Net Change in Surplus:			
Surplus as Regards Policyholders December 31, 2011, Per Examination			\$22,319,063

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses \$18,164,628

An outside actuarial firm appointed by the Subscribers' Advisory Committee rendered an opinion that the amounts carried in the balance sheet as of December 31, 2011, made a reasonable provision for all unpaid loss and loss expense obligations of the Reciprocal under the terms of its policies and agreements.

The Office consulting actuary, W. Robin Gillam, FCAS, MAAA, of Actuaries Inc., reviewed the loss and loss adjustment expense work papers provided by the Reciprocal and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Reciprocal of \$22,319,063, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

SUMMARY OF RECOMMENDATIONS

General

We recommend that the Reciprocal file rate filings, in compliance with Paragraph 22 of Consent Order 74105-CO-03 (2004) and Section 627.0645 (3)(6), Florida Statutes.

Claims

We recommend the Reciprocal timely file its closed claim information in accordance with Section 627.912, Florida Statutes, including amended filings if necessary per subsection (1)(g).

Reinsurance

We recommend that the Reciprocal file future reinsurance summary statements pursuant to Section 624.610 (11), Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **Healthcare Underwriters Group of Florida** as of December 31, 2011, consistent with the insurance laws of the State of Florida.

Per examination findings, the Reciprocal's surplus as regards policyholders was \$22,319,063, which exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

In addition to the undersigned, Chibueze Alutu, CISA, Participating Examiner, of the Office participated in the examination. In addition, W. Robin Gillam, FCAS MAAA, consulting actuary of Actuaries Inc., Tracy Gates, CPA, CISA, IT Manager of Highland Clark, LLC, and Patricia Casey Davis, CFE, CPA, CMA, CIA, of INS Regulatory Insurance Services, Inc. also participated in the examination.

Respectfully submitted,

Jonathan Frisard
Financial Examiner/Analyst Supervisor
Florida Office of Insurance Regulation