STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Missouri Professionals Mutual-Physicians Professional Indemnity Association for the period ended December 31, 2014

ORDER

After full consideration and review of the verified written report of financial examination under oath of Missouri Professionals Mutual-Physicians Professional Indemnity Association for the period ended December 31, 2014, filed with the Missouri Department of Insurance, Financial Institutions and Professional Registration on September 1, 2016, together with the written response received from Missouri Professionals Mutual-Physicians Professional Indemnity Association on September 30, 2016, and relevant portions of the examiners' 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 examination report as filed. This order and the adopted examination report do not order Missouri Professionals Mutual-Physicians Professional Indemnity Association to take any action.

After my consideration and review of such report, relevant workpapers, and written response, I hereby incorporate by reference the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pensions, stock ownership and insurance plans, territory and plan of operations, growth of company, loss experience, reinsurance, accounts and records, statutory deposits, financial statements, analysis of examination changes, comments on financial statements, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Missouri Professionals Mutual-Physicians Professional Indemnity Association as of December 31, 2014 be and is hereby ADOPTED as filed.

So ordered, signed and official seal affixed this 27th day of October, 2016.

John M. Huff

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

REPORT OF

FINANCIAL EXAMINATION

Missouri Professionals Mutual-Physicians Professional Indemnity Association

As of:

DECEMBER 31, 2014

FILED

NOV 0 8 2016

DIRECTOR OF INSURANCE, FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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August 11, 2016
St. Louis, MO

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

Director Huff:

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

Missouri Professionals Mutual-Physicians Professional Indemnity Association

hereinafter referred to as "MPM-PPIA", or the "Company". The Company's home office is located at 287 North Lindbergh Blvd., St. Louis, Missouri 63141; telephone number (314) 587-8000. Examination fieldwork began on October 19, 2015, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a single-state examination of MPM-PPIA. The last examination was completed as of December 31, 2011. This examination covers the period of January 1, 2012, through December 31, 2014. This examination also included material transactions or events occurring subsequent to December 31, 2014.

Procedures

This examination was conducted using guidelines set forth in the Financial Condition Examiners Handbook (Handbook) of the NAIC, except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration ("Department" or "DIFP") or statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This includes assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment is documented separately following the Company's financial statements. The following key activities were identified during the examination: Claims and Reserves, Expenses, Investments and Treasury, Premiums and Underwriting and Reinsurance.

This examination report includes significant findings of fact and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

On November 20, 2014, Missouri Professionals Mutual (MPM) signed a Merger Agreement with Physicians Professional Indemnity Association (PPIA). The Missouri Secretary of State approved the merger on December 15, 2014, with MPM as the surviving entity. The name of the combined company was subsequently changed to Missouri Professionals Mutual-Physicians Professional Indemnity Association.

The combined companies have experienced a significant decrease in premiums written, admitted assets, liabilities and surplus in the past 5 years. This was due to events relating to MPM prior to the merger, payments to Timothy Trout (the former President of MPM) resulting from the merger, and additional factors such as increased competition from larger out-of-state stock companies and consolidation of physician medical practices with larger hospital groups.

These challenges have continued into 2015 as the Company's reported surplus decreased from $2,449,596 as of December 31, 2014, to $963,904 as of December 31, 2015.

Operating expenses under the previous management were very high for a company the size of MPM. In addition, MPM-PPIA is required to make monthly payments of $62,500 to Mr. Trout through December 31, 2020 under a noncompetition agreement resulting from the merger. This agreement will continue to cause a significant strain on surplus in the next few years. However, since the merger the new management has taken steps to greatly reduce the level of expenses, and is hopeful that efficiencies resulting from the merger along with an improved marketing program and other initiatives will reverse the trend of operating losses in the future.

An examination change was made to non-admit $162,046 of prepaid expenses. Per SSAP No. 29 (Prepaid Expenses), prepaid expenses are to be reported as non-admitted assets.

DIFP contracted a consulting actuary, Actuarial & Technical Solutions, Inc. to evaluate the reserves of MPM-PPIA and its subsidiary, MPM Insurance Company of Kansas (MPM-Kansas). The consulting actuary determined that MPM-PPIA's reserves were reasonable as of December 31, 2014. However, the reserves of MPM-Kansas were determined to be deficient by an estimated $3.041 million.

MPM-PPIA owns 100% of MPM-Kansas' stock and reports the surplus of MPM-Kansas as a common stock investment, which becomes part of MPM-PPIA's surplus. The statement value of

MPM-Kansas equaled approximately 175% of MPM-PPIA's total surplus as reported on the 2014 Annual Statement. The material deficiency noted by the consulting actuary results in a direct reduction of MPM-Kansas' surplus. As a result, an examination change was made to reduce the common stock investments line item for MPM-PPIA by $3,041,000, with a corresponding decrease to unassigned funds (surplus).

The examination changes detailed above resulted in a surplus per examination of ($753,450) as of December 31, 2014. It is recommended that the Company develop a long-term strategic business plan with measurable goals to ensure that a positive level of surplus is maintained in the future.

SUBSEQUENT EVENTS

MPM-PPIA's reported surplus decreased from $2,449,596 as of December 31, 2014, to $963,904 as of December 31, 2015. The decrease was due to significant adverse development on the reported reserves as of December 31, 2014, as well as the $750,000 annual payment to Timothy Trout under the noncompetition agreement. Per the 2015 Annual Statement, the one-year loss development was $1.725 million, which was more than 70% of reported policyholder surplus as of December 31, 2014.

As a result of the merger between MPM and PPIA, the 100% quota share reinsurance agreement between MPM and MPM-Kansas was terminated in the first quarter of 2015. Effective January 1, 2015, MPM-PPIA entered into a reinsurance agreement with Physicians Insurance, Inc. (PII), an affiliated company. This is a claims-made reinsurance agreement with retroactive coverage back to the inception date of MPM. The agreement provides coverage of $500,000 excess of $500,000 per claim plus pro rata Allocated Loss Adjustment Expenses. PPIA had a similar reinsurance agreement in place with PII prior to the merger with MPM.

COMPANY HISTORY

General

Missouri Professionals Mutual was issued a Certificate of Authority by DIFP to operate as an assessment association under Chapter 383 RSMo (Malpractice Insurance) on February 24, 2003. The Company commenced business on February 27, 2003.

Mergers and Acquisitions

On November 20, 2014, the Company signed a Merger Agreement with Physicians Professional Indemnity Association. The Missouri Secretary of State approved the merger on December 15, 2014, with MPM as the surviving entity. The name of the Company was subsequently changed to Missouri Professionals Mutual-Physicians Professional Indemnity Association.

Capital Stock

The Company operates as an assessment association and is not authorized to issue stock. Each member pays an initial assessment of $100 and is liable for subsequent assessments in accordance with the Articles of Association and Bylaws.

Dividends

The Company has paid no dividends to members since inception.

CORPORATE RECORDS

The Articles of Association and Bylaws of MPM-PPIA were reviewed. The Articles and Bylaws were revised on November 20, 2014 due to the merger with PPIA. The revised Articles and Bylaws were submitted to the Missouri Secretary of State who issued a Certificate of Merger dated December 15, 2014.

The minutes of the membership, board of directors and committee meetings were reviewed for the period under examination. The minutes appear to properly document and approve corporate events and transactions.

MANAGEMENT AND CONTROL

Board of Directors

The directors serving at December 31, 2014, were as follows:

Name	Principal Occupation
Carrie L. Carda, MD Poplar Bluff, Missouri	Physician Obstetrics and Gynecology
Robert L. Hall, MD Poplar Bluff, Missouri	Physician Gastroenterology
Frederick B. Lintecum, MD Kansas City, Missouri	Physician Obstetrics and Gynecology
Warren Miller, CPA Cape Girardeau, Missouri	Chief Executive Officer Cape Radiology Group
Randall E. Mueller, MD Columbia, Missouri	Physician Family Medicine
Carl F. Patty, MD Poplar Bluff, Missouri	Physician Obstetrics and Gynecology

Walter R. Peters, Jr., MD Kansas City, Missouri	Physician General Surgery
August R. Ritter, III, MD Cape Girardeau, Missouri	Physician Orthopedic Surgery
Karl L. Stark, MD St. Louis, Missouri	Physician Vascular Surgery
Benny E. Thomas, DO Four Seasons, Missouri	Physician Family Medicine
Kevin L. Threlkeld, MD Columbia, Missouri	Physician Internal Medicine
Benjamin W. Verdine, MD Washington, Missouri	Physician Plastic Surgery
Mark S. Vincent, JD Union, Missouri	Attorney Self-Employed
David L. Weinstein, MD St. Louis, Missouri	Physician Obstetrics and Gynecology

Mark S. Vincent subsequently resigned from the board of directors effective May 2016.

Officers

The officers of the Company at December 31, 2014, were as follows:

Name	Position
Carrie L. Carda	President and Chairman
Jonathan L. Downard	Executive Vice President
Robert L. Hall	Vice President
Kevin L. Threlkeld	Secretary
Carl F. Patty	Treasurer

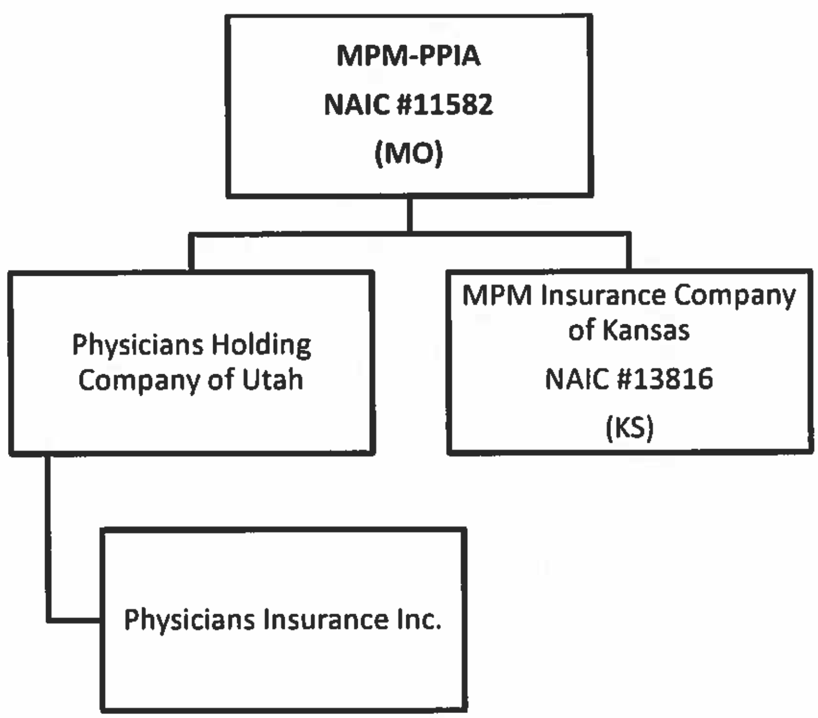
Committees

The Company has a Claims and Settlement Committee in place. The individuals serving on this committee as of December 31, 2014, were as follows:

Benny E. Thomas-Committee Chairman
Carrie L. Carda
Jonathan L. Downard
Robert L. Hall
Randall E. Mueller
Karl L. Stark
Benjamin W. Verdine
Mark S. Vincent

Holding Company, Subsidiaries and Affiliates

The Company is licensed under Chapter 383 RSMo, and therefore is not subject to the holding company system requirements contained in Chapter 382 RSMo. The following organization chart shows the structure of the Company as of December 31, 2014.



As of December 31, 2014, MPM-PPIA owned 100% of the outstanding stock of MPM Insurance Company of Kansas. The company also owned 18.59% of the issued and outstanding stock of Physicians Holding Company of Utah (PHC-Utah). In 2015, MPM-PPIA purchased additional shares and now owns a 58.74% share of PHC-Utah. PHC-Utah owns 100% of Physicians Insurance, Inc. (PII). PHC-Utah has subsequently changed its name to Physicians Re, Inc.

Related Party Transactions

The Company has entered into various agreements with related parties. The agreements as of December 31, 2014, are summarized below.

Administration Agreement

Parties:	MPM-PPIA and Corporate Insurance Services, LLC (CIS). The companies have common management as Jonathan Downard is the Executive Vice President of MPM-PPIA and the President of CIS.
Effective:	November 20, 2014
Terms:	Under the agreement, CIS provides management, administrative, underwriting and other services to MPM-PPIA.
Rate(s):	CIS is paid 10% of the first \$3 million of annual gross premiums, 8% of the next \$2 million annual gross premiums, and 6% of annual gross premiums in excess of \$5 million.

Legal Services Agreement

Parties:	MPM-PPIA and the law firm Hansen, Stierberger, Downard, Schroeder & Head, LLC. Jonathan Downard, Executive Vice President of MPM-PPIA is a partner with the law firm.
Effective:	November 20, 2014
Terms:	Under this agreement, the law firm agrees to perform legal services relating to the assignment of claims, claim oversight and other duties as assigned by the MPM-PPIA Board of Directors. The agreement is effective through November 1, 2019.
Rate(s):	MPM-PPIA pays the firm a fee of \$16,665 per month under the agreement.

Legal Services Agreement

Parties:	MPM-PPIA and the law firm Kamykowski, Gavin and Smith, P.C. The two entities share office space in the MPM-PPIA home office and have common interests as a result of this agreement.
Effective:	November 24, 2014
Terms:	Under the agreement, the law firm agrees to perform legal services for MPM-PPIA and provide a defense to actions and claims filed against members. This agreement is effective through December 31, 2019.

Rates: MPM-PPIA will pay the firm $1.8 million annually in 2015 and 2016, payable in monthly installments. The fee increases to $1.9 million annually for the years 2017-2019. The Company also paid $184,520 to the law firm under this agreement for services rendered in November and December 2014.

Each of the above agreements became effective after the merger between MPM and PPIA. MPM also had the following two agreements which were in effect for a majority of the examination period, and were terminated late in 2014 after the merger with PPIA.

Management Agreement

Parties: MPM and Missouri Professional Management, LLC.

Effective: February 26, 2003

Terms: The Management Company provided for the management of MPM's operations including processing of applications, underwriting, premiums and claims accounting.

Rates: MPM paid the management company a fee of 10% of earned premium in exchange for the services provided.

Policy Acquisition Agreement

Parties: MPM and Timothy H. Trout, LLC. (THT)

Effective: February 28, 2003

Terms: Under the terms of the agreement, THT provided brokerage services including the exclusive right to introduce, solicit, promote and sell all products of MPM.

Rates: The commission rate under the agreement was 10% of premiums.

MPM-PPIA paid a one-time payment of $1 million to Timothy Trout (former President of MPM) as a buyout of the brokerage company, THT. This fee was intended as compensation for the rights to the producer agreements in effect between THT and various producers. In addition, MPM-PPIA and Mr. Trout entered into a non-competition agreement. Under the agreement, Mr. Trout agrees not to disclose any confidential matters relating to MPM-PPIA or MPM-Kansas, solicit business from existing members or have an interest in any competing medical malpractice insurers. In exchange, MPM-PPIA will make monthly payments of $62,500 to Mr. Trout from January 1, 2015 through December 31, 2020.

In addition to the above agreements, MPM-PPIA has reinsurance agreements in place with related parties which are described in detail in the Reinsurance section of this report.

FIDELITY BOND AND OTHER INSURANCE

MPM-PPIA is a named insured on a fidelity bond issued by State Farm Fire & Casualty Company. The amount of the bond as of December 31, 2014, was $175,000. The bond was subsequently increased in March 2016 to $250,000 in order to meet the coverage recommended by the Financial Condition Examiners Handbook. In addition, employees of Corporate Insurance Services, LLC are covered by a $50,000 bond with Western Surety Company.

The Company holds various other insurance policies which provide the following types of coverage: commercial property, general liability, automobile liability, Directors and Officers liability and commercial excess liability.

The Company appears to have adequate insurance coverage in place.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

As of 12/31/2014, MPM-PPIA had only one direct employee, Jonathon Downard, the Company's Executive Vice President. Another direct employee, Susan Tenney, was hired as Vice President of Sales and Marketing in October 2015. No benefits are provided to the direct employees.

Most of the daily business operations are performed by employees of Corporate Insurance Services, LLC (CIS). Any benefits provided to CIS employees are indirectly paid by MPM-PPIA through the payment of fees pursuant to the Administration Agreement between the two companies.

TERRITORY AND PLAN OF OPERATIONS

MPM-PPIA is organized as an assessable mutual insurance company, licensed to write medical malpractice insurance under Chapter 383 RSMo. The Company writes only in the state of Missouri. Policies are issued on a claims-made basis with limits of $1 million per occurrence and $3 million aggregate. The company also offers an extended reporting endorsement (tail coverage) in the event of physician death, disability or retirement. The Company had 1,836 members and 622 policies in force as of December 31, 2014, and a total Missouri market share of nearly 10%.

The majority of business is produced through outside brokers. The three largest brokers in 2014 were Cretcher Heartland, LLC, Larson Financial Brokerage, LLC, and MSMA Insurance Agency. These three brokers accounted for more than 50% of written premiums in 2014. In an effort to increase premiums written in-house, MPM-PPIA hired Susan Tenney as Vice President of Sales and Marketing in October 2015.

GROWTH OF COMPANY

The table below shows various indicators of the Company's growth over the past five years. The totals for 2010-2013 reflect the combined results for MPM and PPIA prior to the merger.

	2010	2011	2012	2013	2014
Gross Written Premiums	44,692,310	38,119,454	21,354,437	14,224,676	13,393,936
Net Written Premiums	42,209,419	(3,836,306)	(2,587,180)	2,651,107	2,661,792
Net Income	760,415	(14,942,641)	637,095	(4,855,113)	(1,090,713)
Total Admitted Assets	92,853,898	86,524,480	38,811,774	33,276,457	24,969,822
Total Capital and Surplus	19,358,121	3,187,568	6,249,910	4,611,419	2,449,596

The combined companies have experienced a significant decrease in premiums written, admitted assets, liabilities and reported surplus in the past 5 years. This was primarily due to events relating to MPM prior to the merger.

In 2011, MPM entered into a 100% quota share reinsurance agreement with MPM Insurance Company of Kansas, an affiliated company through operational control. MPM subsequently purchased MPM-Kansas in 2012. This reinsurance transaction resulted in the large decrease in net written premiums, admitted assets and reported surplus.

In the late 2000s, MPM was by far the largest writer of medical malpractice insurance in Missouri, with a total market share approaching 40%. However in 2012, MPM's exclusive producer, the Keane Insurance Group, terminated its contract and stopped writing policies for the Company. The loss of the exclusive producer was responsible for the large decrease in gross premiums written between 2011 and 2013.

The decrease in premiums has continued through 2014 due to additional factors such as increased competition from larger out-of-state stock companies and consolidation of physician medical practices with larger hospital groups.

LOSS EXPERIENCE

The following exhibit illustrates the underwriting results of MPM-PPIA for each of the last five years. The totals for 2010-2013 reflect the combined results for MPM and PPIA prior to the merger.

	2010	2011	2012	2013	2014
Net Premiums Earned	42,857,650	807,693	5,023,613	4,250,450	3,200,005
Net UW Gain	(327,684)	(19,683,086)	1,731,717	(6,864,423)	(1,727,241)
Net Investment Gain	1,300,289	912,214	503,561	369,008	277,392
Net Income	760,415	(14,942,641)	637,095	(4,855,113)	(1,090,713)
RBC Ratio	258.15%	91.97%	123.49%	148.35%	79.43%

Operating results have remained mostly negative in recent years. The Company experienced a net loss of more than $1 million in 2014, along with a decrease in reported surplus of nearly 50%. The loss was due to one-time expenses resulting from the merger and other competitive pressures. The trend of operating losses has continued after the examination date as the Company reported a net loss of $2,070,002 and a decrease in reported surplus of more than 60% in 2015.

Operating expenses under the previous management were very high for a company the size of MPM. Since the merger, the new management has taken steps to reduce the level of expenses, and is hopeful that efficiencies resulting from the merger along with an improved marketing program and other factors will reverse the trend of operating losses in the future.

Risk Based Capital (RBC) has remained very low in recent years and dropped below authorized control level in 2014. This is due to low levels of reported surplus and other factors such as the decline in the value of the investment in MPM-Kansas and the sizable investment in home office real estate. It is noted, however, that MPM-PPIA as a Chapter 383 company is not subject to RBC requirements.

REINSURANCE

General

MPM-PPIA's premium activity on a direct written, assumed and ceded basis for the period under examination is detailed below. The values for 2012 and 2013 represent the sum of the individually filed annual statements of MPM and PPIA prior to the merger.

	2010	2011	2012	2013	2014
Direct Business	$ 44,692,310	$ 38,119,454	$ 21,354,437	$ 14,224,676	$ 13,393,936
Reinsurance Assumed			0	0	0
Reinsurance Ceded	(2,482,891)	(41,955,760)	(23,941,617)	(11,573,569)	(10,732,144)
Net Written Premiums	$ 42,209,419	$ (3,836,306)	$ (2,587,180)	$ 2,651,107	$ 2,661,792

Assumed

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

Ceded

Effective January 1, 2011, MPM (the ceding company) entered into a reinsurance contract with MPM-Kansas (the reinsurer), an affiliated company. The retrospective portion of the agreement applied to policies in force on or before December 31, 2010, with $41,126,243 of reserves to be ceded in exchange for total consideration of $45,000,000. The prospective portion applied to policies in force on or after January 1, 2011, and was written on a 100% quota share basis with yearly renewable contracts extending through December 31, 2014. The retrospective and prospective liabilities were then retroceded by MPM-Kansas to non-affiliated reinsurers.

As a result of the merger between MPM and PPIA, the reinsurance contract with MPM-Kansas was terminated in the first quarter of 2015.

Effective January 1, 2015, MPM-PPIA entered into a reinsurance agreement with Physicians Insurance, Inc. (PII), an affiliated company. This is a claims-made reinsurance agreement with retroactive coverage back to the inception date of MPM. The agreement provides coverage of $500,000 excess of $500,000 per claim plus pro rata Allocated Loss Adjustment Expenses. The reinsurance premium is equal to 13% of net earned premiums and the agreement has an aggregate limit of liability equal to 200% of total ceded premiums. PPIA had a similar reinsurance agreement in place with PII prior to the merger with MPM.

ACCOUNTS AND RECORDS

General

The Company's financial statements are prepared based on statutory accounting principles. The Company is currently using two separate general ledger systems as the Quick Books software program is used at the St. Louis office (the home office of MPM prior to the merger) and Peachtree is used at the Union office (the former home office of PPIA). The Company does not expect to consolidate the ledger systems in the near future.

Prior to the merger, MPM had converted to a customized application developed by Jim DeRossa, Inc. for all underwriting, policy administration, premium and claims management functions. All policies will be administered on this system going forward, however existing PPIA claims will remain on a separate system until they are run-off.

Independent Auditor

The Company's financial statements are audited annually by the accounting firm Seaver & Forck, LLC. The workpapers and reports of the 2014 independent audit were reviewed and used in the course of this examination as deemed appropriate.

Independent Actuaries

Reserves and related actuarial items reported in the financial statements were certified by Steve Streff, FCAS, MAAA of Streff Insurance Services.

DIFP contracted a consulting actuary, Actuarial & Technical Solutions, Inc. to evaluate the reserves of MPM-PPIA and its subsidiary, MPM-Kansas. The results of the consulting actuary's review are summarized in the Summary of Significant Findings section.

Information Systems

In conjunction with this examination, Andrew Balas, Information Systems Financial Examiner with the Missouri DIFP conducted a review of the Company's information systems. His evaluation did not identify any significant weaknesses.

STATUTORY DEPOSITS

The Company writes only in Missouri and, as a Chapter 383 company, is not required to maintain any deposits with the state.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2014, and the results of operations for the year then ended, as filed by the Company. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statements" section, which follow the financial statements.

There may have been additional differences found in the course of this examination that are not shown in the "Comments on 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 annual statement item.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	$ 7,322,292	$ -	$ 7,322,292
Common stocks (Note 1)	4,290,828	-	4,290,828
Real estate	2,389,852	-	2,389,852
Cash and short-term investments	5,308,008	-	5,308,008
Other invested assets	1,000,000	1,000,000	-
Investment income due and accrued	75,274	-	75,274
Uncollected premiums	126,561	-	126,561
Deferred premiums	3,739,938	4,397	3,735,541
Amounts recov. from reinsurance (Note 2)	1,444,315	-	1,444,315
Net deferred tax asset	672,950	672,950	-
EDP equipment and software	14,873	3,910	10,963
Furniture and equipment	26,943	26,943	-
Receivables from affiliates (Note 3)	177,862	-	177,862
Merger expenditures	50,672	50,672	-
Advances (Note 2)	88,326	-	88,326
TOTAL ASSETS	**$ 26,728,694**	**$ 1,758,872**	**$ 24,969,822**

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	$	6,005,788
Loss adjustment expenses		1,613,419
Commissions payable		274,351
Other expenses		887,192
Taxes, licenses and fees		2,376
Unearned premiums		6,506,856
Advance premiums		381,853
Ceded reinsurance premiums payable		7,860,334
Payable to affiliates (Note 3)		169,382
Retroactive reinsurance reserve		(1,241,375)
Unearned finance charges		60,050
TOTAL LIABILITIES	**$**	**22,520,226**
Unassigned funds (surplus) (Notes 1 and 2)		2,449,596
SURPLUS AS REGARDS POLICYHOLDERS	**$**	**2,449,596**
TOTAL LIABILITIES AND SURPLUS	**$**	**24,969,822**

STATEMENT OF INCOME

Underwriting Income:		
Premiums earned		$ 3,200,005
Deductions:		
Losses incurred	$ (172,271)	
Loss expenses incurred	2,982,788	
Other underwriting expenses incurred	2,116,729	
Total underwriting deductions		4,927,246
Net Underwriting Gain (Loss)		**$ (1,727,241)**
Investment Income:		
Net investment income earned	$ 182,609	
Net realized capital gains	94,783	
Net Investment Gain (Loss)		**$ 277,392**
Other Income:		
Finance and service charges	121,263	
Gain/(Loss) on sale of assets	237,873	
Total Other Income		**$ 359,136**
Net income before dividends and FIT		**$ (1,090,713)**
Dividends to policyholders		-
Federal income taxes incurred		-
Net income		**$ (1,090,713)**

RECONCILIATION OF SURPLUS

Changes from December 31, 2011 to December 31, 2014

	2012	2013	2014
Surplus, December 31 prior year	$3,187,568	$6,249,884	4,611,419
Net income	637,095	(4,855,113)	(1,090,713)
Change in net U/R capital gains	2,670,362	3,421,193	(4,379,134)
Change in net deferred income tax	(670,536)	(181,069)	(30,468)
Change in provision for reinsurance	425,395	(23,476)	(902,865)
Prior period adjustment	-	-	4,241,360
Change in surplus	3,062,316	(1,638,465)	(2,161,820)
Surplus, December 31 current year	**$6,249,884**	**$4,611,419**	**$2,449,599**

ANALYSIS OF EXAMINATION CHANGES

	Increase in Surplus	Decrease in Surplus	
Surplus as Reported by Company			$2,449,596
Common Stocks (Note 1)		3,041,000	
Amts. Recoverable from Reinsurers (Note 2)	-	98,458	
Advances (Note 2)	-	63,588	
Receivables from Affiliates (Note 3)	-	168,296	
Payables to Affiliates (Note 3)	168,296	-	
Net Change in Surplus			(3,203,046)
Surplus Per Examination			**($753,450)**

COMMENTS ON FINANCIAL STATEMENTS

Note 1

Common stocks	$1,249,828
Unassigned funds (surplus)	($753,450)

The DIFP consulting actuary determined that the reserves for MPM-Kansas were deficient by an estimated $3.041 million as of December 31, 2014. MPM-PPIA owns 100% of MPM-Kansas' stock and reports the surplus of MPM-Kansas as a common stock. The material deficiency noted by the consulting actuary results in a direct reduction of MPM-Kansas' surplus. As a result, an examination change was made to reduce the common stock line item by $3,041,000, with a corresponding decrease to unassigned funds (surplus).

Note 2

Amounts Recoverable from Reinsurers	$1,345,857
Advances	$24,738
Unassigned funds (surplus)	($753,450)

The Amounts Recoverable from Reinsurance line item included a $98,458 balance representing payments made in advance to NAS Insurance for cyber liability coverage for MPM-PPIA insureds in 2015. The Advances line item included a $63,588 balance for the prepayment of legal expenses to be incurred in 2015. Both of these items appear to meet the definition of a prepaid expense.

Per SSAP No. 29, paragraph 2, prepaid expenses are to be reported as non-admitted assets as they are not readily available to satisfy policyholder obligations. Accordingly, we have made an exam change to non-admit these balances and to decrease surplus by a total of $162,046.

Note 3	Receivables from Parent, Subsidiaries and Affiliates	$9,566
	Payables to Parent, Subsidiaries and Affiliates	$1,086

The balance in these line items included a $168,296 "intra-company" balance between PPIA and MPM which occurred as a result of the Company maintaining separate ledgers at the Union and St. Louis offices. Since no amounts were receivable or payable from any outside companies, an adjusting entry should have been made to eliminate these balances when the ledgers were consolidated to prepare the 2014 Annual Statement.

An exam change was made to reduce the balance in both line items by $168,296. It is noted that this item has no net effect on surplus.

SUMMARY OF RECOMMENDATIONS

Summary of Significant Findings — Page 2

The examination changes documented in the Summary of Significant Findings section resulted in a surplus per examination of ($753,450) as of December 31, 2014. It is recommended that the Company develop a long-term strategic business plan with measurable goals to ensure that a positive level of surplus is maintained in the future. This recommendation is not an order of the director under Section 383.035.5 RSMo.

Comments on Financial Statements — Page 17

The Company should non-admit prepaid expenses on future filings as required by SSAP No. 29.

ACKNOWLEDGEMENT

The assistance and cooperation extended by the officers and employees of MPM-PPIA during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, AES, CFE, CPA, Michael Behrens, CFE, James Le, ARe, CPA, CPCU, Scott Reeves, CPA, and Rick Stamper, CFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration participated in this examination.

VERIFICATION

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

I, John Boczkiewicz, 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.

RYAN WINN
Notary Public - Notary Seal
State of Missouri
Commissioned for St. Louis County
My Commission Expires: Nov. 4, 2018
14634818

John Boczkiewicz, CFE, CPA
Examiner-in-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 11th day of August 2016
My commission expires:
11/04/2018

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 NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

Michael Shadowens, CFE
Audit Manager, St. Louis
Missouri Department of Insurance, Financial Institutions and Professional Registration

MPM-PPIA

September 30, 2016

Ms. Leslie Nehring, CFE, CPA
Chief Financial Examiner
Missouri DIFP
301 West High Street, Suite 530
Jefferson City, MO 65101

Re: MPM-PPIA response to the DIFP examination report -period
ending December 31, 2014

Dear Ms. Nehring:

Enclosed please find MPM-PPIA's response to the Department's examination of MPM-PPIA for the period ending December 31, 2014.

Sincerely:
MPM-PPIA

By:
Jonathan L. Downard

JLD:jd

cc: Carrie Carda, M.D. President
Hailey Luebbert, Exam Technician
Charles Hatfield, Esquire

MISSOURI PROFESSIONALS MUTUAL - PHYSICIANS PROFESSIONAL INDEMNITY ASSOCIATION

RESPONSE TO MISSOURI DEPARTMENT OF INSURANCE
FINANCIAL INSTITUTIONS & PROFESSIONAL REGISTRATION
FINANCIAL EXAMINATION
as of December 31, 2014

RESPONSE TO GENERAL COMMENTS AND/OR RECOMMENDATIONS:

ANALYSIS OF EXAMINATION CHANGES (PAGES 18 &19)

MPM-PPIA disputes the findings of the Examiner as noted below and states that the findings are the result of Actuarial indifference, error in assumptions utilized, failure to comprehend and recognize subsequent events of the merger between MPM-PPIA and the termination of the reinsurance agreement between MPM Insurance Company of Kansas and MPM-PPIA. MPM-PPIA responds as follows:

NOTE ONE: The change in surplus resulting from the DIFP's actuarial review is contrary to the independent actuarial report obtained by MPM-PPIA as required by the Revised Statutes of the State of Missouri. The reduction in surplus is the result of the Department's actuary failing to comprehend subsequent events of the merger and cancellation of the agreement between MPM Insurance. Throughout the examination report, Department has utilized selected information subsequent to December 31, 2014 and disregarded other significant subsequent matters from the same time period. The reduction in surplus as derived by the Department's actuary is incorrect and not accepted by MPM-PPIA as utilizing proper actuarial methods, measures or information, and as a result incorrectly states the surplus of MPM-PPIA. In addition, the changes to the surplus as derived by the Department's actuary as of December 31, 2014, do not accurately reflect the current financials of MPM-PPIA, approximately two years post examination date.

NOTE TWO: MPM-PPIA does not dispute the findings set forth in Note Two of the Examination Report.

NOTE THREE: MPM-PPIA does not dispute the findings set forth in Note Three of the Examination Report.

Respectfully Submitted:

Jonathan L. Downard
Executive Vice President and General Counsel
MPM-PPIA