



**EXAMINATION REPORT**

**OF**

**FD INSURANCE COMPANY  
Jacksonville, Florida**

**NAIC Company Code: 12441**

**as of  
December 31, 2020**

**By**

**THE FLORIDA OFFICE OF INSURANCE REGULATION**

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December 1, 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 690-138.005, Florida Administrative Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (“the NAIC”), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of

**FD Insurance Company**  
5555 Gate Parkway Suite 150  
Jacksonville, FL 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, 2017 through December 31, 2020 and the fieldwork commenced with planning on July 1, 2021. The fieldwork concluded as of December 1, 2021. The Company's last full scope exam by representatives of the Florida Office of Insurance Regulation ("the Office") covered the period of January 1, 2014 through December 31, 2016.

The examination was a coordinated holding company group examination conducted in accordance with the NAIC Financial Condition Examiners Handbook ("the Handbook"). The Handbook requires that the examination be planned and performed to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. The lead state for this exam was California, and states that participated in this exam are as follows: Florida, Missouri, and Texas.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with the NAIC Statements of Statutory Accounting Principles ("SSAP").

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

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **Current Examination Findings**

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

### **Previous Examination Findings**

There were no significant findings in the previous examination.

## **COMPANY 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 provides protection against losses arising from professional liability claims and the related defense costs with respect to injuries alleged to have been caused by medical error or malpractice on a claims-made basis. Covered policyholders include physicians, surgeons, dentists, ancillary health care professionals, healthcare facilities, and directly affiliated corporations, partnerships, and associations. As of August 22, 2014, the Company changed its name to FD Insurance Company from Florida Doctors Insurance Company. The Company obtained a Certificate of Authority as of August 29, 2014 to reflect the name change. The Company is in run-off at December 31, 2020. Refer to the Subsequent Events section for discussion of material changes that occurred in ownership.

### **Dividends**

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder(s) in 2017 in the amount of \$10,000,000. The extraordinary dividend was approved by the Florida Office of Insurance Regulation on November 27, 2017.

## Capital Stock and Capital Contributions

As of December 31, 2020, 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
Par value per share	\$10.00

## Surplus Notes

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

## Acquisitions, Mergers, Disposals, Dissolutions

The Company is a one hundred percent (100%) owned subsidiary of Florida Doctors Holding Company LLC, ("FDHC"). NORCAL Mutual Insurance Company ("NORCAL") purchased FDHC and its subsidiaries on December 31, 2015. FDHC is a one hundred percent (100%) owned subsidiary of NORCAL.

Effective May 5, 2021, NORCAL was acquired by ProAssurance Corporation and its wholly owned subsidiary PRA Professional Liability Group, Inc. – See Subsequent Events for details.

## MANAGEMENT AND CONTROL

### Corporate Governance

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

Directors		
Name	City, State	Principal Occupation, Company Name
Sandra Lynn Beretta M.D.	Hillsborough, California	Physician, Sandra Beretta, MD, Inc. & Medical Arts Obstetrics & Gynecology
Fabiola Cobarrubias M.D.	San Francisco, California	CEO Pacific Inpatient Medical Group
Theodore Scott Diener	Del Mar, California	President & CEO NORCAL Mutual Insurance Company
Alice Hardy Gannon	San Antonio, Texas	Actuary (retired)

Roger Mark Hayashi M.D.	Los Gatos, California	Physician (retired)
Steven Jeffrey Packer M.D.	Monterey, California	President & CEO Community Hospital Foundation
Rebecca Jean Patchin M.D.	Clinton, Washington	Physician (retired)
Scott Carter Syphax	Elk Grove, California	CEO Syphax Strategic Solutions

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

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Theodore Scott Diener	Del Mar, California	President & Chief Executive Officer
Kellie Nicole Sorenson	Mechanicsburg, Pennsylvania	SVP, CLO, Corporate Secretary, CCO
Mark David Johnson	Dripping Springs, Texas	SVP & Chief Financial Officer
Dennis Allen Meisel	Elliottsburg, Pennsylvania	VP Finance & Controller
Ronald Carl Rumin	San Francisco, California	SVP & Chief Operating Officer

Upon acquisition by PRA Professional Liability Group, Inc. on May 5, 2021, all of the Company's board of directors and officers were replaced by the following individuals:

(a) Directors: Michael L. Boguski, Robert D. Francis, Dana S. Hendricks, Jeffrey P. Lisenby, and Edward L. Rand, Jr.

(b) Officers: Edward L. Rand, Jr., Chairman; Michael L. Boguski, President; Dana S. Hendricks, Treasurer; Kathryn A. Neville, Secretary; Jeffrey P. Lisenby, Assistant Treasurer and Assistant Secretary; Robert D. Francis, Executive Vice President; Lawrence K. Cochran, Vice President; Dennis A. Meisel, Vice President of Finance and Controller; and W. Johnathan Daniel, Vice President and Assistant Treasurer.

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2020. The first person listed for each committee is the chairman.

<b>Executive Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Sandra L. Beretta, MD	Hillsborough, California	Physician, Sandra Beretta, MD, Inc. & Medical Arts Obstetrics & Gynecology
Fabiola Cobarrubias, MD	San Francisco, California	CEO Pacific Inpatient Medical Group
Steven Packer, MD	Monterey, California	President & CEO Community Hospital Foundation
Scott C. Syphax	Elk Grove, California	CEO Syphax Strategic Solutions

The Company maintained an audit committee at 12/31/20, as required by Section 624.424(8)(c), Florida Statutes.

<b>Audit Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Alice H. Gannon	San Antonio, Texas	Actuary (retired)
Fabiola Cobarrubias, MD	San Francisco, California	CEO Pacific Inpatient Medical Group
M. Diane Koken	Lancaster, Pennsylvania	Legal/Regulatory Consulting
Rebecca J. Patchin, MD	Clinton, Washington	Physician (retired)

<b>Compensation &amp; Benefits Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
M. Diane Koken	Lancaster, Pennsylvania	Legal/Regulatory Consulting
Sandra L. Berreta, MD	Hillsborough, California	Physician, Sandra Beretta, MD, Inc. & Medical Arts Obstetrics & Gynecology
Alice H. Gannon	San Antonio, Texas	Actuary (retired)
Steven Packer, MD	Monterey, California	President & CEO Community Hospital Foundation
Scott C. Syphax	Elk Grove, California	CEO Syphax Strategic Solutions



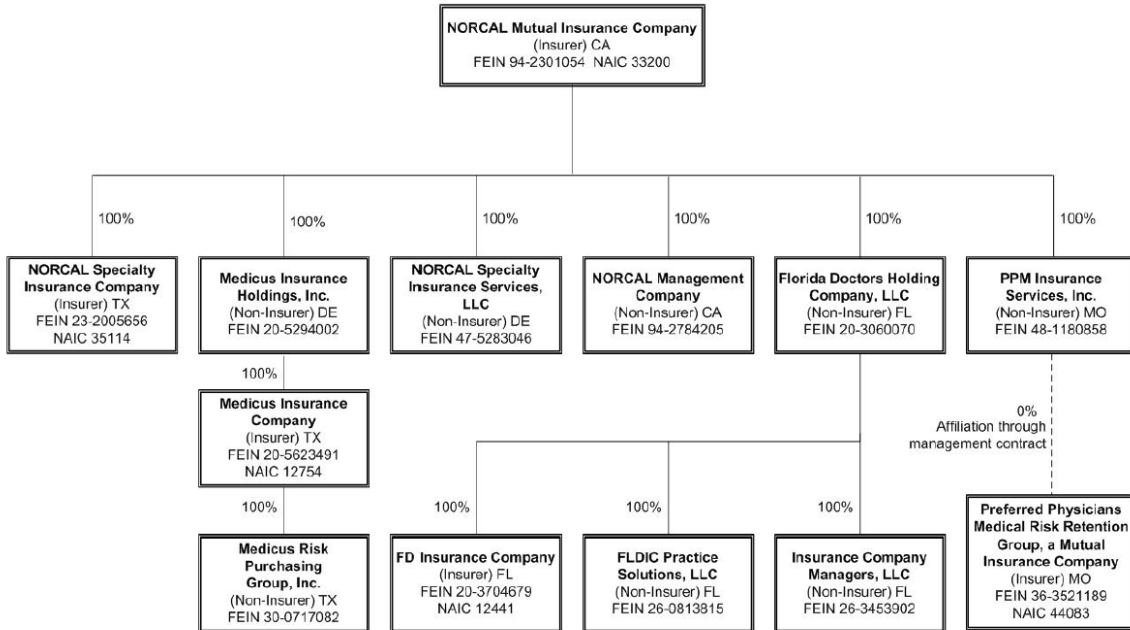
<b>Governance Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Fabiola Cobarrubias, MD	San Francisco, California	CEO Pacific Inpatient Medical Group
Sandra L. Beretta, MD	Hillsborough, California	Physician, Sandra Beretta, MD, Inc. & Medical Arts Obstetrics & Gynecology
Roger M. Hayashi, MD	San Jose, California	Vascular Surgeon
Steven Packer, MD	Monterey, California	President & CEO Community Hospital Foundation
Rebecca J. Patchin, MD	Clinton, Washington	Physician (retired)

<b>Investment Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Steven Packer, MD	Monterey, California	President & CEO Community Hospital Foundation
Sandra L. Beretta, MD	Hillsborough, California	Physician, Sandra Beretta, MD, Inc. & Medical Arts Obstetrics & Gynecology
Fabiola Cobarrubias, MD	San Francisco, California	CEO Pacific Inpatient Medical Group
Roger M. Hayashi, MD	San Jose, California	Vascular Surgeon
Scott C. Syphax	Monterey, California	CEO Syphax Strategic Solutions

### **Holding Company System**

An organizational chart as of December 31, 2020, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group. Refer to the Subsequent Events section for further discussion of organizational changes that occurred in 2021.

# FD Insurance Company Organizational Chart December 31, 2020



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

### **Intercompany Affiliate Service Agreement**

Effective January 1, 2018, the Company entered into a Second Amended and Restated Intercompany Affiliate Service Agreement (the “Service Agreement”) with NORCAL and its subsidiaries. Pursuant to the Service Agreement, the parties agreed to provide each other accounting, tax and auditing, underwriting, claims, investment, advertising and sales, and functional support services and to make available their facilities and grant non-exclusive licenses to the use of their trademarks. The parties agree that the compensation for providing the services and indirect and shared expenses are allocated in accordance with the method of cost allocation and in conformity with SSAP No. 70 – Allocation of Expenses. The Florida Office of Insurance Regulation issued a non-objection letter dated January 4, 2018.

### **Consolidated Tax Sharing Agreement**

Effective July 1, 2018, the Company entered into Amendment No. 1 to the Amended and Restated Tax Sharing Agreement (the “Amendment”) with NORCAL and its subsidiaries. The agreement sets forth the manner in which the total combined federal income tax is allocated to each entity that is a party to the agreement. The consolidated federal income tax liability for each taxable year shall be allocated among the members of the Group on the percentage that each member’s positive separate company taxable income bears to the total positive separate company taxable incomes of all members. However, the amount allocable to any member shall in no event exceed the tax that would be incurred, including any benefit attributable to credits arising from that member, by such company if it were filing on a separate company basis. The costs of preparing the tax returns will be allocated among the members in a fair and reasonable method in conformity with customary insurance accounting practices and regulations promulgated by the Internal Revenue Service, and that method shall be consistently applied. The Florida Office of Insurance Regulation issued a non-objection letter dated June 11, 2018.

## **ACCOUNTS AND RECORDS**

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

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to transact insurance only in the states of Florida and Georgia.

The Company was authorized to transact insurance in Florida on November 3, 2005, and in Georgia on June 15, 2015. They are currently authorized for medical malpractice and other liability coverages as of December 31, 2020. At December 31, 2020, the Company is in run-off and did not write any premium in 2020.

## **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**

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

### **Reinsurance Ceded**

The Company entered into a Loss Portfolio Transfer Agreement and a Quota Share Reinsurance Agreement with NORCAL effective January 1, 2016. Under the Loss Portfolio Transfer agreement, NORCAL assumed one hundred percent (100%) of the Company's net loss and loss adjustment expense reserves (excluding adjusting & other expenses) and unearned premium reserves at December 31, 2015. For the Quota Share Reinsurance Agreement, NORCAL assumed one hundred percent (100%) of the Company's net premiums written and earned, in return for assuming one hundred percent (100%) of the net loss and loss adjustment expenses incurred (excluding adjusting & other expenses) thereafter.

## **FINANCIAL STATEMENTS**

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

**FD Insurance Company**  
**Assets**  
**December 31, 2020**

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$11,360,572	\$0	\$11,360,572
Cash and cash equivalents	\$901,246	\$0	\$901,246
Other invested assets	\$208,765	\$0	\$208,765
Subtotal cash and invested assets	\$12,470,583	\$0	\$12,470,583
Net deferred tax asset	\$918,389	\$711,400	\$206,989
Receivable from parent, subsidiaries and affiliates	\$136,873	\$0	\$136,873
Totals	\$13,525,845	\$711,400	\$12,814,445

**FD Insurance Company**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2020**

	Per Company
Loss adjustment expenses	\$513,219
Other expenses	\$1,845
Taxes, licenses and fees	\$633
Ceded reinsurance premiums payable	\$(1,375)
Total liabilities	\$514,322
Common capital stock	\$10,000,000
Gross paid-in and contributed surplus	\$633,014
Unassigned funds (surplus)	\$1,667,109
Surplus as regards policyholders	\$12,300,123
Total liabilities, surplus and other funds	\$12,814,445

**FD Insurance Company**  
**Statement of Income**  
**December 31, 2020**

	Per Company
<b>Underwriting Income</b>	
Premiums earned	\$0
<b>Deductions</b>	
Other underwriting expenses incurred	\$(250)
Total underwriting deductions	\$(250)
Net underwriting gain (loss)	\$250
<b>Investment Income</b>	
Net investment income earned	\$234,063
Net realized capital gains or (losses)	\$12,713
Net investment gain or (loss)	\$246,776
<b>Other Income</b>	
Aggregate write-ins for miscellaneous income	\$(250)
Total other income	\$(250)
Net income before dividends to policyholders and before federal & foreign income taxes	\$246,776
Net income, after dividends to policyholders, but before federal & foreign income taxes	\$246,776
Federal & foreign income taxes	\$1,382
Net Income	\$245,394



	Per Company
<b>Capital and Surplus Account</b>	
Surplus as regards policyholders December 31 prior year	\$12,122,068
Net Income	\$245,394
Change in net unrealized capital gains or losses	\$(48,786)
Change in non-admitted assets	\$34,499
Change in net deferred income taxes	\$(53,052)
Change in surplus as regards policyholders for the year	\$178,055
Surplus as regards policyholders, December 31, current year	\$12,300,123

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

<b>Capital/Surplus Change during Examination Period</b>			
Surplus at December 31, 2016, per Company			\$20,694,365
	Increase	Decrease	
Net income	\$1,604,545		\$1,604,545
Change in net unrealized capital gain (loss)		\$(6,555)	\$(6,555)
Change in net deferred income tax		\$(1,323,108)	\$(1,323,108)
Change in non-admitted assets	\$1,203,844		\$1,203,844
Change in provision for reinsurance	\$127,032		\$127,032
Dividends to stockholders		\$(10,000,000)	\$(10,000,000)
Net increase (or decrease)			\$(8,394,242)
Surplus at December 31, 2020 per Company			\$12,300,123

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

## COMMENTS ON FINANCIAL STATEMENT ITEMS

### **Capital and Surplus**

The amount of capital and surplus reported by the Company of \$12,300,123, exceeded the minimum of \$4,000,000 required by Section 624.408, Florida Statutes.

## **SUBSEQUENT EVENTS**

### **COVID-19**

A novel strain of coronavirus (COVID-19) was detected and reported to World Health Organization (WHO) in December 2019. Since then, it has spread around the world, resulting in business and social disruption. The outbreak was declared a Public Health Emergency of International Concern by the WHO on January 30, 2020. The pandemic has triggered unprecedented government mandates and health and safety measures which have significantly impacted the U.S. and global financial markets, in particular, U.S. publicly traded equity securities, and impacts on yields and interest rates in the U.S. bond market. As the pandemic still unfolds, it is too early to draw any definite conclusions as to its overall impact to the Company at this time.

### **Change in Ownership**

Effective May 5, 2021, the NORCAL Group was acquired by ProAssurance Corporation and its wholly owned subsidiary PRA Professional Liability Group, Inc.

Effective September 1, 2021, the Company entered into a Consolidated Tax Allocation Agreement (Agreement) with ProAssurance Corporation and other affiliated entities within the ProAssurance Group (Group). The consolidated federal income tax liability for each taxable year shall be allocated among the members of the Group on the percentage that each member's positive separate company taxable income bears to the total positive separate company taxable incomes of all members. However, the amount allocable to any member shall in no event exceed the tax that would be incurred, including any benefit attributable to credits arising from that member, by such company if it were filing on a separate company basis. The costs of preparing the tax returns will be allocated among the members in a fair and reasonable method in conformity with customary insurance accounting practices and regulations promulgated by the Internal Revenue Service, and that method shall be consistently applied. The agreement was approved by the Office on September 15, 2021.

Effective October 1, 2021 the Company entered an Amended and Restated Management Service Agreement with ProAssurance Corporation, and other affiliated entities within the ProAssurance Group (Group). For the purpose of the agreement, ProAssurance Group Services Corporation (PRAGS) is responsible for providing the following management services to all parties involved: accounting services, financial statements, tax returns, underwriting, reinsurance, sales and service,

claims administration, information systems, administrative and other services, human resources administration, risk management, operational services, and delegation of duties. Terms, charges, and services shall be fair and reasonable in conformity with SSAP No. 25. Expenses will be allocated on an equitable basis with customary insurance accounting principles applied consistently. The agreement was approved by the Office on September 15, 2021.


## CONCLUSION

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

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

Rick Nelson, CFE, CIE	Examination Manager	Johnson Lambert LLP
Matthew Jones, AFE	Senior Examiner	Johnson Lambert LLP
Chad Mason	Exam Manager	Florida Office of Insurance Regulation

Respectfully submitted,



Megan Hubbuch, CPA, CFE  
Senior Manager  
Johnson Lambert LLP  
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