



**EXAMINATION REPORT
OF
FIRST PROFESSIONALS INSURANCE COMPANY, INC.**

NAIC Company Code: 33383

**Jacksonville, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAMINATION FINDINGS	2
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY	2
GENERAL	2
DIVIDENDS	3
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS.....	3
SURPLUS NOTES	3
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	3
MANAGEMENT AND CONTROL	4
CORPORATE GOVERNANCE	4
HOLDING COMPANY SYSTEM	7
TAX ALLOCATION AGREEMENT	7
MANAGEMENT SERVICES AGREEMENT	7
COMMISSION OVERRIDE AGREEMENT	7
REINSURANCE ALLOCATION AGREEMENT	7
ACCOUNTS AND RECORDS	8
CUSTODIAL AGREEMENT	8
INVESTMENT MANAGEMENT AGREEMENT	8
INDEPENDENT AUDITOR AGREEMENT	8
CORPORATE RECORDS REVIEW.....	9
SIMPLIFIED ORGANIZATIONAL CHART	10
TERRITORY AND PLAN OF OPERATIONS	11
REINSURANCE	11
REINSURANCE ASSUMED.....	11
REINSURANCE CEDED.....	12
FINANCIAL STATEMENTS	12
ASSETS	13
LIABILITIES, SURPLUS AND OTHER FUNDS	14
STATEMENT OF INCOME	15
RECONCILIATION OF CAPITAL AND SURPLUS.....	17
COMMENTS ON FINANCIAL STATEMENT ITEMS	18
LIABILITIES	18
CAPITAL AND SURPLUS	18
CONCLUSION	19

January 6, 2021

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, 2019, of the financial condition and corporate affairs of

First Professionals Insurance Company, Inc.
12724 Gran Bay Parkway West, Suite 400
Jacksonville, Florida 32258

hereinafter referred to as “FPIC” or “the Company.” Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2015 through December 31, 2019, and the fieldwork commenced by the Florida Office of Insurance Regulation (“the Office”) on July 10, 2020. The fieldwork concluded as of January 6, 2021. The Company’s last full scope examination by representatives of the Office covered the period of January 1, 2010 through December 31, 2014.

The examination was a multi-state coordinated 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 California, and states that participated in this examination are as follows: Florida, Michigan, and Oregon. Representatives of the District of Columbia also participated in this examination.

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

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company, originally known as Florida Physicians Insurance Reciprocal, commenced business on December 13, 1976 as a reciprocal. As a part of its plan to convert to a stock insurer, the Reciprocal submitted an application for a permit to form a stock insurer. Effective January 1, 1986, Florida Physicians Insurance Reciprocal's application to convert to a stock insurer was approved by an Order (CASE NO: 86-CA-01M) and the Company became known as Florida Physicians Insurance Company.

Florida Physicians Insurance Company changed its name to First Professionals Insurance Company on May 8, 2001.

On October 19, 2011, FPIC Insurance Group, Inc., the Company's parent at that time, was acquired by The Doctors Company ("TDC"), an Interinsurance Exchange and a California corporation. As a result of the acquisition, employees of the Company became employees of TDC and operations formerly performed by the Company were performed by TDC.

Effective January 1, 2013, all new direct policies of the Company, and policies that were due for renewal, were renewed as policies of TDC. The Company went into and remains in run-off.

On August 13, 2015, the Company's one subsidiary, Intermed Insurance Company ("Intermed"), a Missouri corporation, was merged into the Company.

On October 4, 2016, FPIC Insurance Group, Inc., the Company's immediate parent at that time, was merged into the Company, with the Company being the surviving entity. This resulted in TDC being the Company's immediate parent subsequent to this merger. This transaction was approved by the Office prior to the merger on September 29, 2016.

Dividends

The Company declared and paid dividends to its parent at that time, FPIC Insurance Group, Inc. in 2015. It also paid dividends to its current parent, TDC, in 2017 and 2019. The amount of each dividend was \$50,000,000.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	5,000,000
Number of shares issued and outstanding	5,000,000
Total common capital stock	\$5,000,000
Par value per share	\$1.00

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

Effective August 13, 2015, Intermed was merged with the Company. The merger was approved by the Office on May 11, 2015 contingent on approval by the Missouri Department of Insurance, which was given on June 10, 2015.

As discussed above, effective October 4, 2016, the Company merged with its immediate parent at the time, FPIC Insurance Group, Inc., with the Company being the surviving entity.

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, 2019, are shown below with the first one also being the Board's chairman:

Directors		
Name	City, State	Principal Occupation, Company Name
Richard Elliot Anderson, MD	Yountville, California	Chief Executive Officer The Doctors Company
William Allen Fleming	Carmel, California	Chief Operating Officer The Doctors Company
Marco Adrian Vanderlaan	Richmond, California	Chief Financial Officer and Treasurer The Doctors Company
Dennis Bryan Lawton, Ph.D.	Sausalito, California	Chief Governance Officer The Doctors Company
David Armand McHale	Roseville, California	Chief Legal Officer The Doctors Company

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

Officers		
Name	City, State	Title
Richard Elliot Anderson, MD	Yountville, California	Chief Executive Officer
William Allen Fleming	Carmel, California	Chief Operating Officer
Robert Elwood White, Jr.	Jacksonville, Florida	President
Douglas Charles Will	San Francisco, California	Vice President
Douglas William Boltz	Naples, Florida	Vice President
Thomas Connel Wilson III	Mechanicsville, Virginia	Senior Vice President
Marco Adrian Vanderlaan	Richmond, California	Chief Financial Officer and Treasurer
David Armand McHale	Roseville, California	Secretary and Chief Legal Officer

The Company's ultimate parent, TDC, is governed by a fourteen-member Board of Governors while the Company is governed by a five-member Board of Directors. The Company's Board of Directors authorized several internal committees that operated at TDC's level and that were from

TDC's Board of Governors to act on the Company's behalf. The following were the principal committees and their members as of December 31, 2019. The first person listed for each committee is the chairman.

Governance Committee		
Name	City, State	Title, Company Name
David M. Charles, MD	Denver, Colorado	Retired, Physician
Richard Elliot Anderson, MD	Yountville, California	Chief Executive Officer The Doctors Company
Steven J. Bensinger	New York, New York	Senior Advisor, TigerRisk Partners
Eugene M. Bullis	Amesbury, Massachusetts	Retired, Hannover Insurance Group, Inc.
Kathleen Ricord	Traverse City, Michigan	Retired, Nationwide Mutual Insurance Company
Ronald Howard Wender, MD	Encino, California	Chairman Emeritus and Professor of Anesthesiology, Cedars-Sinai Medical Center

Investment Committee		
Name	City, State	Title, Company Name
Charles Richard Kossman, MD	La Mesa, California	Retired, Physician
Richard Elliot Anderson, MD	Yountville, California	Chief Executive Officer The Doctors Company
Steven J. Bensinger	New York, New York	Senior Advisor, TigerRisk Partners
Eugene M. Bullis	Amesbury, Massachusetts	Retired, Hannover Insurance Group, Inc.
David M. Charles, MD	Denver, Colorado	Retired, Physician
Mary Ann Thode, JD, MPH, RN	Walnut Creek, California	Retired, Kaiser Foundation Health Plan and Hospitals

Finance Committee		
Name	City, State	Title, Company Name
Charles Richard Kossman, MD	La Mesa, California	Retired, Physician
Richard Elliot Anderson, MD	Yountville, California	Chief Executive Officer The Doctors Company
Steven J. Bensinger	New York, New York	Senior Advisor, TigerRisk Partners
Eugene M. Bullis	Amesbury, Massachusetts	Retired, Hannover Insurance Group, Inc.
David M. Charles, MD	Denver, Colorado	Retired, Physician
Mary Ann Thode, JD, MPH, RN	Walnut Creek, California	Retired, Kaiser Foundation Health Plan and Hospitals

The Company maintained an audit committee, as required by Section 624.424(8)(c), Florida Statutes.

Audit Committee		
Name	City, State	Title, Company Name
Steven J. Bensinger	New York, New York	Senior Advisor, TigerRisk Partners
Richard Elliot Anderson, MD	Yountville, California	Chief Executive Officer The Doctors Company
James P. Bagian, MD	Northville, Michigan	Director, Center for Healthcare Engineering and Patient Safety, University of Michigan
Eugene M. Bullis	Amesbury, Massachusetts	Retired, Hannover Insurance Group, Inc.
Charles Richard Kossman, MD	La Mesa, California	Retired, Physician
Ellen Hornberger Masterson	Dallas, Texas	Retired, Senior Partner, Pricewaterhouse Coopers
Howard Denton Mills	Goshen, New York	Retired, Deloitte US
Kathleen Ricord	Traverse City, Michigan	Retired, Nationwide Mutual Insurance Company
Mary Ann Thode, JD, MPH, RN	Walnut Creek, California	Retired, Kaiser Foundation Health Plan and Hospitals
Ronald Howard Wender, MD	Encino, California	Chairman Emeritus and Professor of Anesthesiology, Cedars-Sinai Medical Center

Holding Company System

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

Tax Allocation Agreement

The Company entered into a Third Amended and Restated Federal Income Tax Allocation Agreement on July 1, 2018. This Agreement was amended to reflect the addition of new subsidiaries and replaces the Amended and Restated Federal Income Tax Allocation Agreement dated December 1, 2013. Under the terms of the Agreement, TDC agrees to file a consolidated federal income tax return on behalf of all affiliates. Allocation of tax liability is based upon separate return calculations with intercompany tax liabilities to be settled no later than 30 days after the month in which the tax payment has been made or after the filing of the consolidated return if any additional payments are due.

Management Services Agreement

The Company entered into a management services agreement with The Doctor's Management Company (TDMC) on November 1, 2011. TDMC supervises the handling of payment of operating expenses, all underwriting functions and management of claims for TDC and all its subsidiaries. TDMC's compensation under this agreement shall be limited to reimbursement of all expenses actually incurred by TDMC. Expenses incurred under this agreement during 2019 were approximately \$2.4 million.

Commission Override Agreement

Effective January 1, 2013, the Company entered into a Commission Override Agreement with TDC. TDC provides FPIC with a commission of 2.5% of the earned premium on each insurance policy sold by TDC to a Subsidiary Renewal Customer. This agreement expired on October 31, 2016.

Reinsurance Allocation Agreement

Effective March 28, 2016, the Company entered into a Reinsurance Allocation Agreement with TDC. This agreement outlined the terms for the disposition of reinsurance balances among the affiliates as respecting all reinsurance contracts previously entered into covering two or more of

the affiliates listed in the agreement as joint cedants and other such reinsurance agreements to be entered into.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Jacksonville, Florida.

The Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with the Northern Trust Corporation executed on October 24, 2017.

Investment Management Agreement

On October 7, 2019, the Company replaced its primary investment manager, Deutsche Investment Management Americas, Inc. with BlackRock Financial Management, Inc. (BlackRock). The agreement provides that BlackRock manages the Company's investment portfolio, provides investment expertise and other investment advisor related services. BlackRock is required to maintain the Company's investment portfolio according to specific written investment guidelines. BlackRock may execute investment transactions within the confines of the Company's written investment guidelines. BlackRock is compensated for its services quarterly based on specific fixed annual percentages of the market value of the assets managed. Fees incurred under this agreement during 2019 were approximately \$216,000.

Independent Auditor Agreement

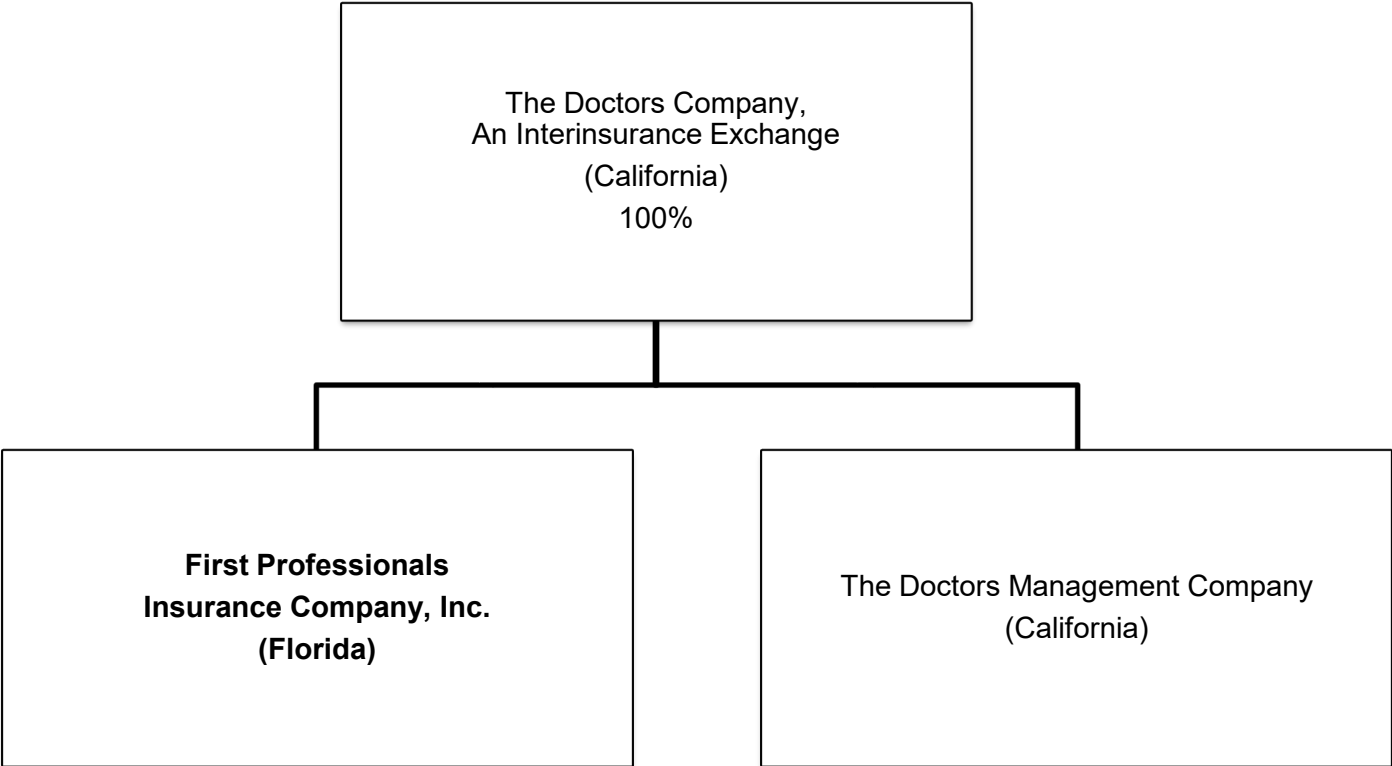
An independent CPA, Ernst and Young LLP, audited the Company's statutory basis financial statements annually for the years 2015, 2016, 2017, 2018 and 2019.

Corporate Records Review

The recorded minutes of the Shareholder(s) and Board of Directors (Board) were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 625.304, Florida Statutes.

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown below. Schedule Y of the Company's 2019 annual statement provided a list of all related companies of the holding company group.

First Professionals Insurance Company, Inc.
Simplified Organizational Chart
December 31, 2019



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in the following states.

Alabama	Indiana	Montana	South Carolina
Arizona	Kansas	Nevada	Tennessee
Arkansas	Kentucky	New Jersey	Texas
Colorado	Maryland	North Carolina	Utah
Delaware	Michigan	Ohio	Virginia
Florida	Minnesota	Oklahoma	Washington
Georgia	Mississippi	Oregon	West Virginia
Illinois	Missouri	Pennsylvania	Wyoming

The Company is currently authorized for the following lines of business as of December 31, 2019;

Medical Malpractice

Other Liability

As of January 1, 2014, all FPIC policies had been rewritten at renewal by TDC. The Company did not write any new business beginning January 1, 2013. The Company is in run-off and does not write new business.

REINSURANCE

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

Reinsurance Assumed

All previous reinsurance treaties have either expired or were terminated following TDC's acquisition of FPIC Insurance Group, Inc. The Company is in run-off and does not assume business from other insurers.

Reinsurance Ceded

Beginning January 1, 2012, the Company became party to the reinsurance treaties of its ultimate parent, TDC. All previous reinsurance treaties have either expired or were terminated by the Company.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2019. 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, 2019. (Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

First Professionals Insurance Company, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 140,891,316		\$140,891,316
Cash and short-term investments	5,459,312		5,459,312
Securities Lending Reinvested Collateral Assets	585,392		585,392
Subtotal cash and invested assets	\$146,936,020	\$0	\$146,936,020
Investment income due and accrued	1,105,628		1,105,628
Amounts recoverable from reinsurer	835,848		835,848
Net deferred tax asset	457,096		457,096
Receivable from parent, subsidiaries and affiliates	22,343		22,343
Totals	\$149,356,935	\$0	\$149,356,935

First Professionals Insurance Company, Inc.
Liabilities, Surplus and Other Funds
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Losses	\$26,635,634		\$26,635,634
Loss adjustment expenses	8,427,462		8,427,462
Other expenses	320,000		320,000
Current federal and foreign income taxes	448,233		448,233
Ceded reinsurance	40,439		40,439
Funds held by Company	24,343		24,343
Amounts withheld	2,853		2,853
Provision for reinsurance	397,374		397,374
Payable to parent, subsidiaries and affiliates	60,125		60,125
Payable for securities lending	585,392		585,392
Aggregate write-in for liabilities	184		184
Total liabilities	\$36,942,039	\$0	\$36,942,039
Common capital stock	5,000,000		5,000,000
Gross paid-in and contributed surplus	76,741,272		76,741,272
Unassigned funds (surplus)	30,673,624		30,673,624
Surplus as regards policyholders	\$112,414,896	\$0	\$112,414,896
Total liabilities, surplus and other funds	\$149,356,935	\$0	\$149,356,935

First Professionals Insurance Company, Inc.
Statement of Income
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Underwriting Income			
Premiums earned	\$0	\$0	\$0
Deductions			
Losses Incurred	(2,136,345)		(2,136,345)
Loss expenses incurred	1,124,417		1,124,417
Other underwriting expenses incurred	2,509,356		2,509,356
Total Underwriting deductions	\$1,497,428	\$0	\$1,497,428
Net underwriting gain (loss)	\$(1,497,428)	\$0	\$(1,497,428)
Investment Income			
Net investment income earned	5,497,766		5,497,766
Net realized capital gains or (losses)	902,652		902,652
Net investment gain or (loss)	\$6,400,418	\$0	\$6,400,418
Other Income			
Aggregate write-ins for miscellaneous income	3,227		3,227
Total other income	\$3,227	\$0	\$3,227
Net income before dividends to policyholders and before federal & foreign income taxes	\$4,906,217		\$4,906,217
Dividends to policyholders	\$0		\$0
Net income, after dividends to policyholders, but before federal & foreign income taxes	\$4,906,217		\$4,906,217
Federal & foreign income taxes incurred	(170,374)		(170,374)
Net Income	\$5,076,591	\$0	\$5,076,591

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Surplus as regards policyholders, December 31 prior year	\$157,478,017		\$157,478,017
Net Income	5,076,591		5,076,591
Change in net deferred income taxes	(170,953)		(170,953)
Change in non-admitted assets	35,240		35,240
Change in provision of reinsurance	(4,000)		(4,000)
Dividends to stockholders	(50,000,000)		(50,000,000)
Change in surplus as regards policyholders for the year	(45,063,122)		(45,063,122)
Surplus as regards policyholders, December 31, current year	\$112,414,896	\$0	\$112,414,896

First Professionals Insurance Company, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

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

Capital/Surplus Change during Examination Period			
Surplus at December 31, 2014, per examination			\$188,484,480
	Increase	Decrease	
Net Income (Loss)	\$72,009,969		\$72,009,969
Change in net unrealized capital gain (loss)		\$(4,875,001)	\$(4,875,001)
Change in net deferred income tax		\$(18,974,931)	\$(18,974,931)
Change in non-admitted assets	\$8,312,736		\$8,312,736
Change in provision for reinsurance	\$6,081,648		\$6,081,648
Dividends to stockholders		\$(150,000,000)	\$(150,000,000)
Aggregate write-ins for gains and losses in surplus	\$11,375,996		\$11,375,996
Rounding		\$(1)	\$(1)
Net increase (or decrease)			\$(76,069,584)
Surplus at December 31, 2019 per examination			\$112,414,896

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Christian Lemay, FCAS, MAAA of Ernst & Young, LLP, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

Giovanni Muzzarelli, FCAS, CERA, MAAA, Senior Casualty Actuary of the California Department of Insurance reviewed the actuarial report and concurred that the net loss and LAE reserves of the Company are reasonably stated as of December 31, 2019.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$112,414,896, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of First Professionals Insurance Company, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

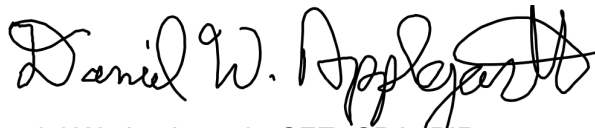
In addition to the undersigned, the following also participated in the examination:

Marie Stuhlmuller	Examiner Manager	Office
Sheri L. Kenney CFE, MCM	Participating Examiner	Highland Clark, LLC
Travis R. Harrison CPA, CPCU	Participating Examiner	Highland Clark, LLC
Lori G. Jester	Participating Examiner	Highland Clark, LLC

Respectfully submitted,



Tracy D. Gates, CISA, CFE
Examiner in Charge
Highland Clark, LLC
Representing the Florida Office of Insurance Regulation



Daniel W. Applegarth, CFE, CPA, PIR
Chief Financial Examiner
Property & Casualty Financial Oversight
Florida Office of Insurance Regulation