

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Section 319, Article III of the
	:	Insurance Company Law of 1921, Act of
Application of Healthcare Providers	:	May 17, 1921, P.L. 682, <u>as amended</u> , 40
Insurance Exchange for Approval to	:	P.S. §442.
Reinsure its Entire Schedule of Policies	:	
	:	Order No. ID-RC-15-22

DECISION AND ORDER

AND NOW, on this 23rd day of December, 2015, Teresa D. Miller, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), hereby makes the following Decision and Order.

Pursuant to Section 319 of the Insurance Company Law of May 17, 1921, as amended, 40 P.S. §442 (the "Insurance Company Law") and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Involved Companies

1. Healthcare Providers Insurance Exchange ("HPIX") is an unincorporated association organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. HPIX is authorized as a reciprocal and inter-insurance exchange.
2. Medical Mutual Insurance Company of North Carolina ("MMIC") a foreign stock casualty insurance company organized under the laws of the State of North Carolina with its principal place of business in Raleigh, North Carolina.
3. HPIX and MMIC each hold a certificate authorizing the transaction of insurance business in this Commonwealth ("Certificate of Authority").

Reinsurance Filing

4. On June 30, 2015, the Commissioner received an initial application (which, together with all material received subsequently, is collectively referenced as "Application") from HPIX for approval to reinsure its entire schedule of policies ("Bulk Transfer") with

MMIC.

5. The Application included an Assumption Reinsurance Agreement (“the Agreement”) that provides, inter alia, for MMIC to assume all in-force insurance policies of HPIX and for MMIC to assume the prospective obligations of such in-force policies. MMIC will receive the HPIX unearned premium reserve associated with the assumed obligations.
6. Such reinsurance and assumption of the entire schedule of policies of a domestic insurer requires the prior approval of the Commissioner in accordance with the provisions of Section 319(a) of the Insurance Company Law.

Standards for Review

7. The standards set forth in Section 319(b) of the Insurance Company Law are used by the Commissioner in reviewing an application for approval submitted in accordance with Section 319(a) of the Insurance Company Law.

Business Written

8. When evaluating a Bulk Transfer, filed in accordance with Section 319(a) of the Insurance Company Law, the Commissioner reviews to determine that the assuming company is doing the same or a similar kind of business as the ceding company.
9. MMIC is writing the same or a similar kind of business as HPIX as reflected in documents on file with the Pennsylvania Insurance Department (“Department”).

License Status

10. When evaluating a Bulk Transfer, filed in accordance with Section 319(a) of the Insurance Company Law, the Commissioner reviews the license status of the assuming insurer to determine that it is licensed to transact the business of insurance in this Commonwealth or in any of the United States.
11. The June 30, 2015 financial statement of HPIX, as filed with the Department and prepared in accordance with statutory accounting principles, reports licensure and direct premiums written in the following states:
 - a) Delaware;
 - b) Maryland;
 - c) New Jersey; and
 - d) Pennsylvania
12. MMIC has provided evidence that it is licensed in all states in which HPIX is licensed and reports direct premiums written.

Financial Condition

13. When evaluating a Bulk Transfer, filed in accordance with Section 319(a) of the Insurance Company Law, the Commissioner reviews the solvency of the assuming insurer both before and after consummation of the proposed transaction.
14. The Department has reviewed the statutory annual financial statement of MMIC as of December 31, 2014, and the quarterly financial statement as of September 30, 2015.
15. The Department has reviewed pro forma financials of MMIC, as of the effective date of the Bulk Transfer.
16. There are no apparent solvency issues in the financial condition of MMIC both before and after the Bulk Transfer.

Licensing Requirements

17. When evaluating a Bulk Transfer, filed in accordance with Section 319(a) of the Insurance Company Law, the Commissioner reviews the requirements for continued licensure of the assuming insurer.
18. Upon completion of the Bulk Transfer, MMIC will have paid up capital stock and paid in surplus in an amount sufficient to maintain a license to transact the business of insurance in this Commonwealth for those lines of insurance for which it is presently licensed.
19. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Section 319(a) of the Insurance Company Law provides that no insurer shall reinsure its entire schedule of policies except by approval of the Commissioner.
2. Section 319(b) of the Insurance Company Law provides the following standards for use by the Commissioner in reviewing an application for approval submitted in accordance with Section 319(a) of the Insurance Company Law:
 - a) the assuming insurer is doing the same or a similar kind of business;
 - b) the assuming insurer is licensed to transact business in this Commonwealth or licensed to transact business in any of the United States;
 - c) the assuming insurer is and remains of the same standards of solvency; and

- d) the assuming insurer continues to meet all other requirements fixed by the laws of this Commonwealth for companies, associations, or exchanges transacting the same classes of business within this Commonwealth.
- 3. The standards of Section 319(b) of the Insurance Company Law were applied by the Commissioner in reviewing the Bulk Transfer of HPIX's entire schedule of policies.
- 4. Based on all the information and analysis received and the Department's independent review, the Commissioner finds that the sections of the Agreements that are relevant to the Application are in accordance with the laws of the Commonwealth of Pennsylvania.
- 5. A company organized under the laws of the Commonwealth of Pennsylvania may transact the business of insurance if it has been issued a Certificate of Authority from the Commissioner.
- 6. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be deemed incorporated in the Findings Fact as if fully set forth therein.

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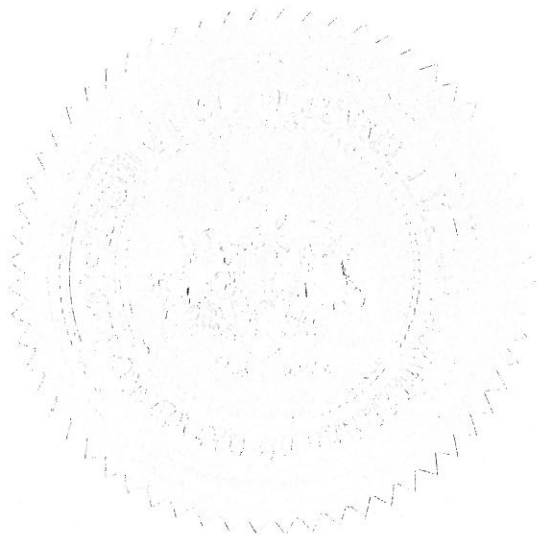
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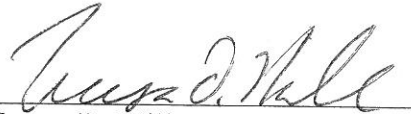
Upon consideration of the foregoing, the Insurance Commissioner ("Commissioner") of the Commonwealth of Pennsylvania hereby makes the following Order.

An approving determination for the Assumption Reinsurance Agreement between Healthcare Providers Insurance Exchange ("HPIX") and Medical Mutual Insurance Company of North Carolina ("MMIC"), as set forth in the Application, is hereby granted, subject to this Order and the following conditions:

1. After consummation of the instant transaction, HPIX shall not sell or assume any insurance policies without the explicit prior written approval of the Pennsylvania Insurance Department.

This Order is effective immediately and is valid for one (1) year, provided no material changes are made to the transaction prior to consummation.




Teresa D. Miller
Insurance Commissioner
Commonwealth of Pennsylvania