

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

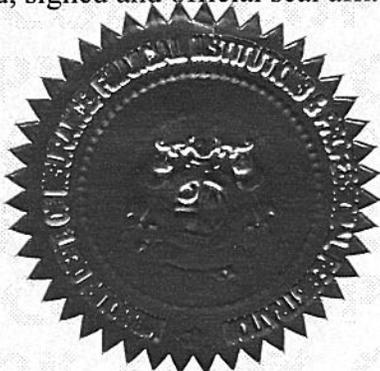
RE: Examination Report of Medical Liability Alliance for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Medical Liability Alliance for the period ended December 31, 2011, 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 examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem 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, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Medical Liability Alliance as of December 31, 2011, be and is hereby ADOPTED as filed and for Medical Liability Alliance 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 6th day of April, 2013.

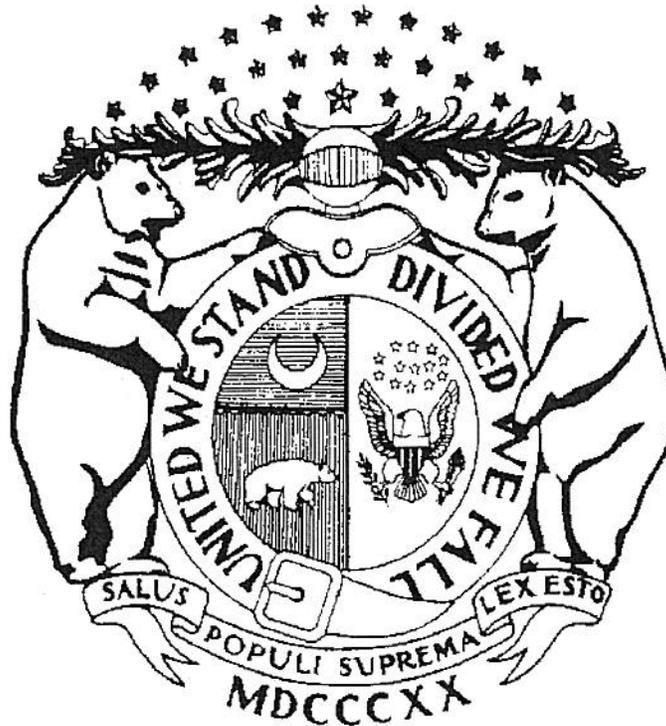


John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE
ASSOCIATION FINANCIAL EXAMINATION OF
MEDICAL LIABILITY ALLIANCE

AS OF
DECEMBER 31, 2011

FILED
MAY 16 2013
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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Jefferson City, Missouri
March 14, 2013

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

Director Huff:

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

Medical Liability Alliance

hereinafter referred to as MLA or the Company. Its administrative office is located at 4700 Country Club Drive, Jefferson City, Missouri, 65109, telephone number (573) 893-5300. The examination began on September 10, 2012, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The prior full scope financial examination of MLA was made as of December 31, 2006, and was conducted by examiners from the State of Missouri. The current full scope financial examination covered the period from January 1, 2007 through December 31, 2011, and was conducted by examiners from the State of Missouri. The examination also included the material transactions and/or events occurring subsequent to December 31, 2011.

This examination was conducted concurrently with the examination of the Company's parent, Missouri Hospital Plan (MHP).

Procedures

This examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook, except where practices, procedures and applicable regulations of the Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) and statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about corporate governance, identifying and assessing inherent risks, and evaluating the Company’s controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s 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. The key activities identified in our examination of MLA were as follows:

- Investments
- Underwriting
- Reserving
- Premiums
- Claims Handling
- Reinsurance

The examiners relied upon information supplied by the Company’s independent auditor, Brown, Smith, Wallace, LLC, of St. Louis, Missouri, for its audit covering the period from January 1, 2011 through December 31, 2011. Areas in which the testing and results from the CPA workpapers were relied upon in our examination included internal control identification, internal control walkthroughs, bank confirmations, aged premium receivable reconciliations, premium receivable confirmations, unearned premiums attribute testing, case reserve sample testing, and fraud risk assessment.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2011 through the date of this report.

COMPANY HISTORY

General

Missouri Liability Alliance was incorporated on February 2, 1996 and commenced business on September 13, 1996. The Company operates as a stock property and casualty insurer under the insurance laws of Chapter 379 RSMo (Insurance Other Than Life).

Dividends

The Company did not pay any stockholder dividends during the examination period. However, MLA paid policyholder dividends of \$564,842 in 2010 and \$1,012,952 in 2011.

Mergers and Acquisitions

No mergers or acquisitions occurred during the examination period.

CORPORATE RECORDS

A review was made of the Articles of Incorporation and Bylaws for the examination period. There were no amendments or changes to the Articles of Incorporation during the period under examination. The Bylaws were amended on March 6, 2008 to update the name of the policy referenced in an article defining the indemnification of directors, officers, and employees.

The minutes of the Board of Directors' meetings, committee meetings, and shareholder meetings were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

The management of the Company is vested in a Board of Directors that are appointed by the only shareholder, MHP. The Company's Articles of Incorporation and Bylaws specify that the Board shall be comprised of a minimum of nine directors. The Bylaws allow for a maximum of four directors serving that can be physicians insured by MLA.

The Board of Directors appointed and serving*, as of December 31, 2011, were as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
Richard G. Anderson	Jefferson City, MO	CFO, Hospital Services Group, Inc.
Donald J. Babb	Bolivar, MO	CEO, Citizens Memorial Hospital
Lewis R. Crist	Wildwood, MO	President, Crist and Associates
Michael A. DeHaven	St. Louis, MO	Senior Vice President, BJC Health System
Gary D. Duncan	Joplin, MO	President/CEO, Freeman Health System
Bruce M. Lane	St. Louis, MO	Assoc. General Counsel, BJC Health System
Diane L. Light, DO	Jefferson City, MO	Surgeon, Capital Region General Surgery
JoAnne D. Mallonee	Town & Country, MO	Executive Vice President, Huntleigh-McGehee
Joseph B. Moody	Jefferson City, MO	President/CEO, Hospital Services Group, Inc.
David A. Neuendorf	Mexico, MO	President/CEO, Audrain Medical Center
Daniel W. Peters	Olathe, KS	General Counsel, Kansas City Cancer Center
Jeffrey L. Thomasson, MD	St. Louis, MO	President, West County Radiology Group

*Note: Randall G. Friesen was elected as a director in June 2012 to fill a vacancy that existed, as of December 31, 2011.

Committees

The Bylaws require the Board of Directors to have an Executive Committee. The Bylaws also allow for additional committees to be established by the Board of Directors or Chairman of the Board. An Audit Committee, Claims Committee, Finance Committee, and a Nominating Committee were also operational during the examination period. As of December 31, 2011, the members of each committee were as follows:

<u>Audit Committee</u>	<u>Claims Committee</u>	<u>Finance Committee</u>
Michael A. Dehaven	Lewis R. Crist	Gary D. Duncan
JoAnne D. Mallonee	Bruce M. Lane	JoAnne D. Mallonee
Joseph B. Moody	Diane L. Light, DO	Joseph B. Moody
Kirk W. Schmidt	Joseph B. Moody	David A. Neuendorf
	Jeffrey L. Thomasson, MD	Daniel W. Peters
<u>Executive Committee</u>	<u>Nominating Committee</u>	
Donald J. Babb	Donald J. Babb	
Joseph B. Moody	Michael A. DeHaven	
David A. Neuendorf	Gary D. Duncan	
Jeffrey L. Thomasson, MD	Joseph B. Moody	
	Jeffrey L. Thomasson, MD	

Officers

The officers elected by the Board of Directors and serving, as of December 31, 2011, were as follows:

<u>Name</u>	<u>Office</u>
Jeffrey L. Thomasson, MD	Chairman of the Board
David A. Neuendorf	Vice Chairman
Joseph B. Moody	President
Richard G. Anderson	Secretary and Treasurer

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System, as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by MLA for each year of the examination period. The Company is directly owned 100% by Missouri Hospital Plan, a Missouri domiciled medical malpractice insurer. MHP is a not-for-profit association whose membership consists of several not-for-profit and governmental hospitals. The Company is ultimately owned 100% by the member hospitals of MHP.

The operations of the Company’s other affiliates are described as follows:

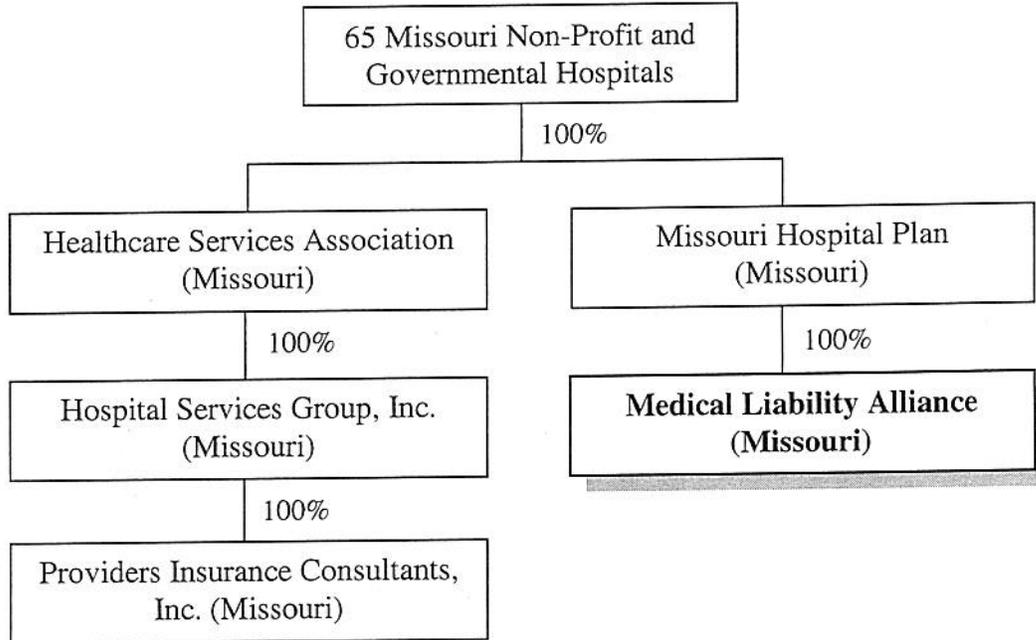
Healthcare Services Association (HSA) is a not-for-profit corporation that assists its members in offering high quality healthcare services and facilities by providing products, services, and insurance coverages to achieve that objective. The regular members of HSA are the owner hospitals of MHP. The only associate member is MHP.

Hospital Services Group, Inc. (HSG) is a management services company that performs all of the business functions for MHP and MLA.

Providers Insurance Consultants, Inc. (Pro-Con) is an insurance agency and broker located in St. Louis. Its primary purpose is to broker products and services for MLA and other health related entities for lines of business that are not written by MLA.

Organizational Chart

Below is the organizational chart of MLA and its affiliates, as of December 31, 2011.



Intercompany Agreements

The Company’s intercompany agreements that were in effect, as of December 31, 2011, and subsequent periods are outlined below.

1. Type: Lease Agreement

Affiliate: HSG

Effective: January 1, 2008 to December 31, 2011
 January 1, 2012 to December 31, 2015 (identical terms as prior agreement)

Terms: HSG employees will perform various services to conduct the business operations of MLA. The Company will reimburse HSG for the actual hours worked by each of HSG’s employees. The maximum rates to be paid by MLA are \$75 per hour for non-officers, \$150 per hour for officers, and \$300 per hour for senior officers. In actual practice, a time study is completed each year to estimate the percentage of time that each employee spends on MLA’s operations. MLA will pay HSG \$5,000 per month for computer services, accounting services and report generation. MLA will also pay HSG \$1,000 per month for office space, office furniture and supplies.

2. Type: Marketing and Sales Agreement

Affiliate: Pro-Con

Effective: January 1, 2010 (no expiration date)

Terms: Pro-Con will provide sales, marketing, customer relations, and general agency services for MLA’s professional liability and general liability products. MLA will pay Pro-Con commissions of 10% on new business; 10% on co-brokered renewal business; and 8% on non-brokered renewal business. The applicable direct written premiums are multiplied by the commission rates to determine the commissions payable each month. MLA shall also pay 1% of direct written premiums to Pro-Con for general underwriting services. All compensation due from MLA to Pro-Con shall be paid on a monthly basis.

MLA and MHP have also executed a Reinsurance Agreement on an annual basis. The terms of this agreement are described in the Reinsurance section of this report.

Intercompany Payments

The following table summarizes the payments made during the examination period, between MLA and its affiliates, pursuant to intercompany agreements.

Affiliate	Agreement	Net Paid / (Received)				
		2007	2008	2009	2010	2011
HSG	Lease	\$ 720,000	\$ 684,000	\$ 708,000	\$ 792,000	\$ 816,000
Pro-Con	Marketing and Sales	814,000	896,000	995,000	1,249,000	1,284,000
TOTAL		\$1,534,000	\$1,580,000	\$1,703,000	\$2,041,000	\$2,100,000

FIDELITY BOND AND OTHER INSURANCE

MLA is a named insured on a financial institution bond that covers losses resulting from fraudulent or dishonest acts of an employee. The Company’s parent, MHP, and other affiliated entities are also named insureds on this bond. The bond provides coverage with a liability limit of \$1,000,000 and a \$15,000 deductible. This level of coverage complies with the suggested minimum coverage recommended by the NAIC Financial Examiner’s Handbook.

The Company is also a named insured on the following other insurance policies: commercial property, commercial general liability, commercial excess liability, worker’s compensation and employer’s liability, fiduciary liability, directors’ and officers’ liability, and employed lawyers professional liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

MLA does not have any direct employees. The employees of an affiliate, HSG, perform all of the operational and administrative functions of the Company. As of December 31, 2011, HSG had 31 employees located in its Jefferson City, Missouri office and 4 employees in a St. Louis, Missouri office. The employees also work on the operations of the Company's parent, MHP, and its affiliates, Pro-Con and HSA.

A variety of standard benefits are provided to the HSG employees. These benefits include, but are not limited to, the following: medical insurance, health savings account, dental insurance, vision insurance, life insurance, disability insurance, and personal time off (vacation / sick leave). Employees are also provided with a 401(k) savings / retirement plan. Benefit costs for HSG employees are indirectly charged to the Company pursuant to a Lease Agreement that is described in the Intercompany Agreements section of this report.

TERRITORY AND PLAN OF OPERATION

Medical Liability Alliance is licensed as a property and casualty insurer by the Missouri DIFP under Chapter 379 RSMo (Insurance Other Than Life). The Company is also licensed and writes business in Illinois and Kansas. The percentage of 2011 direct written premium in the three states was as follows: Missouri (84.7%), Illinois (11.8%), and Kansas (3.5%).

The major line of business for MLA is Medical Professional Liability (Malpractice) – Claims Made, which accounted for 99.7% of 2011 net written premiums. MLA is the second leading writer of medical malpractice insurance for physicians and surgeons in Missouri with an 11.9% market share of direct written premiums in 2011.

MLA was originally established in 1996 to insure independent staff physicians affiliated with hospitals insured by the parent, MHP. MLA has since expanded the product offerings to include for-profit hospitals and physicians that are not affiliated with the hospitals insured by MHP. In 2012, the Company expanded into policies targeted for outpatient care facilities. The Company had 354 policyholders and 942 insured physicians, as of December 31, 2011. Policies are written with limits up to \$1,000,000 per claim and \$3,000,000 aggregate per policy year.

The only agency used to produce business for MLA is its affiliate, Pro-Con. A Marketing and Sales Agreement between MLA and Pro-Con is described in the Intercompany Agreements section of this report.

GROWTH OF COMPANY

The table below shows the Company’s premium writings and writing ratios for the examination period.

<u>Year</u>	<u>Direct Premiums Written</u>	<u>Net Premiums Written</u>	<u>Change in Net Premiums</u>	<u>Capital and Surplus</u>	<u>Ratio of Net Premiums to Surplus</u>
2007	\$10,511,920	\$ 8,431,522	na	\$20,679,638	0.41
2008	11,467,116	8,727,947	3.5%	21,959,019	0.40
2009	13,012,104	11,794,167	35.1%	25,776,370	0.46
2010	13,439,652	12,454,706	5.6%	33,100,710	0.38
2011	14,618,223	12,556,607	0.8%	38,081,688	0.33

The large increase in net premiums in 2009 was due to significantly lower ceded premiums resulting from swing rated reinsurance premium credits for favorable loss reserve development. The lack of net premium growth in 2011 was similarly due to higher ceded premiums from swing rated premium charges for adverse loss reserve development.

LOSS EXPERIENCE

The table below shows the Company’s incurred losses and loss ratios for the examination period.

<u>Year</u>	<u>Net Premiums Earned</u>	<u>Net Losses and Loss Adjustment Expenses Incurred</u>	<u>Loss Ratio</u>
2007	\$ 8,140,899	\$2,374,629	29.2%
2008	8,196,563	5,904,967	72.0%
2009	11,078,338	5,192,945	46.9%
2010	11,933,918	495,762	4.2%
2011	12,625,813	3,891,351	30.8%

The level of incurred losses and loss adjustment expenses (LAE) fluctuated greatly during the five year period due to the high variability of reserve development and claims severity for the claims made policies issued by MLA. Every year in the period from 2007 to 2011 had positive development in prior year’s reserves that resulted in the low loss ratios. A change in actuarial methodologies to rely more on MLA’s historical loss patterns instead of industry results was implemented in 2010. This change triggered a large release of incurred but not reported (IBNR) reserves and resulted in the exceptionally low loss ratio for 2010.

REINSURANCE

General

The Company's premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Business	\$10,511,920	\$11,467,116	\$13,012,104	\$13,439,652	\$14,618,223
Assumed – Affiliates	0	0	0	0	0
Assumed – Non-affiliates	0	0	0	0	0
Ceded – Affiliates	(2,080,398)	(2,739,169)	(1,217,937)	(984,946)	(2,061,616)
Ceded – Non-affiliates	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Premiums Written	<u>\$8,431,522</u>	<u>\$8,727,947</u>	<u>\$11,794,167</u>	<u>\$12,454,706</u>	<u>\$12,556,607</u>

Assumed

The Company does not assume any business.

Ceded

The Company's only reinsurance coverage is obtained from its parent, MHP. New reinsurance agreements with MHP are executed on July 1 of each year. The reinsurance agreement between MLA and MHP, effective July 1, 2011, is applicable to risks in force as of the examination date. Pursuant to this agreement, MHP assumes 100% of MLA's losses in excess of MLA's retention of \$500,000 per policy, per occurrence. MLA has a maximum aggregate retention of \$1,500,000 per insured, per policy period. MHP has reinsurance agreements to retrocede a portion of the business assumed from MLA.

There were no changes in the Company's retention or coverage for the reinsurance agreement with MHP, effective from July 1, 2012 to June 30, 2013.

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

ACCOUNTS AND RECORDS

General

Most financially significant software applications are hosted on an IBM iSeries Model E4B server managed by the affiliate, Hospital Services Group. Two applications are outsourced. The Agency Manager system is outsourced to and hosted by Applied Systems, Inc. HSG payroll is hosted on a server of a service provider, Columbia EDP. Perpetual rights to a package insurance processing system (APS System) had been purchased from Policy Management Systems Corporation in South Carolina. This system performs premium processing, claims processing, reserving, and reinsurance processing. HSG has developed an extensive management reporting system around the APS system. The Company has also added capabilities to the system to handle new physician business and added additional reinsurance processing modules tailored to the reinsurance environment. These additional modules handle both premium and losses. On June 1, 2007, HSG implemented a new customer billing system to replace the original billing system included in the APS system. The new billing system was developed in-house and was designed to handle the Company's specific business model, and to address the needs of customers in accounting for policy billing.

The CPA firm, Brown, Smith, Wallace, LLC, of St. Louis, Missouri performed the Company's statutory audits for each year of the examination period.

The actuarial opinion regarding the Company's reserves for losses and loss adjustment expenses was issued by Patrick Devlin, FCAS, MAAA, of PricewaterhouseCoopers, LLP in Atlanta, Georgia, for all years of the examination period.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri DIFP as of December 31, 2011, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 379.098 RSMo (Securities to be Deposited). The funds on deposit were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Book Value</u>
U.S. Treasury Notes	\$1,585,000	\$1,736,627	\$1,597,422

Deposits with Other States

The Company did not have funds on deposit with any other states, as of December 31, 2011.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Medical Liability Alliance for the period ending December 31, 2011. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the Comments on Financial Statement Items. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the Comments on Financial Statement Items section. These differences were determined to be immaterial concerning their effect on the financial statements, and therefore, were only communicated to the Company and noted in the workpapers for each key activity.

Assets as of December 31, 2011

	<u>Assets</u>	<u>Non-Admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$51,395,277	\$ 0	\$51,395,277
Cash and Short-Term Investments	4,774,468	0	4,774,468
Investment Income Due and Accrued	514,946	0	514,946
Uncollected Premiums and Agents' Balances	1,370,025	0	1,370,025
Deferred Premiums and Agents' Balances	2,136,092	0	2,136,092
Net Deferred Tax Asset	<u>856,006</u>	<u>367,670</u>	<u>488,336</u>
TOTAL ASSETS	<u>\$61,046,814</u>	<u>\$367,670</u>	<u>\$60,679,144</u>

Liabilities, Surplus and Other Funds as of December 31, 2011

Losses	\$ 11,300,815
Loss Adjustment Expenses	3,201,747
Commissions Payable	34,390
Other Expenses	152,611
Taxes, Licenses and Fees	31,619
Federal Income Taxes Payable	1,510,210
Unearned Premiums	5,622,005
Advance Premium	311,238
Policyholder Dividends Declared and Unpaid	9,731
Ceded Reinsurance Premiums Payable	362,327
Remittances and Items Not Allocated	<u>60,763</u>
TOTAL LIABILITIES	\$22,597,456
Common Capital Stock	4,200,000
Preferred Capital Stock	2,000,000
Gross Paid In and Contributed Surplus	8,400,000
Unassigned Funds (Surplus)	<u>23,481,688</u>
Surplus as Regards Policyholders	<u>\$38,081,688</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$60,679,144</u>

Statement of Income

For the Year Ended December 31, 2011

Premium Earned	\$12,625,813
DEDUCTIONS:	
Losses Incurred	1,970,800
Loss Adjustment Expenses Incurred	1,920,551
Other Underwriting Expenses Incurred	<u>2,077,383</u>
Total Underwriting Deductions	\$ 5,968,734
Net Underwriting Gain	\$ 6,657,079
Net Investment Income Earned	1,543,730
Net Realized Capital Gains	<u>153,969</u>
Net Investment Gain	\$ 1,697,699
Other Income	0
Dividends to Policyholders	1,014,935
Federal Income Taxes Incurred	<u>2,358,827</u>
Net Income	<u>\$ 4,981,016</u>
CAPITAL AND SURPLUS ACCOUNT:	
Surplus as Regards Policyholders, December 31, 2010	\$33,100,710
Net Income (Loss)	4,981,016
Change in Deferred Income Tax	25,385
Change in Non-Admitted Assets	<u>(25,422)</u>
Surplus as Regards Policyholders, December 31, 2011	<u>\$38,081,689</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Medical Liability Alliance during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Emily Turek and Tim Carroll, examiners for the Missouri DIFP, participated in this examination. Jon Michelson, FCAS, MAAA, of Expert Actuarial Services, LLC, also participated as a consulting actuary.

VERIFICATION

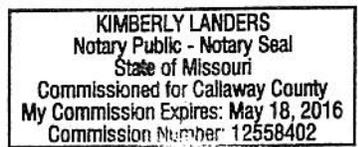
State of Missouri)
)
County of)

I, Tim L. Tunks, 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 Medical Liability Alliance 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.

Tim Tunks
Tim L. Tunks, CPA, CFE
Examiner-In-Charge
Missouri DIFP

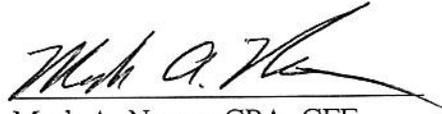
Sworn to and subscribed before me this 18th day of March, 2013.

My commission expires: May 18, 2016 Kimberly Landers
Notary Public

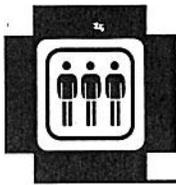


SUPERVISION

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.



Mark A. Nance, CPA, CFE
Audit Manager
Missouri DIFP



Healthcare Services Group

Missouri Hospital Plan

Providers Insurance Consultants, Inc.

Medical Liability Alliance

April 16, 2013

Frederick G. Heese, CFE, CPA, MBA
Chief Financial Examiner & Division Director
Division of Insurance Company Regulation
301 W. High Street, Room 530
P. O. Box 690
Jefferson City MO 65201-0690

RECEIVED
APR 18 2013

MO. DEPT OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

Re: Medical Liability Alliance (MLA)
Examination Report as of December 2011

Dear Mr. Heese:

Your correspondence dated April 11, 2013 is hereby acknowledged. As always, your staff is to be commended on its professionalism and consideration toward the entire HSG staff.

We would like this response to be included in the public document.

The report is hereby accepted as written.

We are also pleased to report that effective April 12, 2013 A. M. Best has upgraded MLA's rating from "A-" (Excellent) to "A" (Excellent) and issuer credit rating from "a-" to "a". Medical Liability Alliance and its parent, Missouri Hospital Plan, are the only Missouri based specialty medical malpractice companies with such ratings.

Finally, please advise when we will be authorized to distribute copies of this Examination Report.

Sincerely,

Joseph B. Moody, CPCU
President - Medical Liability Alliance

Cc - M. Delaney, President, Missouri Hospital Plan
Cc - R. Anderson, Chief Financial Officer