

REPORT ON EXAMINATION
OF
SOUTH PINELLAS MEDICAL TRUST
ST. PETERSBURG, FLORIDA
AS OF
DECEMBER 31, 2009

BY THE
OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

June 1, 2011

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, Section 624.486, Florida Statutes, and Rule 69O-187.007 (3), 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, 2009, of the financial condition and corporate affairs of:

**SOUTH PINELLAS MEDICAL TRUST
341 THIRD STREET SOUTH
ST. PETERSBURG, FLORIDA 33701**

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

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2005, through December 31, 2009. The Fund was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2004. This examination commenced with planning at the Office on January 24, 2011 to January 28, 2011. The fieldwork commenced on January 31, 2011, and concluded as of June 1, 2011.

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 examination included a review of the Fund's records and other selected records deemed pertinent to the Fund's operations and practices. In addition, the Fund's Independent Audit reports, and certain work papers and related records prepared by the Fund's independent certified public accountants were reviewed and utilized, where applicable, within the scope of this examination.

The Fund's assets were valued and/or verified, and the liabilities were determined or estimated as of December 31, 2009. Transactions subsequent to year-end 2009 were reviewed where relevant and deemed significant to the Fund's financial condition.

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

There were no material finding or exceptions noted during the examination as of December 31, 2009.

Prior Exam Findings

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2004, along with resulting action taken by the Fund in connection therewith.

Management

The Trustees did not appoint an actuary for the required annual actuarial opinion in accordance with NAIC Annual Statement Instructions. **Resolution:** The Trustees appointed an independent actuary to perform the annual reserve analysis of the Fund.

The Trustees did not review the previous examination report. **Resolution:** Examination reports are now sent directly to each Trustee.

The Trustees did not authorize or approve the Fund's investments as required by Section 625.304, Florida Statutes. **Resolution:** The Trustees have reviewed and approved the investments made by the Fund.

HISTORY

General

The Fund was incorporated in Florida on January 1, 1976, under the laws of the State of Florida, as a medical malpractice self-insurance trust fund and commenced business on January 1, 1976, with the name of South Pinellas Medical Practice Risk Management Association doing business as South Pinellas Medical Trust.

The Fund was authorized to transact medical malpractice insurance coverage in Florida on December 31, 2009.

The Bylaws were not amended during the period covered by this examination.

Dividends to Policyholders

In accordance with Rule 69O-187.006 (2), Florida Administrative Code, the Fund declared and paid dividends to its members in 2009 in the amount of \$500,000.

Capital Stock and Capital Contributions

The Fund maintained no capital stock and received no capital contributions.

Surplus Debentures

The Fund did not have any surplus debentures.

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

There were no acquisitions, mergers, disposals, dissolutions, purchases or sales through reinsurance for the period of examination.

CORPORATE RECORDS

The recorded minutes of the policyholders, Board of Trustees (Board), and certain internal committees were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Fund transactions and events including the authorization of investments.

Conflict of Interest

The Fund adopted a policy statement requiring 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 meeting of the members for the election of trustees was held in accordance with Rule 69O-187.010 (1), Florida Administrative Code. Trustees serving as of December 31, 2009, were:

Trustees

Name and Location	Principal Occupation
Warren Abel, M.D. Gulfport, Florida	Pulmonology
Stephen Anderson, M.D. St. Petersburg, Florida	Radiology
Joseph Boulay, M.D. Ocala, Florida	Gastroenterology
Stephen Cohen St. Petersburg, Florida	Neurology
Juan Escobales, M.D. Clearwater, Florida	Family Practice Geriatrics
Trina Espinola, M.D. Treasure Island, Florida	Head & Neck Surgeon
Bernard Fishalow, M.D. St. Petersburg, Florida	Orthopedic Surgeon
Mark Gordon, M.D. Seminole, Florida	Urology
Eugene Murphy, M.D. St. Petersburg, Florida	Vascular Surgery
Eric Diner, M.D. St. Petersburg, Florida	Urology
Stephen G. Nelson St. Petersburg, Florida	Pediatrics

David Hall, M.D.
Seminole, Florida

Ophthalmology

Abey Sarai, M.D.
St. Petersburg, Florida

Infectious Diseases

Andrea Woods, M.D.
St. Petersburg, Florida

Cardiology

Michael Zimmer, M.D.
St. Petersburg, Florida

Internal Medicine

The Board in accordance with the Fund's Bylaws appointed the following senior officers:

Senior Officers

Name	Title
Trina Espinola	President
Michael Zimmer	Vice President
Eugene Murphy	Treasurer
Stephen G. Nelson	Secretary
Andrea Woods	Immediate Past President

The Fund's Board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following were the principal internal board committees and their members as of December 31, 2009:

Audit Committee	Claims Committee	Membership Committee
Full Board of Trustees	Full Board of Trustees	Full Board of Trustees

The Fund did not maintain a formal audit committee, as required by Section 624.424(8) (c), Florida Statutes. However, the full Board of Trustees acted as the audit committee.

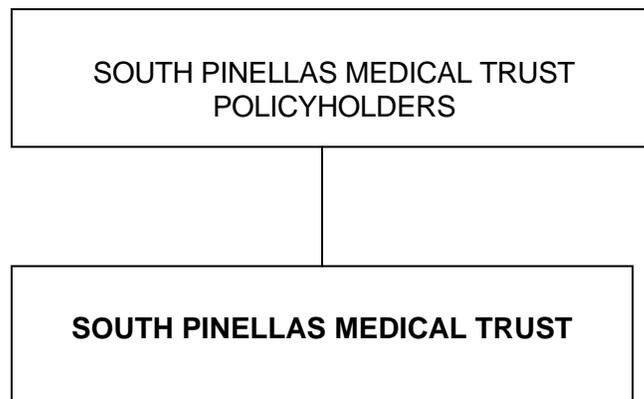
Affiliated Companies

The Fund had no affiliated companies.

A simplified organizational chart as of December 31, 2009, is shown below.

SOUTH PINELLAS MEDICAL TRUST ORGANIZATIONAL CHART

DECEMBER 31, 2009



FIDELITY BOND

The Fund maintained fidelity bond coverage up to \$1,000,000 with a deductible of \$10,000, which was in accordance with Rule 69O-187.005 (5), Florida Administrative Code.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Fund had no employees.

TERRITORY AND PLAN OF OPERATIONS

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

Treatment of Policyholders

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

The Fund maintained a claims procedure manual that included detailed procedures for handling each type of claim in accordance with Section 626.9541(1) (i) 3a, Florida Statutes.

COMPANY GROWTH

Profitability of Fund

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

	2009	2008	2007	2006	2005
Premiums Earned	4,536,070	5,030,791	5,227,391	5,216,894	4,797,166
Net Underwriting Gain/(Loss)	1,348,299	314,752	(67,532)	1,591,062	160,091
Net Income	1,831,876	900,686	537,429	2,073,078	452,491
Total Assets	15,008,254	13,757,751	13,958,177	12,238,629	10,840,147
Total Liabilities	10,780,779	10,585,697	11,748,259	9,647,118	10,388,731
Surplus As Regards Policyholders	4,227,475	3,172,054	2,209,918	2,591,511	451,416

LOSS EXPERIENCE

The Fund did not experience any significant changes in their loss experience.

REINSURANCE

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

Assumed

The Fund assumed no risk.

Ceded

The Fund ceded risk on an excess of loss basis to General Reinsurance Corporation. The coverage provided by the agreement was \$250,000 in excess of the \$250,000 Company retention with an annual aggregate of \$750,000. The Fund entered into this agreement on January 1, 2006 and it may be terminated by either party sending by certified mail to its principal office not less than 90 days after the mailing of such notice.

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

ACCOUNTS AND RECORDS

The Fund maintained its principal operational offices in St. Petersburg, Florida, where this examination was conducted.

An independent CPA audited the Fund's statutory basis financial statements annually for the years 2005, 2006, 2007, 2008, and 2009 in accordance with Rule 69O-187.007 (1), Florida Administrative Code. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code.

The Fund's accounting records were maintained using Quicken software.

The Fund and non-affiliates had the following agreements:

Custodial Agreement

The Fund maintained a custodial agreement with SunTrust Bank entered into on December 3, 2001 and amended on December 3, 2007. The agreement was not in compliance with Rule 69O – 143.042 (2)(j), Florida Administrative Code which stipulates that a national bank, state bank or trust company shall secure and maintain insurance protection in an adequate amount covering the bank's or trust company's duties and activities as custodian for the insurer's assets, and shall state in the custody agreement that protection is in compliance with the requirements of the custodian's banking regulator. The custodial was also not in compliance with Rule 69O – 143.042 (2)(o), Florida Administrative Code which stipulates that the custodian shall provide written notification to the Office if the custodial agreement with the insurer has been terminated or if 100% of the account assets in any one custody account have been withdrawn. This notification shall be remitted to the Office within three (3) business days of the receipt by the custodian of the insurer's written notice of termination or within three (3) business days of the withdrawal of 100% of the account assets. **Subsequent event: The Company obtained a new custodial agreement with Sabal Trust Company dated and executed on May 2, 2011. The agreement was in compliance with all of the requirements of Rule 69O-143.043, Florida Administrative Code.**

Independent Auditor Agreement

The Fund 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), and Rule 69O–187.007 (1), Florida Administrative Code.

Information Technology Report

Computer Aid Inc. performed an evaluation of the information technology and computer systems of the Fund. Results of the evaluation were noted in the Information Technology Report provided to the Fund.

STATUTORY DEPOSITS

The Fund was not required to have any securities deposited with the State of Florida.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Fund's financial position as of December 31, 2009, 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."

SOUTH PINELLAS MEDICAL TRUST
Assets

DECEMBER 31, 2009

	Per Fund	Examination Adjustments	Per Examination
Cash on Hand and On Deposit	\$3,776,200		\$3,776,200
Securities at Market Value	11,180,328		11,180,328
Accrued Interest	44,002		44,002
Other Assets	7,724		7,724
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Totals	\$15,008,254	\$0	\$15,008,254
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SOUTH PINELLAS MEDICAL TRUST
Liabilities, Surplus and Other Funds

DECEMBER 31, 2009

	Per Fund	Examination Adjustments	Per Examination
Losses	\$4,512,756		\$4,512,756
Loss adjustment expenses	1,381,092		1,381,092
Other expenses	323,600		323,600
Unearned Premium	3,753,301		3,753,301
Other Liabilities	810,030		810,030
Total Liabilities	\$10,780,779	\$0	\$10,780,779
Trustees Account	\$4,227,475		\$4,227,475
Surplus as regards policyholders	\$4,227,475	\$0	\$4,227,475
Total liabilities, surplus and other funds	\$15,008,254	\$0	\$15,008,254

SOUTH PINELLAS MEDICAL TRUST
Statement of Income

DECEMBER 31, 2009

Underwriting Income

Premiums earned		\$4,536,070
	Deductions:	
Losses incurred		\$330,368
Loss expenses incurred		1,376,350
Other underwriting expenses incurred		704,986
Aggregate write-ins for underwriting deductions		0
Total underwriting deductions		<u>\$2,411,704</u>
Net underwriting gain or (loss)		\$1,348,299

Investment Income

Net investment income earned		\$477,522
Net realized capital gains or (losses)		6,055
Net investment gain or (loss)		<u>\$483,577</u>

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		<u>\$0</u>

Net income before dividends to policyholders and before federal & foreign income taxes		\$1,831,876
Dividends to policyholders		0
Net Income, after dividends to policyholders, but before federal & foreign income taxes		\$1,831,876
Federal & foreign income taxes		<u>0</u>
Net Income		<u><u>\$1,831,876</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 prior year		\$3,172,054
Net Income		\$1,831,876
Net unrealized capital gains or losses		(228,987)
Change in non-admitted assets		(56,196)
Change in provision for reinsurance		
Change in excess statutory over statement reserves		
Surplus adjustments: Paid in		0
Less Retrospective Rate Credits Paid		(491,272)
Examination Adjustment		0
Change in surplus as regards policyholders for the year		<u>\$1,055,421</u>
Surplus as regards policyholders, December 31 current year		<u><u>\$4,227,475</u></u>

A comparative analysis of changes in surplus is shown below.

**SOUTH PINELLAS MEDICAL TRUST
Comparative Analysis of Changes In Surplus**

DECEMBER 31, 2009

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

Surplus as Regards Policyholders
December 31, 2009, per Annual Statement \$4,227,475

	<u>PER FUND</u>	<u>PER EXAM</u>	<u>INCREASE (DECREASE) IN SURPLUS</u>
ASSETS:			
No Adjustment			\$0
LIABILITIES:			
No Adjustment			\$0
Net Change in Surplus:			<u>0</u>
Surplus as Regards Policyholders December 31, 2009, Per Examination			<u><u>\$4,227,475</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses	<u>\$5,893,848</u>
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An outside actuarial firm appointed by the Board of Trustees, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2009, made a reasonable provision for all unpaid loss and loss expense obligations of the Fund under the terms of its policies and agreements.

The Office consulting actuary, Anthony J. Pipia, FCA, MAAA, ACAS, of Actuaries Inc., reviewed the loss and loss adjustment expense work papers provided by the Fund and was in concurrence with this opinion.

Capital and Surplus

The amount reported by the Fund of \$4,227,475 was in compliance Section 624.468 (7), Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **South Pinellas Medical Trust** as of December 31, 2009, consistent with the insurance laws of the State of Florida.

Per examination findings, the Fund's Surplus as regards policyholders in the amount of \$4,227,475 was in compliance with Section 624.468 (7), Florida Statutes.

In addition to the undersigned, Kethessa Carpenter, Financial Examiner/Analyst Supervisor, of the Office; Anthony J. Pipia, FCA MAAA, ACAS and G. Clinton Scornberger, FCAS, MAAA, consulting actuaries of Actuaries Inc.; and Jane Snurr, IT Business Analysis Manager of Computer Aid Inc. participated in the examination.

Respectfully submitted,

Maurice Fuller
Financial Examiner/Analyst II
Florida Office of Insurance Regulation