



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

After full consideration and review of the report of the financial examination of Missouri Doctors Mutual Insurance Company for the period ended December 31, 2023, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Angela L. Nelson, Director of the Missouri Department of Commerce and Insurance 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 finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

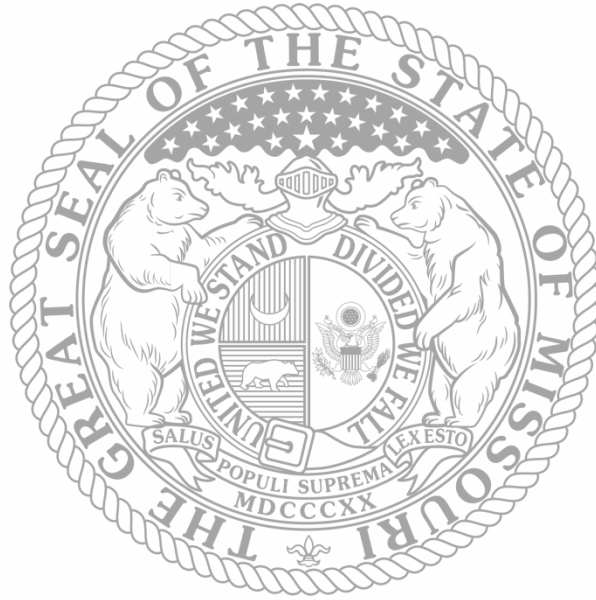
Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Missouri Doctors Mutual Insurance Company as of December 31, 2023, be and is hereby ADOPTED as filed and for Missouri Doctors Mutual Insurance Company to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement and verify compliance with each item mentioned in the Comments on the Financial Statement and/or Summary of Recommendations section of such report; and (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 30th day of June, 2025.



A handwritten signature in blue ink that reads "Angela L. Nelson".

Angela L. Nelson, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

MISSOURI DOCTORS MUTUAL INSURANCE COMPANY

AS OF
DECEMBER 31, 2023

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
May 19, 2025

Honorable Angela L. Nelson, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Nelson:

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

Missouri Doctors Mutual Insurance Company (NAIC #11964)

hereinafter referred to as such, as MoDocs, or as the Company. Its administrative office is located at 601 Francis Street, St. Joseph, Missouri 64501, telephone number (816)-901-9950. The fieldwork for this examination began on October 1, 2024, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Missouri Doctors Mutual Insurance Company. The last examination of the Company by the Department covered the period of January 1, 2017, through December 31, 2019. The current examination covers the period of January 1, 2020, through December 31, 2023, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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 will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to MoDocs included investments, underwriting, and claims handling and reserving. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact, as mentioned in section 374.205 of the Revised Statutes of Missouri (RSMo) (Examination, director may conduct, when...) 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 are separately communicated to other regulators and/or the Company.

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.

COMPANY HISTORY

General

Missouri Doctors Mutual Insurance Company was issued a Certificate of Incorporation by the Missouri Secretary of State on February 24, 2004, which stated, "it is entitled to all rights and privileges granted corporations under the Missouri Nonprofit Corporation Law." The Company was issued a Certificate of Authority by the Department on March 16, 2004, to operate as an assessable malpractice insurance corporation pursuant to Chapter 383 RSMo. (Malpractice Insurance Law) and commenced business on April 2, 2004.

In accordance with its Articles of Association, MoDocs is a not-for-profit corporation and operates as a mutual benefit corporation. The Company is owned by its physician member-insureds.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers, acquisitions, or other major corporate events during the examination period.

Dividends and Capital Contributions

MoDocs is organized as an assessment association and is not authorized to issue capital stock. Dividends may be paid to members in accordance with resolutions passed by the Board of Directors, but only when positive surplus exists before and after the dividend is paid. There were no dividends or capital contributions during the examination period.

Each member is required to pay assessments in accordance with the Company's Articles of Association and Bylaws.

Surplus Notes

There were no surplus notes issued or outstanding during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors (Board) that are elected by the membership. The Company's Bylaws specify that there shall be three directors. The Directors elected and serving as of December 31, 2023, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
James F. Conant, MD St. Joseph, Missouri	Board Chair, Missouri Doctors Mutual Insurance Company Private Practice Physician
Judith E. Hausman St. Joseph, Missouri	Chief Financial Officer Missouri Doctors Mutual Insurance Company
Robert O. Schaaf, MD St. Joseph, Missouri	Secretary/Treasurer, Missouri Doctors Mutual Insurance Company Private Practice Physician

Senior Officers

The officers serving, as of December 31, 2023, were as follows:

<u>Name</u>	<u>Office</u>
James F. Conant, MD	Chairman of the Board
Paul E. Schoenlaub	President
Judith E. Hausman	Chief Financial Officer
Robert O. Schaaf, MD	Secretary and Treasurer

Principal Committees

Pursuant to the Bylaws, the Chairman of the Board may appoint committees for such purposes as circumstances warrant. There were no active Board committees during the examination period. The Company does have a Claims Committee, but it is an informal committee maintained by management.

Corporate Records

The Company's Articles of Association (Articles) and Bylaws were reviewed. The Articles were amended and restated effective August 27, 2020. Key changes from the prior version included an updated address for the registered office and the addition of a paragraph that protects Officers and Directors from claims against them by the members. The Bylaws were amended effective August 11, 2020, to update requirements for Directors. The minutes of the Board of Directors were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

MoDocs is not a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). MoDocs is a single entity, owned by the membership with no equity holdings of its own. The Company is not subject to the insurance holding company requirements of traditional insurers prescribed under Chapter 382 RSMo (Insurance Holding Companies).

Intercompany Transactions

From its inception until the Company terminated the agreement, effective December 31, 2022, MoDocs was party to a Management Agreement with Robert Martin, Ltd. (RML). Although RML is not considered to be a part of a holding company system, it is considered to be a related party to MoDocs as it is co-owned by former MoDocs President, Robert Martin, and current MoDocs Secretary/Treasurer, Robert Schaaf.

There were no active intercompany agreements as of December 31, 2023.

TERRITORY AND PLAN OF OPERATION

MoDocs is licensed as an assessable malpractice association and has the authority to write medical malpractice insurance under Chapter 383 RSMo (Malpractice Insurance). The Company only writes business in Missouri. Coverage is issued primarily on a claims-made basis with maximum incident/aggregate coverage limits of \$500 thousand/\$1 million; \$100 thousand/\$300 thousand; \$200 thousand/\$600 thousand, \$1 million/\$1 million, and \$1 million/\$3 million. Members can purchase retroactive reporting (nose) coverage to protect against claims that occurred prior to the issuance date of their policy. An extended reporting (tail) endorsement, which provides coverage on an occurrence basis, can be purchased by members to protect against claims reported after their claims-made policy has expired. Free tail coverage is provided in the event of a member's death, disability, or retirement.

GROWTH OF COMPANY AND LOSS EXPERIENCE

Net premiums written decreased year-to-year in three of the four years under examination. However, in response to the annual decline in written premiums, in early 2022, MoDocs implemented a new marketing strategy, transitioning from an internal sales and marketing team to an external marketing firm focused on digital marketing. This was a driving factor for the increase in net written premium in 2022.

Total surplus fell to a negative position in 2017. As a result, and in accordance with section 383.035, RSMo. (Association subject to certain laws), on March 5, 2018, the Department Director issued an order requiring Mo Docs to submit a voluntary plan to restore its surplus to at least zero dollars. The Company reported positive surplus in 2021, 2022, and 2023.

The table below summarizes the Company's premium writings and writing ratios for the period under examination:

Year	Net Premiums Written	Change in Net Premiums	Capital and Surplus	Ratio of Net Premiums to Surplus
2020	\$ 3,257,238	\$ (408,377)	\$ (237,085)	(1,373.9%)
2021	3,090,884	(166,354)	106,700	2,896.8%
2022	3,135,142	44,258	181,821	1,724.3%
2023	3,132,923	(2,219)	67,178	4,663.6%

Losses incurred have historically been low in comparison to premiums earned. Loss adjustment expenses (LAE) remained somewhat high due to the Company's prior claims handling philosophy of vigorously defending claims against its insureds. MoDocs reported adverse loss development in each year of the examination period.

The table below summarizes the Company's incurred losses and loss ratios for the period under examination:

Year	Net Premiums Earned	Net Losses	Net LAE	Net Loss & LAE Ratio
2020	\$ 3,524,686	\$ 495,082	\$ 554,365	29.8%
2021	3,211,773	798,303	872,202	52.0%
2022	3,186,071	442,667	1,456,917	59.6%
2023	3,118,720	1,067,983	1,004,850	66.5%

REINSURANCE

General

MoDocs does not have a reinsurance program as a means of sharing risk and has not assumed or ceded any business since its inception. Companies licensed under Chapter 383 RSMo (Malpractice Insurance) are not statutorily required to maintain reinsurance coverage.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, John W. Gillum, CPA, LLC, located in Kirksville, Missouri performed the statutory audit of the Company for each year under examination. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, journal entry testing, investment confirmations, and consideration of fraud.

Actuarial Opinion

The Company's actuarial opinion regarding loss reserves, loss adjustment expense reserves, and other actuarial items was issued by Robert J. Walling III, FCAS, MAAA, CERA for all years in the examination period. Mr. Walling is employed by Pinnacle Actuarial Resources, Inc., located in Biltmore Lake, North Carolina.

Consulting Actuary

Pursuant to a contract with the Department, Kristine M. Fitzgerald, ACAS, MAAA, FCA of Actuarial & Technical Solutions, located in Chapel Hill, North Carolina, reviewed the underlying actuarial assumptions and methodologies used by MoDocs to determine the adequacy of loss reserves and loss adjustment expense reserves. Ms. Fitzgerald determined that the Company made a reasonable provision for the loss and loss adjustment expense reserves that were reported in the statutory financial statements, as of December 31, 2023.

Information Systems

Kimberly Dobbs, CFE, AES, CISA, Information Systems Financial Examiner-in-Charge for the Department, conducted a review of the Company's information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Missouri Doctors Mutual Insurance Company for the period ending December 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. 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 key activity.

ASSETS

As of December 31, 2023

	Assets	Nonadmitted Assets	Net Admitted Assets
Real Estate:			
Properties Occupied by the Company	\$ 551,971	\$ 89,688	\$ 462,283
Cash, Cash Equivalents, and Short- Term Investments	2,873,990	-	2,873,990
Investment Income Due and Accrued	10,637	-	10,637
Premiums and Considerations:			
Deferred Premiums, Agents' Balances, and Installments Booked but Deferred and Not Yet Due	915,012	3,581	911,431
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	12,830	-	12,830
Net Deferred Tax Asset	70,646	70,646	-
Electronic Data Processing Equipment and Software	11,433	9,431	2,002
Furniture and Equipment, Including Health Care Delivery Assets	5,540	5,540	-
Aggregate Write-Ins for Other-Than- Invested Assets	628	628	-
TOTAL ASSETS	\$ 4,452,687	\$ 179,514	\$ 4,273,173

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2023

Losses	\$ 1,312,019
Loss Adjustment Expenses	1,187,309
Other Expenses	246,003
Taxes, Licenses, and Fees	23,608
Unearned Premiums	1,213,138
Advance Premiums	109,277
Aggregate Write-Ins for Liabilities	114,641
TOTAL LIABILITIES	\$ 4,205,995
Gross Paid In and Contributed Surplus	300
Unassigned Funds (Surplus)	66,878
TOTAL CAPITAL AND SURPLUS	\$ 67,178
TOTAL LIABILITIES AND SURPLUS	\$ 4,273,173

STATEMENT OF INCOME
For the Year Ended December 31, 2023

Premiums Earned	\$ 3,118,720
DEDUCTIONS:	
Losses Incurred	1,067,983
Loss Adjustment Expenses Incurred	1,004,850
Other Underwriting Expenses Incurred	1,305,137
Total Underwriting Deductions	<u>\$ 3,377,970</u>
Net Underwriting Gain (Loss)	\$ (259,250)
Net Investment Income Earned	111,546
Net Investment Gain (Loss)	\$ 111,546
Finance and Service Charges Not Included in Premiums	37,699
Aggregate Write-Ins for Miscellaneous Income	2,606
NET INCOME (LOSS)	<u>\$ (107,399)</u>

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2020, to December 31, 2023

	2020	2021	2022	2023
Capital and Surplus, Beginning of Year	\$ (1,223,569)	\$ (237,085)	\$ 106,700	\$ 181,821
Net Income (Loss)	1,038,138	299,736	63,508	(107,399)
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	(768)	(13,872)	14,640	-
Change in Net Deferred Income Tax	(191,622)	(71,449)	(20,624)	(8,880)
Change in Nonadmitted Assets	140,737	129,370	17,597	1,636
Net Change in Capital and Surplus	<u>\$ 986,484</u>	<u>\$ 343,785</u>	<u>\$ 75,121</u>	<u>\$ (114,643)</u>
Capital and Surplus, End of Year	<u>\$ (237,085)</u>	<u>\$ 106,700</u>	<u>\$ 181,821</u>	<u>\$ 67,178</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

Reinsurance

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MoDocs does not currently have reinsurance coverage. Given the current level of policyholder surplus, a single claim approaching the policy limit of \$1 million could threaten the Company as a going concern. The Company should continue to work with reinsurance intermediaries in an effort to obtain reinsurance at a reasonable cost as a means of sharing insured risks.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2023, through the date of this report.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Missouri Doctors Mutual Insurance Company during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Tim Tunks, CPA, CFE, and Emily Pennington, CFE, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
)
County of Platte) SS

I, Laura Church, 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 Missouri Doctors Mutual Insurance 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.

La Chelle

Laura Church, CPA, CFE
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

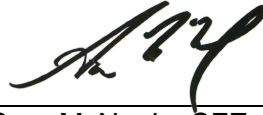
Sworn to and subscribed before me this 28th day of May, 2025.

My commission expires: 6-10-2026 Anna Rhodes
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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance