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 Preferred Physicians Medical Risk Retention Group, Inc. for the period ended December 31, 2010

ORDER

After full consideration and review of the report of the financial examination of Preferred Physicians Medical Risk Retention Group, Inc. for the period ended December 31, 2010, 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 Preferred Physicians Medical Risk Retention Group, Inc. as of December 31, 2010, be and is hereby ADOPTED as filed and for Preferred Physicians Medical Risk Retention Group, Inc. 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 29th day of May, 2012.

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

REPORT OF THE

FINANCIAL EXAMINATION OF

PREFERRED PHYSICIANS MEDICAL RISK RETENTION GROUP, INC.

AS OF

DECEMBER 31, 2010

STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Shawnee Mission, KS
March 22, 2012

Honorable Joseph Torti, III, Deputy Director and
Superintendent of Banking and Insurance
Rhode Island Department of Business Regulation
Chair, NAIC Financial Condition (E) Committee

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
Midwestern Zone Secretary

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Gentlemen:

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

Preferred Physicians Medical Risk Retention Group, Inc.

hereinafter referred to as PPMRRG or as the Company. Its administrative office is located at 9000 West 67th Street, Shawnee Mission, Kansas 66202, telephone number 913-262-2585. The fieldwork for this examination began on August 29, 2011, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed our full scope association financial examination of PPMRRG. The last examination was completed as of December 31, 2006 and was conducted by examiners from the State of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC) with no other zone participating. This examination covers the period of January 1, 2007 throu gh December 31, 2010. The examination also includes the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

Procedures

We conducted our 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 (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 the Company, including corporate governance, inherent risks within the Company, system controls, and procedures used to mitigate those risks. This examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and 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 approach. Key activities for PPMRRG included: Investments, Claims, Actuarial Reserves, Premiums, Underwriting, Reinsurance, and Related Party Transactions.

Reliance Upon Others

The examination relied heavily upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Company's independent auditor, McGladrey & Pullen, LLP (McGladrey), of Kansas City, MO, for its audits covering the period from January 1, 2010 through December 31, 2010. Information relied upon included fraud risk analysis, narrative descriptions of processes and controls, substantive premium testing, and legal representation letters.

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, 2010 through the date of this report.

CORPORATE HISTORY

General

Preferred Physicians Mutual Risk Retention Group, Inc. was incorporated on June 17, 1987, and commenced business on June 22, 1987, as a mutual property and casualty insurance company under the provisions of Missouri Law at Chapter 379 (Insurance other than life). Pursuant to a Plan of Conversion and Reorganization, approved by the Company's policyholders, the Company was converted from a mutual company to a stock company effective March 14, 1996.

The Company changed its name to Preferred Physicians Medical Risk Retention Group, Inc., on the same date. Simultaneously, the Company issued 5,000 shares of common stock, which were acquired by PPM Services, Inc., (PPMS) a holding company. Ownership of PPMS was distributed on a pro rata basis per policy to PPMRRG's policyholders of record on March 14, 1996.

The Company issued an additional 500,000 shares in July 1996 and 295,000 shares in August 1996, to PPMS. Since PPMRRG's policyholders are the sole owners of PPMS, the Company remains qualified as a risk retention group.

Capital Contributions

No capital contributions were received by PPMRRG during the examination period.

Dividends

Dividends paid to PPM Services, Inc., as approved by the Board of Directors, are indicated below.

Year Paid	Amount Paid
2010	$ 2,000,000
2009	2,000,000
2008	10,000,000
2007	5,000,000

Mergers and Acquisition

No mergers or acquisitions have occurred during the examination period

CORPORATE RECORDS

A review was made of the Company's Articles of Incorporation and Bylaws for the period under examination. There were no amendments or changes to the Articles of Incorporation during the examination period. The Bylaws were amended and restated on October 16, 2010. Notice by electronic mail was added to Article 5, Section 5.6 and Article 6, Section 6.1 was amended to incorporate the respective committee charter guidelines and procedures.

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

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors comprised of 12 Directors elected by the sole shareholder. The Company's Bylaws specify that the Board of Directors shall consist of not less than nine (9) or more than fifteen (15) persons. The Board of Directors shall be divided into three classes of not less than three nor more than five members. One class of Directors shall be elected each at the annual meeting of the Shareholders for a term of three years. The Directors elected and serving as of December 31, 2010, were as follows:

Name and Address	Business Affiliation
Aubrey Maze, MD, Phoenix, Arizona	Anesthesiologist, CEO of Valley Anesthesiology Consultants, Ltd.
Joseph P. Annis, MD, Austin, Texas	Anesthesiologist
Donn A. Chambers, MD, Atlanta, Georgia	Anesthesiologist
Thomas A. De Bacco, Overland Park, Kansas	President, CEO and Director of iModules, Inc.
Richard A. Kemp. MD, Marion, Massachusetts	Anesthesiologist
Thomas L. Enstrom, JD, Topeka, Kansas	Attorney and Management Consultant
Frank X. Fraas, Lenexa, Kansas	Partner in Cooperative Healthy Savings
Thomas W. Laming, Overland Park, Kansas	Senior Vice President, Scout Investments
Edward C. Mills, CPA, Tonganoxie, Kansas	Former President and CEO of PPMS Former CEO of PPMRRG and PPM Information Solutions, Inc. (PPMIS)
Edward S. Ritter, CPA, Olathe, Kansas	President and CEO of PPMS CEO of PPMRRG & PPMIS Director of Generali USA Life Reassurance Company and Genamerica Management Company
James H. Sederberg, MD, Denver, Colorado	Anesthesiologist President of Colorado Anesthesia Consultants, P.C.
Jay H. Yedlin, MD, Overland Park, Kansas	Anesthesiologist

Pursuant to the Bylaws, the Board of Directors will established four standing committees, these being the Executive Committee; Audit, Actuarial and Compensation Committee; Governance

Committee; and Investment Committee. The Board may also designate one or more Directors to constitute such other Committees not having or exercising the authority of the Board of Directors. As of December 31, 2010, the Committees and members were as follows:

Executive Committee

Aubrey Maze, Chairman
Jay H. Yedlin
Edward S. Ritter
Edward C. Mills
Bruce W. Anderson was appointed, ***ex officio*** without vote, on behalf of the Company

Investment Committee

Thomas W. Laming, Chairman
Thomas L. Enstrom
James H. Sederberg
Edward S. Ritter
Bruce W. Anderson was appointed, ***ex officio*** without vote, on behalf of the Company

Audit, Actuarial and Compensation Committee

Frank X. Fraas, Chairman
Thomas A. De Bacco
Thomas L. Enstrom
Jay H. Yedlin

Governance Committee

Donn A. Chambers, Chairman
Joseph P. Annis
Richard A. Kemp
Edward S. Ritter

The Bylaws specify that the officers of the Company shall consist of a Chairman of the Board, a Chief Executive Officer, a President, a Secretary, a Treasurer and such other officers, and other assistant officers as the Board may from time to time elect. Any two or more offices may be held by the same individual except the offices of President and Vice President, and President and Secretary. The officers shall be elected annually by the Board of Directors at its meeting following the Annual Meeting of the Shareholders. The officers elected and serving as of December 31, 2010, were as follows:

Aubrey Maze, MD, Chairman
Edward S. Ritter, Chief Executive Officer
Steven R. Sanford, President, Chief Operating Officer
Bruce W. Anderson, Vice President-Finance, Treasurer and Secretary
Brent G. Hodges, Vice President-Underwriting

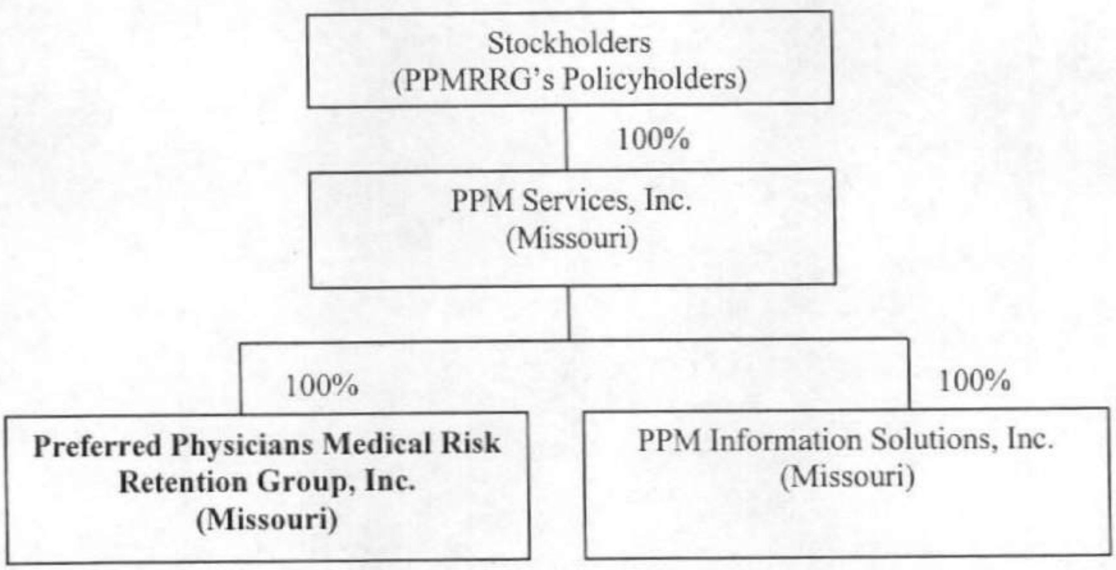
James F. Johnson, Vice President-Sales
Wade D. Willard, Vice President-Claims
Tim J. McGill, Controller and Assistant Vice President-Finance
Nancy E. Kuhn, Assistant Secretary

Holding Company, Subsidiaries and Affiliates

PPMRRG is a member of an Insurance Holding Company System as defined by 382.010 RSMo (Definitions) and is wholly owned by PPMS, the ultimate controlling entity. All stockholders of PPMS are also policyholders of PPMRRG and no one person holds or owns 10% or more of the voting stock of PPMS. An Insurance Holding Company System Registration Statement was filed by PPMS on behalf of PPMRRG for each of the years under examination. PPMS has one other wholly owned subsidiary, PPM Information Solutions, Inc. PPMIS provides information systems and solutions for practicing anesthesiologists.

Organizational Chart

The following organizational chart depicts the holding company system of Preferred Physicians Medical Risk Retention Group, Inc. as of December 31, 2010:



Intercompany Transactions

The Company's intercompany agreements as of December 31, 2010 are outlined below.

1. **Type:** Intercorporate Services and Cost Allocation Agreement

   Parties: PPMS, PPMRRG and PPMIS

Effective: January 1, 2004

Terms: PPMS shall provide services to PPMRRG and PPMIS consisting of executive management consultation and oversight, financial, accounting and tax management and administration, information technology management and administration, computer system administration and human resources administration. In addition, PPMS shall provide facilities consisting of portions of the premises leased by PPMS and the utilities serving such premises, portions of the telephone system owned and/or leased by and maintained by PPMS and portions of the computer and information systems technology management systems owned and/or leased by PPMS.

The anticipated costs of providing these services and facilities as well as the proportionate share of such costs shall be allocated to PPMRRG and PPMS based on an annual budget of anticipated costs including reasonable administrative charges and overhead expenses of PPMS. This annual budget shall be prepared by PPMS and submitted to and approved by the respective Board of Directors of the parties at the first meeting of each Board during the calendar year.

The budget allocations may be adjusted at anytime by the CEO of PPMS with the concurrence of the CFO of PPMS if allocations do not reflect the actual cost of services provided.

2. **Type:** Consolidated Income Tax Agreement

Parties: PPMRRG and PPMS

Effective: March 14, 1996

Terms: PPMS shall file a consolidated federal income tax return and PPMRRG agrees to transfer to PPMS quarterly an amount equal to the federal estimated payment required by the Internal Revenue Service had PPMRRG filed a separate federal income tax return. Additionally, PPMRRG shall compute its separate tax liability as if it had filed a return on a stand-alone basis, and remit to PPMS its pro-rata share of the total consolidated tax liability.

3. **Type:** Revenue Collection Agreement

Parties: PPMRRG and PPMS

Effective: January 1, 1999, and amended November 30, 2009

Terms: Qualified policyholders of PPMRRG are required to purchase a fixed dollar value of common stock in PPMS and contribute a fixed dollar amount to the permanent capital of PPMS usually over a period of four years. This common stock purchase and capital contribution obligation are billed concurrent with premiums of PPMRRG in the same invoice by PPMRRG. Consequently, PPMRRG receives monies that include funds due PPMS for the purchase of common stock and contribution of permanent capital. PPMRRG is required to account for the monies attributable to the stock purchase under "funds held" in its books and records.

PPMRRG further obligates to remit the funds to PPMS within fifteen (15) days following the end of the month in which the related premium is recorded. The Company does not charge PPMS any fees for collecting these monies.

The amounts paid to PPMS under the Intercorporate Services and Cost Allocation Agreement during the examination period were as follows:

	2010	2009	2008	2007
Intercorporate Services and Cost Allocation Agreement	$ 1,915,320	$1,420,950	$ 2,523,839	$1,187,985

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Company is a named insured on a Financial Institution Bond, with a liability limit of $1,000,000 and a deductible of $25,000. This level of coverage is sufficient to meet the suggested minimum amount of fidelity insurance coverage according to NAIC guidelines.

PPMRRG is also a named insured along with PPMS and PPMIS on various other standard insurance policies which include but are not limited to Business Owners Commercial Package, Workers Compensation, Umbrella Liability, Crime Policy, Errors & Omissions, Directors & Officers Liability, and Fiduciary Liability

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

PPMRRG provides the following benefits to its employees: 401(k) savings plan, major medical, dental, group short-term and long-term disability insurance, term life insurance, accidental death and dismemberment insurance, supplemental life insurance, educational assistance, family/medical leave, paid holidays, paid time off, and a Section 125 Plan.

The Section 125 Plan allows for contributions toward insurance premium, out-of-pocket medical expenses, and dependent care expenses on a pre-tax basis.

The Company's 401(k) Savings Plan (Plan) is open to all employees after six months of employment. Under the Plan, the Company will match employee contributions at 50% up to a maximum of 6% of eligible wages. The Company may also make additional discretionary contributions to the Plan.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operations

PPMRRG is licensed under Chapter 379 RSMo to write the business of property and casualty insurance in the State of Missouri. The Company is authorized as a risk retention group in 41 states and actively writes business in 34 states. As of December 31, 2010, approximately 64% of the Company's direct written premiums were concentrated in seven states: Arizona, Florida, Maryland, Missouri, New York, Texas, and Virginia.

PPMRRG only writes one line of business, medical malpractice coverage for anesthesiologists, including their practice entities and health care extenders. Marketing is through direct mail and an in-house sales force. The Company also has a field agent in the State of Florida as required by Florida statute.

The Company's policies are issued primarily on a claims-made basis. Policyholders can also purchase an extended reporting endorsement which provides coverage on an occurrence basis. As of December 31, 2010, approximately 97.5% of net premiums written were on a claims-made basis with the remaining 2.5% being on an occurrence basis.

As a risk retention group, only policyholders are allowed to purchase stock in the Company's parent, PPM Services, Inc. to meet the requirements of the Federal Risk Retention Act. As of December 31, 2010, all full-time practicing anesthesiologists insured by PPMRRG were required to purchase $1,800 in shares of PPM Services, Inc. and make $1,800 of permanent capital contributions to PPM Services, Inc. over a four-year period. Effective July 1, 2011, the Company adjusted capital purchase requirements to eliminate future contributions to permanent capital and to reduce required share purchases to $1,000 over four years.

GROWTH OF THE COMPANY AND LOSS EXPERIENCE

As of December 31, 2010 the Company's capital and surplus has increased by $39.4 million, a 92% increase from December 31, 2006. Loss experience has been very favorable with substantial underwriting gains for the Company during this examination period. Premium growth has been modest due to the Company being a specialty writer of medical malpractice insurance for anesthesiologists. The growth and loss experience of the Company is summarized in the following schedule.

	2010	2009	2008	2007
Direct Written Business	$41,342,734	$38,361,453	$37,739,921	$39,343,192
Net Written Premiums	34,908,813	30,552,294	32,176,753	29,441,593
Net Underwriting Gain	13,351,587	12,974,212	11,506,135	22,066,528
Net Income (Loss)	12,284,374	12,457,229	9,995,363	18,707,280
Net Loss & LAE Reserves	67,442,717	63,610,541	63,195,401	59,658,412
Total Capital & Surplus	75,699,717	64,367,435	52,310,633	53,041,786
Direct Written Premium to Surplus	54.61%	59.60%	72.15%	74.17%
Net Written Premium to Surplus	46.11%	47.47%	61.51%	55.51%
Net Loss & LAE Reserves to Surplus	89.09%	98.82%	120.81%	112.47%
Loss and LAE Incurred to Premiums Earned	43.70%	38.20%	48.50%	8.60%

REINSURANCE

General

The Company's reinsurance and premium activity during the period under examination is as follows:

Premiums	**2010**	**2009**	**2008**	**2007**
Direct	$41,342,734	$38,361,453	$37,739,921	$39,343,192
Assumed	-	-	-	-
Ceded	6,433,921	7,809,159	5,563,168	9,901,599
Net Premiums Written	$34,908,813	$30,552,294	$32,176,753	$29,441,593

Assumed

The Company does not assume any premiums.

Ceded

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.

Effective January 1, 2010, the Company entered into an Excess of Loss reinsurance agreement with the following reinsurers:

	Participation
Ace Property and Casualty Insurance Co.	25%
Axis Reinsurance Company	10%
Hannover Ruckversicherungs-Aktiengesellschaft	15%
Platinum Underwriters Reinsurance, Inc.	15%
Transatlantic Reinsurance Company	35%

Under this agreement, the reinsurers shall participate in losses in excess of the Company's retention of $300,000 per claim up to a loss limit of $700,000 per claim and $2,200,000 aggregate as respects each insured, each claim. In addition, and as respects policies with limits greater than $1,000,000 for New York state insureds, the Company's retention is the first $1,000,000, with the reinsurers assuming 90% of the amount by which the ultimate net loss exceeds the Company's retention up to a limit of $1,300,000 each insured, each claim. For policies issued to insureds domiciled in the Commonwealth of Virginia with limits greater than $1,000,000, the Company's retention is the first $1 million, with the reinsurers assuming 90% of the amount by which the ultimate net loss exceeds the Company's retention up to a loss limit of $1,000,000 each insured, each claim.

The Company entered into a new reinsurance agreement effective January 1, 2011. The new agreement is essentially the same as the prior agreement with the same reinsurers and participation levels, but the premium structure has been modified.

For policies with limits in excess of $1 million in states other than New York and Virginia, General Reinsurance Corporation provides facultative reinsurance on a risk-by-risk basis. The Company retains no risk related to these facultative cessions.

AON Benfield was utilized as a reinsurance intermediary/broker during this examination period.

ACCOUNTS AND RECORDS

Financial Reporting and Investment and Fund Management utilize the Solomon (version 6) Financial Accounting Software, a Microsoft SQL-based application. Solomon has not been upgraded in the PPMRRG server since 2003. All other financially significant functions utilize IPS, a proprietary application developed by Bruce Anderson, VP of Finance. The programming language used for IPS was originally written in FoxPro and subsequently re-written in Visual FoxPro during 1998. Due to support for Visual FoxPro being gradually phased out by Microsoft (the current owner of rights to FoxPro and Visual FoxPro), PPMRRG has begun a major IPS conversion (to be known as IPS2) into a more universal programming language, most likely SQL-based, that will be supported on a .NET framework. Current IPS code changes, such as product pricing changes, are being handled by a contract programmer from vendor Visionpace. Systems and network security are contracted through Tekniq Data Corporation.

The CPA firm of McGladrey & Pullen LLP, Kansas City, Missouri performed the Company's statutory audit for the years ending December 31, 2008, 2009, and 2010. McGladrey & Pullen LLP, Omaha, Nebraska performed the Company's statutory audit for the year ending December, 31, 2007.

The actuarial opinions certifying the Company's reserves as of December 31, 2010 and 2009 were provided by Christopher Walker, FCAS, MAAA, of PricewaterhouseCoopers LLP, Chicago, Illinois. The actuarial opinions certifying the Company's reserves as of December 31, 2008 and 2007 were provided by Donald P. Skrodenis, FCAS, MAAA, also of PricewaterhouseCoopers LLP.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2010, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with RSMo Section 379.098 (Securities to be deposited by all companies). The Company's required deposit was $800,000. The funds on deposit were as follows:

Description	Par Value	Fair Value	Book/Adjusted Carrying Value
U.S. Treasury Note	$1,000,000	$1,015,320	$1,009,754

Deposits with Other States

The Company does not maintain any other statutory deposit with any other state.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Preferred Physicians Medical Risk Retention Group, Inc. for the period ending December 31, 2010. 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". 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 individual activity.

Assets

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$145,216,635	$ -	$145,216,635
Common Stock	6,661,305	-	6,661,305
Cash, Cash Equivalents, and Short-term Investments	8,983,156	-	8,983,156
Other Invested Assets	5,304,457	-	5,304,457
Receivable for Securities	8,022	-	8,022
Investment Income Due and Accrued	1,270,111	-	1,270,111
Amount Recoverable from Reinsurers	297,635	-	297,635
Current Federal and Foreign Income Tax Recoverable and Interest thereon	916,277	-	916,277
Net Deferred Tax Asset	3,750,186	1,884,816	1,865,370
Electronic Data Processing Equipment and Software	43,445	-	43,445
Furniture and Equipment	18,041	18,041	-
Receivable from Parent, Subsidiaries and Affiliates	1,791	-	1,791
Due from Others	250	-	250
Reorganization Costs	13,077	13,077	-
TOTAL ASSETS	**$172,484,388**	**$1,915,934**	**$170,568,454**

Liabilities, Surplus and Other Funds

Losses	$ 43,257,265
Loss Adjustment Expenses	24,185,452
Other Expenses	3,864,342
Taxes, Licenses and Fees	326,786
Unearned Premiums	5,735,884
Advance Premium	6,976,814
Ceded Reinsurance Premiums Payable	9,390,922
Amounts Withheld or Retained by Company for Account of Others	741,940
Payable to Parent, Subsidiaries and Affiliates	389,332
TOTAL LIABILITIES	94,868,737
Write-in: SSAP 10R, Paragraph 10f	1,406,850
Common Capital Stock	800,000
Gross Paid In and Contributed Surplus	13,094,730
Unassigned Funds (Surplus)	60,398,137
Surplus as Regards Policyholders	75,699,717
TOTAL LIABILITIES AND SURPLUS	**$170,568,454**

Statement of Income

Underwriting Income:	
Premiums Earned	$33,904,423
Losses Incurred	8,778,152
Loss Adjustment Expenses Incurred	6,023,649
Other Underwriting Expenses Incurred	5,751,035
Total Underwriting Deductions	20,552,836
Net Underwriting Gain or (Loss)	13,351,587
Investment Income:	
Net Investment Income Earned	5,403,053
Net Realized Capital Gains Less Capital Gains Tax	6,861
Net Investment Gain	5,409,914
Net Income Before Federal and Foreign Income Taxes	18,761,501
Federal and Foreign Income Taxes Incurred	6,477,127
NET INCOME	**$12,284,374**

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2009	$64,367,435
Net Income (Loss)	12,284,374
Change in Net Unrealized Capital Gains less Capital Gains Taxes	916,051
Change in Net Deferred Income Tax	(95,368)
Change in Non-Admitted Assets	(236,589)
Dividends to Stockholders	(2,000,000)
Write-in: SSAP 10R, Paragraph 10f	463,813
Change in Surplus as regards Policyholders for 2010	11,332,281
Surplus as regards policyholders, December 31, 2010	**$75,699,716**

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUMMARY OF RECOMMENDATIONS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Preferred Physicians Medical Risk Retention Group, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kim Dobbs, CFE, Alvin Garon, CFE, and Timothy Carroll examiners for the DIFP, participated in this examination.

VERIFICATION

State of Missouri)
County of)

I, Leslie A. Nehring, CPA, CFE, 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 Preferred Physicians Medical Risk Retention Group, Inc., 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.

Leslie A. Nehring, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 20th day of March, 2012.

My commission expires: 04/14/2012

B. M. Webb
Notary Public

BEVERLY M. WEBB
Notary Public - Notary Seal
STATE OF MISSOURI
County of Clay
My Commission Expires 4/14/2012
Commission # 08464070

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, except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

Mark A. Nance, CFE, CPA
Audit Manager
Missouri Department of Insurance, Financial
Institutions and Professional Registration