



DEPARTMENT OF COMMERCE & INSURANCE

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

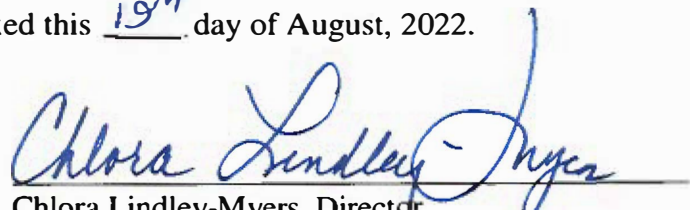
ORDER

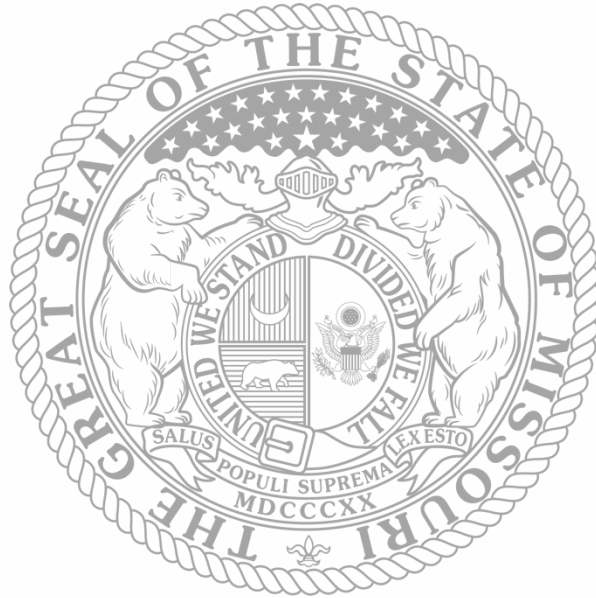
After full consideration and review of the report of the financial examination of Missouri Medical Malpractice Joint Underwriting Association for the period ended December 31, 2020, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, 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 Medical Malpractice Joint Underwriting Association as of December 31, 2020 be and is hereby ADOPTED as filed and for Missouri Medical Malpractice Joint Underwriting Association 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) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 19th day of August, 2022.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

MISSOURI MEDICAL MALPRACTICE JOINT UNDERWRITING ASSOCIATION

AS OF
DECEMBER 31, 2020

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY	2
GENERAL.....	2
MERGERS, ACQUISITIONS, AND MAJOR CORPORATE EVENTS	2
DIVIDENDS AND CAPITAL CONTRIBUTIONS	2
SURPLUS NOTES.....	2
MANAGEMENT AND CONTROL	2
BOARD OF DIRECTORS	2
SENIOR OFFICERS	3
CORPORATE RECORDS.....	3
TERRITORY AND PLAN OF OPERATION	3
GROWTH OF COMPANY AND LOSS EXPERIENCE	4
REINSURANCE	4
GENERAL.....	4
ACCOUNTS AND RECORDS	5
INDEPENDENT AUDITOR	5
ACTUARIAL OPINION	5
CONSULTING ACTUARY.....	5
INFORMATION SYSTEMS	5
FINANCIAL STATEMENTS	5
ASSETS.....	6
LIABILITIES, SURPLUS AND OTHER FUNDS.....	6

SUMMARY OF OPERATIONS.....	7
RECONCILIATION OF CAPITAL AND SURPLUS	7
COMMENTS ON FINANCIAL STATEMENT ITEMS	8
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	8
SUMMARY OF RECOMMENDATIONS.....	8
SUBSEQUENT EVENTS	8
ACKNOWLEDGMENT	9
VERIFICATION.....	9
SUPERVISION	10

Jefferson City, MO
July 15, 2022

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

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

Missouri Medical Malpractice Joint Underwriting Association (NAIC #15246)

hereinafter referred to as such, as JUA, or as the Association. Its administrative office is located at 4700 Country Club Drive, Jefferson City, Missouri 65109, telephone number 573-893-5300. The fieldwork for this examination began on December 9, 2021, 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 Medical Malpractice Joint Underwriting Association. The last examination of the Association by the Department covered the period of January 1, 2011 through December 31, 2015. The current examination covers the period of January 1, 2016 through December 31, 2020, 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 Association, 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 Association'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 Association's financial statements.

All accounts and activities of the Association were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to JUA included Investments, Underwriting, Reserving & Claims. 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 RSMo (Examination, director may conduct, when...) and general information about the Association 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 Association.

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

The Missouri Medical Malpractice Joint Underwriting Association was established to provide medical professional liability insurance that is not otherwise reasonably available in the voluntary market, and began issuing policies effective June 2004. The JUA was activated in July of 2003 upon determination by the Director of the Missouri Department of Commerce and Insurance (the Department) at a public hearing that medical malpractice liability insurance was not reasonably available for some health care providers in the State of Missouri. The JUA is governed by section 383.150 through 383.195, RSMo. Its Members consist of all Missouri licensed insurers authorized to underwrite casualty insurance business under Chapter 379, RSMo. The JUA has authority to assess its members, rather than its policyholders, and is not subject to protection of the Missouri Guaranty Fund.

Mergers, Acquisitions, and Major Corporate Events

No mergers or acquisitions occurred during the examination period.

Dividends and Capital Contributions

There were no dividends declared or paid or capital contributions received during the period under examination.

Surplus Notes

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

MANAGEMENT AND CONTROL

Board of Directors

The management of the JUA is vested in a Board of Directors that are appointed by the Department Director pursuant to Section 383.175, RSMo (Board of directors, qualifications...) for the terms specified in the Plan of Operation. According to this statute as amended in 2020, the Association shall be governed by a board of eight directors.

The individuals appointed and serving on the Board of Directors, as of December 31, 2020, were as follows:

Name and Address

Principal Occupation and Business Affiliation

Aaron Angel
Columbia, MO

Underwriting Manager
State Farm Insurance

Anthony Bowser
Fort Wayne, IN

Vice President and Treasurer
MedPro Group

Kim Decker
Oklahoma City, OK

Director Government Affairs
Farmers Insurance Company

Andi Lockridge
Cameron, MO

Executive Vice President and General Counsel
Cameron Mutual Insurance Company

David Monaghan
Jefferson City, MO

Government Affairs Counsel
American Family Insurance Company

Jason Rudis
Chicago, IL

Director Government Relations
CNA Insurance Company

Michael Stern
Chicago, IL

Vice President Government Affairs
ACE Group

Brian Waller
Columbia, MO

Vice President Government Relations
Shelter Insurance Companies

Senior Officers

The officers elected and serving, as of December 31, 2020, were as follows:

Name

Office

Brian Waller

Chairman

Jason Rudis

Secretary/Treasurer

David Monaghan

Vice Chairman

Corporate Records

In accordance with Section 383.155 RSMo (Association created...), within forty-five days following the creation of the JUA, the Board of Directors shall submit to the DIFP Director for his or her review, a proposed Plan of Operation (Plan). The Plan is similar to the Bylaws for traditional insurance companies. According to the statute, the Plan shall provide for economic, fair and nondiscriminatory administration and for the prompt and efficient distribution of medical malpractice insurance, and shall contain other provisions including, but not limited to, preliminary assessment of all members for initial expenses to commence operations, establishment of necessary facilities, management of the association, assessment of members to defray losses and expenses, reasonable and objective underwriting standards, acceptance and cession of reinsurance, appointment of a servicing company and procedures for determining amounts of insurance to be provided by the Association. The Association's Plan was filed and was approved by the Department Director, and the JUA began operations in 2004.

TERRITORY AND PLAN OF OPERATION

The JUA was established to provide medical professional liability insurance that is not otherwise reasonably available in the voluntary market under Missouri malpractice insurance law at Chapter 383 RSMo. The Association began issuing policies in June 2004. The JUA is determined to be the insurer of last resort and in order to be eligible for coverage, a health care provider shall:

- Be duly licensed or registered as a health care provider under Missouri law and meet the definition of a health care provider as stated in Section 383.150 RSMo., (Definitions);
- Have a professional health care practice which is located in whole or part within the State of Missouri;
- Be seeking professional liability or related coverages through the Association, only for Missouri activities or premises;
- Provide proof of similar coverages for all professional activities rendered and premises situated in other states;
- Pay the premium or portion thereof required by the underwriting manual of the JUA;
- Have no unpaid, uncontested premium due for prior insurance;
- Agree to participate in any loss control steps or programs required by the JUA; and
- Conform to any other reasonable underwriting guidelines in the underwriting manual.
- Have been unable to obtain such coverage through the voluntary market for the period of time for which coverage is requested at comparable cost
- Not participate in the certification of patients for the medical use of marijuana.

The JUA provides occurrence-based professional liability insurance and incidental general liability coverage with limits of \$1 million per incident and \$3 million per policy year. The JUA also offers prior acts coverage for policyholders who were previously insured on a claims-made basis with a different carrier. Effective January 1, 2021, the JUA transitioned from offering occurrence-based coverage to claims made coverage.

The MMMJUA has no employees. The day-to-day operations of the Association are managed by Hospital Services Group, Inc. (HSG) under a management services agreement effective January 1, 2019 through December 31, 2021. In February 2021, the Board approved a three-year extension to this contract effective January 1, 2022.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Association’s growth and loss experience for the period under examination:

(\$000s omitted)

Year	Net Premiums	Change in Net Premiums	Benefits and Losses	Capital and Surplus	Ratio of Net Premiums to Surplus	Net Income (Loss)
2016	\$ 426	-20.22%	\$ 1,861	\$ 3,500	12.17%	\$ (277)
2017	489	14.79%	1,874	3,374	14.49%	(126)
2018	546	11.66%	1,652	2,224	24.55%	(1,149)
2019	216	-60.44%	3,172	717	30.13%	(1,507)
2020	307	42.13%	2,349	1,060	28.96%	306

REINSURANCE

General

The JUA does not have a reinsurance program; therefore, it did not cede or assume any business during the examination period.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm Armanino LLP (formerly known as Brown, Smith, Wallace, LLC), in St. Louis, Missouri, performed the statutory audit of the Association for the years under exam. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, CPA walkthroughs and substantive testwork for the key activities: Investments, Premiums & Underwriting, Reinsurance, and Reserving & Claims.

Actuarial Opinion

The JUA's actuarial opinion regarding loss reserves, loss adjustment expense (LAE) reserves, and other actuarial items was issued by Russel L. Sutter, FCAS, MAAA, for the 2020 examination year. Russel L. Sutter is employed by Willis Towers Watson in St. Louis, MO. James Votta, FCAS, MAAA, of Ernst and Young issued the actuarial opinion for 2019. Christian Lemay, FCAS, MAAA, of Ernst and Young issued the actuarial opinion for years 2016 through 2018.

Consulting Actuary

Pursuant to a contract with the Department, Bobby Jaegers of Taylor & Mulder, Inc. reviewed the underlying actuarial assumptions and methodologies used by JUA to determine the adequacy of loss reserves and LAE reserves. Bobby Jaegers determined that the Association made a reasonable provision for the loss and LAE reserves that were reported in the statutory financial statements, as of December 31, 2020.

Information Systems

In conjunction with this examination, Kimberly Dobbs, CFE, AES, Information Systems Financial Examiner with the Department, conducted a review of the Association's information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Association with the Department and present the financial condition of Missouri Medical Malpractice Joint Underwriting Association for the period ending December 31, 2020. 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 Association and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 3,456,764	\$ 0	\$ 3,456,764
Cash and Short-Term Investments	119,432	0	119,432
Investment Income Due and Accrued	15,866	0	15,866
Uncollected Premiums and Agents' Balances	13,386	0	13,386
TOTAL ASSETS	\$ 3,605,447	\$ 0	\$ 3,605,447

LIABILITIES, SURPLUS AND OTHER FUNDS

As of December 31, 2020

Losses	\$ 1,696,000
Loss Adjustment Expenses	652,577
Other Expenses	61,604
Unearned Premiums	71,818
Aggregate Write-Ins for Liabilities	63,000
TOTAL LIABILITIES	\$ 2,544,999
Gross Paid In and Contributed Surplus	3,951,794
Unassigned Funds (Surplus)	(2,891,346)
SURPLUS AS REGARDS POLICYHOLDERS	\$ 1,060,448
TOTAL LIABILITIES AND SURPLUS	\$ 3,605,447

SUMMARY OF OPERATIONS
For the Year Ended December 31, 2020

Premiums Earned	\$	274,816
DEDUCTIONS:		
Losses Incurred		(154,000)
Loss Adjustment Expenses Incurred		(56,656)
Other Underwriting Expenses Incurred		230,981
Aggregate Write-ins for Underwriting Deductions		34,000
Total Underwriting Deductions	\$	54,325
Net Underwriting Gain (Loss)	\$	220,491
Net Investment Income Earned		73,729
Net Realized Capital Gains		7,212
Net Investment Gain (Loss)		80,941
Finance and Service Charges		4,522
NET INCOME (LOSS)	\$	305,953

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2016 to December 31, 2020

(\$000's omitted)

	<u>2016</u>		<u>2017</u>		<u>2018</u>		<u>2019</u>		<u>2020</u>
Capital and Surplus, Beginning of Year	\$ 3,777	\$	3,500	\$	3,374	\$	2,224	\$	717
Net Income (Loss)	(277)		(126)		(1,149)		(1,507)		306
Paid-in Surplus	0		0		0		0		37
Net Change in Capital and Surplus	(277)		(126)		(1,149)		(1,507)		343
Capital and Surplus, End of Year	\$ 3,500	\$	3,374	\$	2,224	\$	717	\$	1,060

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Association regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Association and will take necessary action if a solvency concern arises.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Missouri Medical Malpractice Joint Underwriting Association during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kimberly Dobbs, CFE, AES, Kim Waller, AFE, and Lisa Li, CPA, CFE, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Marc Peterson, 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 Missouri Medical Malpractice Joint Underwriting Association, 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.

Marc Peterson

Marc Peterson, CFE
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 4th day of August, 2022.

My commission expires: March 30, 2023
Hailey Lambert

Notary Public



HAILEY LAMBERT
My Commission Expires
March 30, 2023
Osage County
Commission #15634366

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