STATE OF MISSOURI

MDCCCXX

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

RE: Examination Report of Intermed Insurance Company

ORDER

After full consideration and review of the report of the financial examination of Intermed Insurance Company for the period ended December 31, 2009, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, the findings and conclusions of the examination report are incorporated by reference and deemed to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo.

Based on such findings and conclusions, I hereby ORDER, Intermed Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 19th day of May, 2011.

John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

FINANCIAL EXAMINATION

Intermed Insurance Company

AS OF:
DECEMBER 31, 2009

SALUS POPULI SUPREMA LEX ESTO
UNITED WE STAND DIVIDED WE FALL
MDCCCXX

STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS
AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

Contents

March 3, 2011
Saint Louis, MO

Honorable Joseph Torti III, Superintendent
Division of Insurance Regulation
State of Rhode Island
Chair of the NAIC Financial Condition (E) Committee

Honorable Stephen Robertson, Commissioner
Department of Insurance
State of Indiana
Secretary, Midwestern Zone, NAIC

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Gentlemen:

In accordance with your financial examination warrant, a comprehensive financial examination has been made of the records, affairs and financial condition of

Intermed Insurance Company

also referred to as "Intermed" or the "Company." The examination was conducted at the Company's home office at 909 East Republic Road, Suite G-100, Springfield, MO 65807, telephone number (417) 889-1010. This examination began on November 29, 2010 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The previous examination of the Company was performed as of December 31, 2006. That examination was conducted by examiners from the state of Missouri.

The current examination covers the period from January 1, 2007 through December 31, 2009. The examination was conducted by examiners from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC). No other zones participated in this examination. This examination also included material transactions or events occurring after December 31, 2009.

Procedures

We conducted the current examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook) except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration

(Department) or statutes of the state of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and to identify prospective risks of the Company. This process involves obtaining information about the Company, including its corporate governance, identifying and assessing inherent risks within the Company, and evaluating the system controls and procedures used by the Company to mitigate those risks. The examination also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation, including compliance with Statutory Accounting Principles and Annual Statement Instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. We identified the following key activities: Investments, Treasury, Premiums and Underwriting, Losses, and Intercompany.

The Company's independent auditor, PricewaterhouseCoopers LLP, provided information and workpapers from their 2009 audit. We relied upon work performed by the independent auditor, including fraud risk analysis, internal control narratives, walk-throughs and tests of controls, when appropriate.

SUMMARY OF SIGNIFICANT FINDINGS

The three comments from the previous examination report were appropriately addressed.

SUBSEQUENT EVENTS

There were no events occurring subsequent to year-end, through the end of field work, that had a material effect upon the year-end financial statements.

In June 2010, the Company merged with Interlex Insurance Company, a subsidiary. The Company remained as the surviving entity. The Department approved the merger on June 10, 2010 with an effective date on or before June 30, 2010.

Also in June 2010, the Company paid a $6 million ordinary dividend to its sole shareholder, The Tenere Group, Inc. Department approval was not required. In December 2010, the Department approved the Company's request to pay an extraordinary dividend in the amount of $10 million to the Company's sole shareholder.

COMPANY HISTORY

General

Intermed Insurance Company, f/k/a Risk Control Associates, Inc., was formed on November 16, 1976 as an assessable malpractice insurance company under the provisions of RSMo Chapter 383 (Malpractice insurance). In 1991, the Company reorganized under RSMo Chapter 379 (Insurance Other than Life) as a non-assessable mutual property and casualty company and changed its name to RCA Mutual Insurance Company.

RCA Mutual Insurance Company demutualized and reorganized as a stock property and casualty insurance company known as Intermed Insurance Company on April 27, 1995. On that same day, Intermed became a wholly-owned subsidiary of The Tenere Group, Inc., an insurance holding company organized under the laws of the state of Missouri.

On March 17, 1999, Florida Physicians Insurance Company, Inc., a Florida-domiciled insurer, acquired all of the outstanding common stock of The Tenere Group, Inc. FPIC Insurance Group, Inc., the parent of Florida Physicians Insurance Company, Inc., became the ultimate parent of Intermed. In 2001, Florida Physicians Insurance Company, Inc. changed its name to First Professionals Insurance Company, Inc.

Capital Stock

The Company is authorized to issue up to eight hundred thousand (800,000) shares of $1.50 par value common stock. At December 31, 2009, all 800,000 shares were issued and outstanding for a balance of $1.2 million in the Company's common capital stock account.

Dividends

The Company paid an ordinary dividend of $5.8 million in June 2009. No other dividends were paid during the current examination period.

CORPORATE RECORDS

The Company's articles of incorporation and bylaws were reviewed. The Company's articles of incorporation were amended in 2008 to correct the name and address of the Company's registered agent.

The minutes of the shareholder meetings and the Board of Directors meetings were reviewed. The minutes appeared to properly support and document the major transactions and events occurring during the examination period.

The Company requires its directors and officers to complete conflict-of-interest disclosure statements annually. The disclosure statements for the examination period were reviewed. No material or significant conflicts were noted.

MANAGEMENT AND CONTROL

At year-end 2009, the Company's board consisted of the following members:

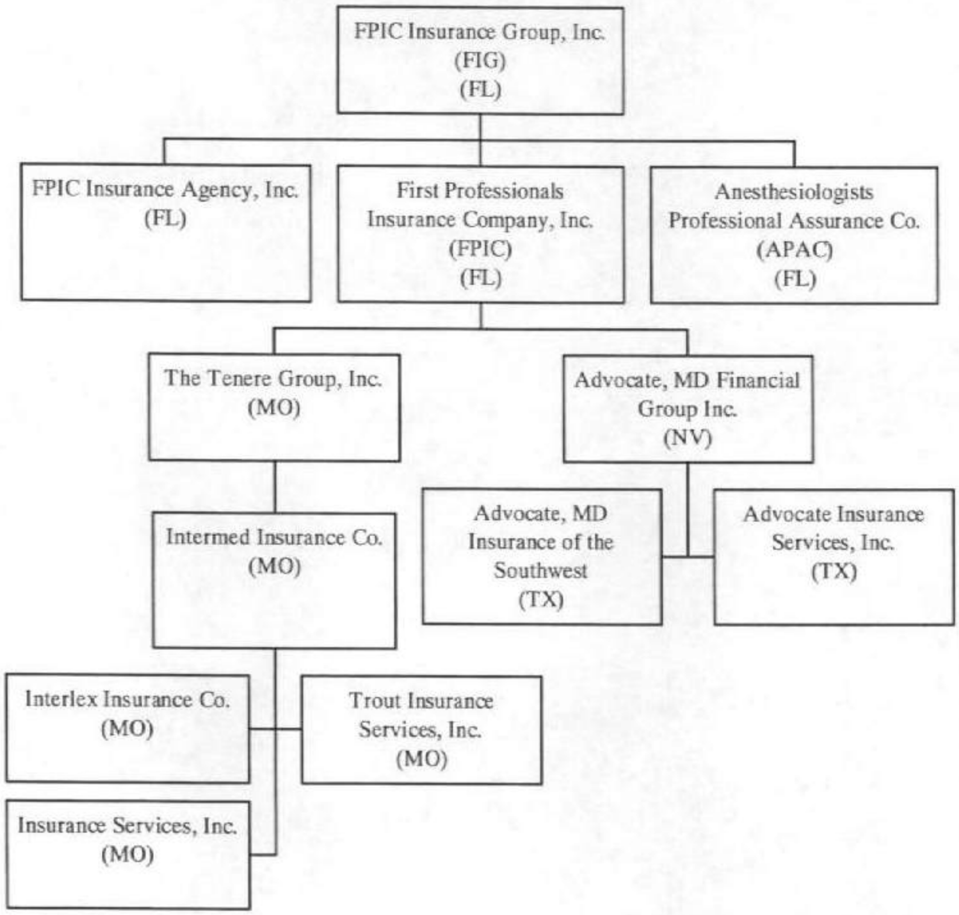
Director	Address	Affiliation
Baker, Gary	St. Louis, MO	Oral Surgeon Southwest Oral Surgery, Inc.
Divita, Charles	Jacksonville, FL	Chief Financial Officer FPIC Insurance Group, Inc.
Hoeman, Michael	Springfield, MO	Physician Diagnostic Clinic PC
McCorcle, Marcus	Springfield, MO	Physician Primrose OB-GYN PC
Pippin, Samuel	Springfield, MO	Vice-President Accounting and Finance Intermed Insurance Co.
Sicilian, Louis	Jacksonville, FL	Senior Vice-President and Treasurer First Professionals Insurance Company, Inc.
Stark, Cynthia	Springfield, MO	Vice-President Claims Intermed Insurance Co.
White, Robert	Jacksonville, FL	President First Professionals Insurance Company, Inc.
Wortelboer, Robert	Jacksonville, FL	General Counsel, Vice-President & Secretary First Professionals Insurance Company, Inc.

At year-end 2009, the Company's officers consisted of the following:

Name	Office
Robert White	President
Louis Sicilian	Treasurer
Robert Wortelboer	Secretary
Charles Divita	Vice-President
Samuel Pippin	Assistant Treasurer
Peggy Parks	Assistant Secretary
Julie Wolfe	Assistant Secretary

The Company is a member of an Insurance Holding Company system as defined by RSMo Chapter 382. The Company's immediate parent is The Tenere Group, Inc. (MO). The Company's ultimate parent is FPIC Insurance Group, Inc. (FL). The chart below depicts the members of the holding company group.

ORGANIZATIONAL CHART



AFFILIATED TRANSACTIONS

At year-end 2009, the Company was party to the following intercompany agreements.

Management Agreement

Parties:	Intermed, Interlex Insurance Company, The Tenere Group, Inc. and Insurance Services, Inc.
Effective:	August 19, 1998, approved by MODIFP October 14, 1998 Amended January 1, 2005, approved by MODIFP July 5, 2005
Terms:	Insurance Services, Inc. provides management services to the other parties to the agreement. Costs are classified as identifiable or unidentifiable. Identifiable costs are paid when incurred; unidentifiable costs are paid quarterly. Intermed pays all expenses to Insurance Services, Inc. and is reimbursed quarterly by The Tenere Group, Inc. and Interlex Insurance

Company. Reimbursements are made within 90 days of the end of each calendar quarter.

Rate(s): Unidentifiable costs are allocated to Intermed and Interlex Insurance Company based on each participant's proportion of direct written premium.

Expense Allocation Agreement

Parties: Intermed, Interlex Insurance Company, The Tenere Group, Inc., Insurance Services, Inc., Trout Insurance Services, Inc. and FPIC Insurance Group, Inc.

Effective: January 1, 2006, approved by MODIFP August 2, 2006

Terms: FPIC Insurance Group, Inc. pays for services provided to its above named subsidiaries by outside vendors. Allocation of expenses is settled on a quarterly basis.

Rate(s): Identifiable costs are paid by the subsidiary incurring the cost. Unidentifiable costs are allocated to the subsidiaries benefiting from such expenditures on a fair and reasonable basis.

Tax Allocation Agreement

Parties: FPIC Insurance Group, Inc. and its subsidiaries: First Professionals Insurance Company, Inc.; Anesthesiologists' Professional Assurance Company, Inc.; Intermed; Interlex Insurance Company; The Tenere Group, Inc.; Insurance Services, Inc.; and Trout Insurance Services, Inc.

Effective: December 15, 1998, approved by MODIFP December 10, 1998
Amended June 1, 2005, approved by MODIFP June 16, 2005

Terms: FPIC Insurance Group, Inc. files a consolidated federal income tax return on behalf of itself and its above named subsidiaries. Intercompany balances are settled quarterly.

Rate(s): Allocation is made on a separate return basis.

Reinsurance Trust Agreement

Parties: Intermed (Grantor), First Professionals Insurance Company, Inc. (Beneficiary) and Brown Brothers Harriman Trust Company, LLC (Trustee)

Effective: December 29, 1999 (no approval required)

Amended December 3, 2004 (change in trustee bank)

Terms: Intermed holds funds in a trust account for the benefit of First Professionals Insurance Company, Inc. If Intermed fails to fulfill its obligations under the intercompany pooling agreement referenced below the funds would become available to First Professionals Insurance Company, Inc.

The Company is also party to an intercompany pooling agreement which is discussed in detail in the Reinsurance section of this report below.

The amounts paid to and reimbursed from affiliates under the above agreements for the period under examination are as follows:

	2009	2008	2007
Management Agreement			
Paid to Insurance Services, Inc.	$1,993,603	$2,184,226	$2,419,073
Reimbursed from Interlex Insurance Co.	(110,308)	(101,861)	(218,137)
Expense Allocation Agreement	236,743	328,003	312,474
Tax Allocation Agreement	2,762,889	2,194,219	2,686,664
Net Amount Paid	$4,882,927	$4,604,587	$5,200,074

FIDELITY BOND AND OTHER INSURANCE

The Company and its affiliates are named insureds on a financial institution bond issued to FPIC Insurance Group, Inc. The bond has a liability limit of $2.5 million with a $250,000 single loss deductible. This coverage exceeds the NAIC recommended minimum amount of coverage.

The Company is also a named insured on policies issued to FPIC Insurance Group, Inc. for the following coverage: Commercial Property, General Liability, Business Auto, Workers' Compensation/Employer's Liability and Umbrella. The coverage appears to adequately protect the Company's operations.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company does not have any employees. Services are provided in accordance with the management agreement described above. Employee benefit costs, including retirement costs, are included in intercompany charges from affiliates.

Insurance Services, Inc. provides an array of benefits to employees including: health and dental coverage, life insurance, short and long-term disability insurance, vacation and sick leave. Employees are also eligible to participate in a 401(k) savings plan, a money purchase pension plan, and a stock purchase plan. Expenses and liabilities associated with employee benefits appear to have been properly reported in the annual statement.

TERRITORY AND PLAN OF OPERATIONS

The Company is licensed by the Department as a property and casualty insurer under RSMo Chapter 379 (Insurance other than life). At year-end 2009, the Company was also licensed in Kansas. In 2009, approximately 80% of the Company's direct premiums were written in Missouri, the remaining 20% of direct premiums were written in Kansas.

The Company specializes in writing professional liability (medical malpractice) insurance for physicians, surgeons, oral surgeons, dentists, and ancillary healthcare professionals. The Company writes policies on a claims-occurring and a claims-made basis. In addition to its direct business, which is administered in-house, Intermed relies on independent producers to market its policies.

The Department's Market Regulation Division reviews issues related to policy forms, underwriting, advertising and sales materials, and treatment of policyholders. There were no market conduct examinations undertaken or in progress during the current financial examination period. The Department's Consumer Affairs Section reported no consumer complaints against the Company in 2009.

GROWTH OF COMPANY

Despite a decline in earned premium in two of the past three years, the Company's surplus has increased each year of the examination period. The Company's premium to surplus ratio for the examination period is exhibited below:

	2009	2008	2007
Capital and Surplus (000s)	$ 63,378	$ 61,959	$ 53,827
Change from Prior Year	2.3%	15.1%	29.8%
Premiums Earned (000s)	$ 29,433	$ 28,365	$ 31,748
Change from Prior Year	3.8%	-10.7%	-4.1%
Premium:Surplus Ratio	0.46	0.46	0.59

LOSS EXPERIENCE

As indicated in the table below, Intermed experienced a net underwriting gain and generated net income in each year of the current examination period:

	2009	2008	2007
Total Revenues (U/W)	$ 29,433,007	$ 28,364,663	$ 31,748,463
Total Expenses (U/W)	27,939,716	22,949,658	23,763,466
Net Underwriting Gain	$ 1,493,291	$ 5,415,005	$ 7,984,997
Net Income	$ 4,889,312	$ 6,835,381	$ 10,175,837

REINSURANCE

General

Premiums reported during the period under examination were as follows:

	2009	2008	2007
Direct premiums written	$ 6,079,643	$ 7,658,456	$ 8,192,753
Premiums assumed:			
Affiliates	28,049,526	26,773,028	19,128,177
Premiums ceded:			
Affiliates	(4,719,626)	(5,950,027)	(6,362,456)
Non-affiliates	(1,360,017)	(1,708,429)	(1,830,297)
Net premiums written	$ 28,049,526	$ 26,773,028	$ 19,128,177

Assumed

Intermed does not assume any reinsurance except through the pooling arrangement described below.

Ceded

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability could become an actual liability if an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

Excess of Loss Contract

Intermed, First Professionals Insurance Company, Inc., and Anesthesiologists' Professional Assurance Company are parties to a Medical Professional Liability Excess of Loss Reinsurance Contract effective January 1, 2009. The contract covers claims-made and claims-occurring policies and renews annually for one year. The contract is administered by AonBenfield, a reinsurance intermediary.

For policies with limits of $1 million or less, Intermed retains the first $500,000 of ultimate net loss for each insured, each claim or occurrence. The reinsurer's liability is limited to $4.5 million for each insured, each claim or occurrence. For policies with limits in excess of $1 million, the reinsurer's liability is limited to $4 million for each insured, each claim or occurrence. For extra-contractual obligations (ECO) or losses in excess of policy limits (XPL) the Company retains 10%; the reinsurer covers the remaining 90% up to a $20 million annual limit.

Pooling Agreement

The Company participates in a pooling agreement with its affiliates: Interlex Insurance Company (Interlex), Florida Professionals Insurance Company, Inc. (FPIC) and Anesthesiologists' Professional Assurance Company (APAC). Under the terms of the agreement, each participant cedes its direct premiums and losses, net of non-pool reinsurance, to FPIC. FPIC allocates to itself and the participating affiliates a prorated portion of premiums, losses and underwriting expenses based upon each participant's proportionate share of combined post-pooled surplus as of the prior year-end.

The participation percentages for each pool member for the years under examination are as follows:

Participant	2009	2008	2007
APAC	6.9%	8.1%	9.2%
FPIC	69.3%	71.7%	72.2%
Interlex	4.3%	3.8%	3.6%
Intermed	19.5%	16.4%	15.0%
Total	100.0%	100.0%	100.0%

ACCOUNTS AND RECORDS

Independent Accountants

PricewaterhouseCoopers LLP audited the Company's 2009 financial statements. Their audit workpapers were reviewed and were used in the course of the current financial examination as deemed appropriate.

Actuarial Opinion

Ronald T. Kuehn, FACS, MAAA of Huggins Actuarial Service, Inc. provided the actuarial opinions for the years under examination. Mr. Kuehn found reserves to be adequately stated for each year under review.

Information Systems

In conjunction with this examination, Andrew Balas, CFE, AES, CPA, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2009, as reflected below, were sufficient in par and market value to meet the $1,200,000 minimum deposit requirement in accordance with RSMo Section 379.098--Securities to be deposited by all companies, kind and amount.

Security	Par Value	Market Value	Statement Value
U.S. Treasury Note	$ 1,325,000	$ 1,339,284	$ 1,324,398

Other

Pursuant to the provisions of a reinsurance trust agreement with the Company's affiliate, First Professionals Insurance Company, Inc., the Company has funds on deposit for the benefit of First Professionals Insurance Company, Inc. in the event of the Company not fulfilling its obligations under the intercompany pooling agreement. The funds on deposit as of December 31, 2009 were as follows:

Security	Par Value	Market Value	Statement Value
Various securities and cash	$ 70,654,153	$ 73,920,673	$ 71,578,771

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2009, and the results of operations for the fiscal period then ended. Any examination adjustments to the amounts reported in the financial statements or comments regarding such are made in the "Comments on the Financial Statements" which follow the financial statements.

There may have been additional differences found in the course of this examination which are not shown in the "Comments on the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual financial statement item.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 98,761,257	$ -	$ 98,761,257
Common stocks	15,233,356	-	15,233,356
Cash and short-term investments	11,067,129	-	11,067,129
Other invested assets	37,972	-	37,972
Investment income due and accrued	1,236,560	-	1,236,560
Uncollected premiums	5,736,072	-	5,736,072
Deferred premiums	802,909	-	802,909
Amounts recoverable from reinsurers	2,192,640	-	2,192,640
Current federal income tax recoverable	179,778	-	179,778
Net deferred tax asset	2,604,591	1,137,336	1,467,255
Receivables from parent, subsidiaries and affiliates	7,650	-	7,650
Premium taxes receivable	61,182	61,182	-
TOTAL ASSETS	$ 137,921,096	$1,198,518	$ 136,722,578

LIABILITIES, CAPITAL AND SURPLUS

Losses	$ 37,698,965
Reinsurance payable on paid losses and LAE	4,780,537
Loss adjustment expenses	24,117,473
Commissions payable	78,856
Unearned premiums	2,482,802
Advance premium	151,522
Ceded reinsurance premiums payable	559,197
Amounts withheld or retained for account of others	785
Remittances and items not allocated	128,755
Payable to parent; subsidiaries and affiliates	3,313,130
Unearned finance charges	32,359
Total liabilities	$ 73,344,381
Common capital stock	$ 1,200,000
Increase in net DTA from adoption of SSAP 10R	709,887
Gross paid in and contributed surplus	26,565,180
Unassigned funds (surplus)	34,903,130
Surplus as regards policyholders	$ 63,378,197
TOTAL LIABILITES, CAPITAL AND SURPLUS	$ 136,722,578

STATEMENT OF REVENUE AND EXPENSES

Premiums earned	$ 29,433,007
Losses incurred	8,999,588
Loss adjustment expenses incurred	9,393,025
Other underwriting expenses incurred	9,547,103
Total underwriting deductions	27,939,716
Net underwriting gain	1,493,291
Net investment income earned	4,304,396
Net realized capital gains	463,196
Net investment gain	4,767,592
Finance and service charges not included in premiums	73,122
Miscellaneous income	4,000
Total other income	77,122
Net income (pre-tax)	6,338,005
Federal income taxes incurred	1,448,693
Net income	$ 4,889,312

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2008	$ 61,958,957
Net income	4,889,312
Change in net unrealized capital gains	1,644,815
Change in net deferred income tax	(1,039,302)
Change in nonadmitted assets	992,225
Dividends to stockholders	(5,800,000)
Change in accounts payable of subsidiary	22,303
Increase in net DTA from adoption of SSAP 10R	709,887
Change in surplus as regards policyholders for the year	1,419,240
Surplus as regards policyholders, December 31, 2009	$ 63,378,197

EXAMINATION CHANGES

There were no examination changes.

COMMENTS ON FINANCIAL STATEMENTS

There were no comments on the financial statements.

SUMMARY OF RECOMMENDATIONS

There were no examination recommendations.

ACKNOWLEDGMENT

The assistance and cooperation extended by Intermed Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Douglas Daniels, CFE, Andrew Coppedge and, Andrew T. Balas, CFE, AES, CPA, examiners for the Department of Insurance, Financial Institutions and Professional Registration, participated in this examination.

VERIFICATION

State of Missouri)
) ss
City of St. Louis)

I, Thomas J. Cunningham, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Thomas J. Cunningham, CFA, CFE
Examiner-in-Charge
Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 4th day of April, 2011
My commission expires:

2-1-2015

SALLY A SNEED
Notary Public-Notary Seal
State of Missouri, Jefferson County
Commission # 11003415
My Commission Expires Feb 1, 2015

Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Audit Manager
Department of Insurance, Financial Institutions and Professional Registration