



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

RE: Examination Report of Intermed Insurance Company for the period ended
December 31, 2014

ORDER

After full consideration and review of the report of the financial examination of Intermed Insurance Company for the period ended December 31, 2014, 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, territory and plan of operation, reinsurance, financial statements, examination changes, comments on the financial statement items, and general comments and/or recommendations.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Intermed Insurance Company as of December 31, 2014 be and is hereby ADOPTED as filed and for Intermed 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) 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 17th of October, 2016.



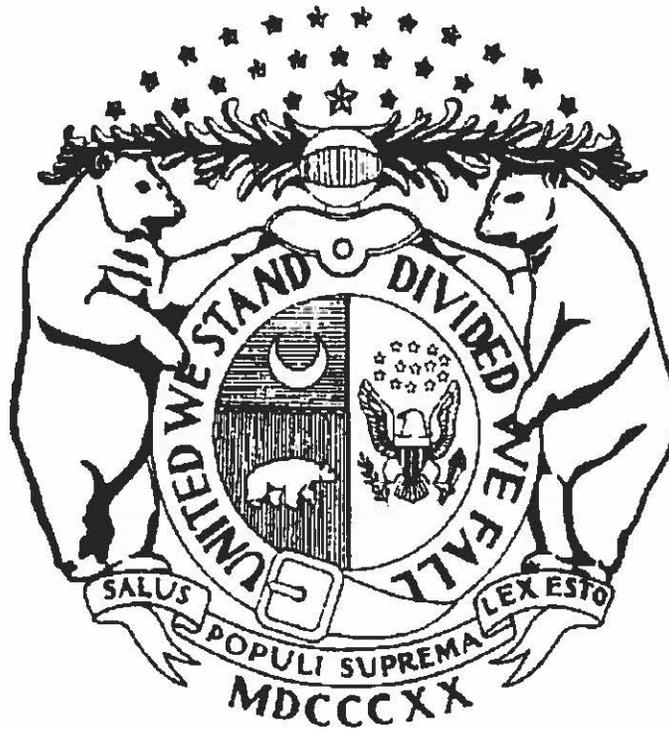
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John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
ASSOCIATION FINANCIAL EXAMINATION OF
INTERMED INSURANCE COMPANY**

**AS OF
DECEMBER 31, 2014**

FILED
OCT 27 2016
**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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Kansas City, Missouri
August 30, 2016

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

Intermed Insurance Company

hereinafter referred to as such, Intermed, or as the Company. The Company's administrative office was located at 909 East Republic Road, Suite G-100, Springfield, Missouri 65807, telephone number (417) 889-1010. This examination began on October 27, 2015 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full scope financial examination of Intermed Insurance Company. Intermed was last examined by the DIFP as of December 31, 2009. The current full scope examination covers the period of January 1, 2010 through December 31, 2014.

This examination also included the material transactions or events occurring subsequent to December 31, 2014.

Procedures

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook), except where practices, procedures and applicable regulations of the DIFP and 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. The Handbook further requires that the examination include identifying and evaluating significant risks that could cause the Company's surplus to be materially misstated both currently and

prospectively. All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. This includes assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

This examination did not attest to the fair presentation of the financial statements included herein. If, during the course of this examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements. This examination report includes findings of facts and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Reliance Upon Others

The examination relied upon information provided by the Company and its management. Where deemed appropriate, this information has been tested or verified with external sources. The examination also relied upon information supplied by the Company's independent auditor, Ernst & Young, LLP of Los Angeles, California for its audit covering the period from January 1, 2014 through December 31, 2014.

SUMMARY OF SIGNIFICANT FINDINGS

No significant findings were noted during the examination.

SUBSEQUENT EVENTS

Effective August 13, 2015, the Company merged with and into its immediate parent, First Professionals Insurance Company (FPIC) with FPIC as the surviving entity. Intermed also surrendered its certificates of authority to the States of Missouri and Kansas where it had been licensed.

COMPANY HISTORY

General

Intermed was originally known as the Risk Control Associates, Inc. and was formed as an assessable malpractice insurance company on November 16, 1976, under the provisions of Chapter 383 RSMo (Malpractice insurance).

In August 1991, the Company reorganized as a nonassessable mutual property and casualty company under Chapter 379 RSMo (Insurance other than life). At the time, the Company changed its name to RCA Mutual Insurance Company (RCA). Effective April 27, 1995, RCA demutualized and reorganized as a stock property and casualty insurance company known as Intermed Insurance Company. Effective the same day, Intermed became a wholly-owned subsidiary of The Tenere Group, Inc. (Tenere), an insurance holding company organized under

the laws of the State of Missouri. Consequently, the policyholders of RCA became the stockholders of Tenere.

Effective March 17, 1999, First Professionals Insurance Company an insurance company domiciled in the State of Florida and a subsidiary of FPIC Insurance Group, Inc. (FIG) purchased 100% of the common stock of Tenere.

Effective October 19, 2011 The Doctors Company (TDC), an insurance company domiciled in the State of California, acquired 100% of FIG and all subsidiaries, including Intermed. As a result, TDC became Intermed's ultimate controlling entity (UCE).

Capital Contribution

No capital contributions were made during the current exam period.

Dividends

The Company paid the following dividends during the examination period:

<u>Year</u>	<u>Amount</u>
2010	\$ 6,000,000 (Ordinary)
2010	\$10,000,000 (Extraordinary)
2012	\$ 5,400,000 (Ordinary)
2013	<u>\$50,000,000</u> (Extraordinary)
Total	\$71,400,000

Mergers and Acquisitions

Effective June 30, 2010, Intermed merged with its wholly owned subsidiary, Interlex, with Intermed as the surviving entity. This merger was approved by DIFP.

Effective October 19, 2011, TDC acquired FIG and subsidiaries, including Intermed and is the current UCE.

Effective April 25, 2013 Tenere merged with and into Intermed, with Intermed as the surviving entity.

Effective August 13, 2015, Intermed merged with and into FPIC with FPIC as the surviving entity. Intermed surrendered its certificates of authority and terminated its legal existence.

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed for any changes during the period under examination. No changes were made to the Articles or Bylaws during the exam period.

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

MANAGEMENT AND CONTROL

Board of Directors

The Company is governed by a Board consisting of nine members. Board of Directors elected and serving as of December 31, 2014 are as follows. For all Directors, the positions noted are for TDC:

<u>Directors</u>	<u>Address</u>	<u>Occupation & Business Affiliation</u>
Richard Elliott Anderson, MD	Yountville, CA	Chairman, CEO, and President
David Armand McHale	Granite Bay, CA	General Counsel
David Gerard Preimesberger	Napa, CA	CFO, Treasurer
Robert David Francis	Napa, CA	Chief Operating Officer
Douglas Charles Will	San Francisco, CA	Vice President - Controller
Douglas William Boltz	Benicia, CA	Vice President
Dennis Bryan Lawton, PhD	Sausalito, CA	Chief Governance Officer
Devin Fox O'Brien	Moraga, CA	Senior Counsel
David Burnett Troxel	Lafayette, CA	Medical Director

Committees

Intermed had no committees. It relied on committees at the FPIC and The Doctors Company level for audit and other activities.

Officers

The officers elected and serving as of December 31, 2014 were as follows. For all officers, the titles noted are for Intermed:

<u>Officers</u>	<u>Title</u>
Richard Elliott Anderson, MD	President, CEO
David Armand McHale	Secretary
David Gerard Preimesberger	Treasurer, CFO
Robert David Francis	Chief Operating Officer
Douglas Charles Will	Vice President
William A. Fleming	Vice President
Douglas William Boltz	Vice President

Holding Company, Subsidiaries and Affiliates

Intermed is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The Company is wholly owned by FPIC, which, in turn is 100% owned by TDC, which is the UCE within the holding company system.

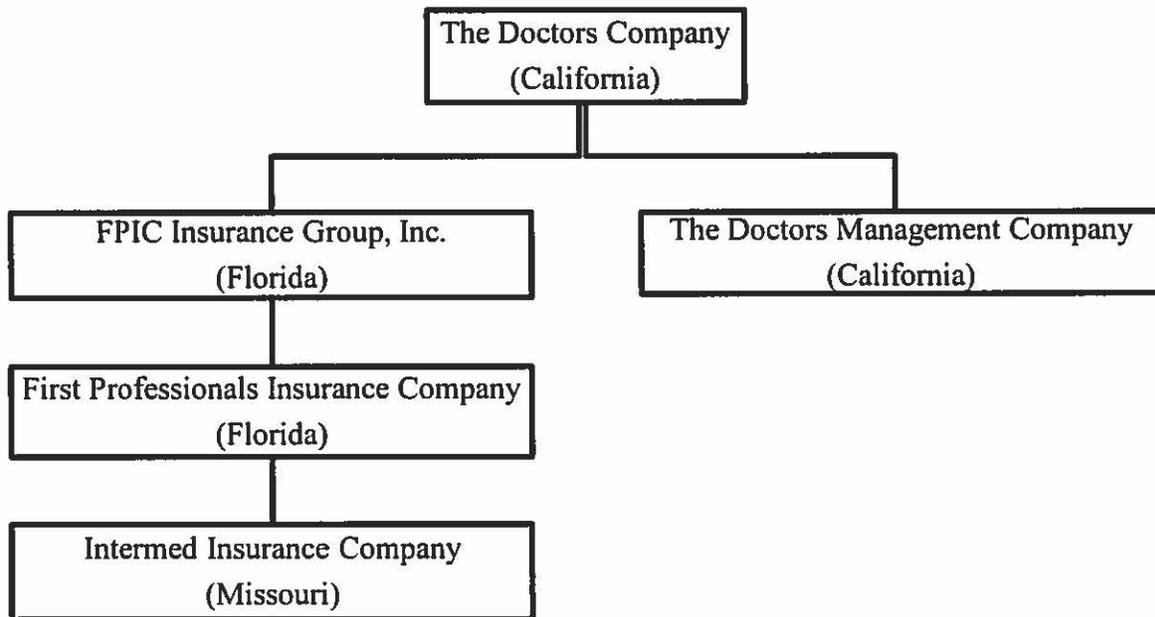
TDC is an intercompany exchange writing medical malpractice insurance throughout the United States.

The day-to-day management of the Company is contracted to The Doctors' Management Company (TMDC) of Napa, California. TMDC is a subsidiary of TDC.

Insurance Holding Company System Registration Statement was filed by Intermed for itself during each of the years under examination.

Organizational Chart

The following organizational chart partially depicts the ownership and holding company structure of Intermed, as of December 31, 2014. This partial list is depicted as there are several non-insurer companies that are owned by the ultimate controlling entity. In all instances each subsidiary is 100% owned by the parent:



Intercompany Transactions

Intermed had the following agreements with its affiliated companies:

1) Management Agreement

Parties: Intermed, and TDMC
Effective: January 1, 2013, non-disapproved September 3, 2012, Filing #12-0173
Terms: TDMC provides certain service functions, including claims, underwriting, investments, tax allocation, accounts receivable and payable, maintenance of reports and records, accounting, etc.
Rate(s): Intermed pays TDMC an allocated percentage of incurred expenses and fees, apportioned in accordance with Statements of Statutory Accounting Principles #70 (Allocation of Expenses) and consistent with state regulations.

2) Tax Allocation and Joinder Agreements

Parties: TDC and its subsidiaries within the holding company system, including Intermed
Effective: October 12, 2012, non-disapproved September 4, 2012, Filing #12-0181 Amended December 31, 2013, non-disapproved June 4, 2014, filing #14-0104
Terms: Current federal income taxes are charged or credited to operations of the affected entity based upon the noted section of the Federal Tax Code.
Rate(s): The method of allocation is based upon separate return calculations and actual taxable prevailing rates.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2014, Intermed was licensed to transact the business of insurance in Missouri and Kansas. With merger effective August 13, 2015, the company no longer exists and its certificates of authority for the two states were returned.

During the current examination period, the Company's plan of operation changed significantly. Through 2011, Intermed participated in an intercompany pool with its then UCE, First Professionals Insurance Company and with various other affiliates. The group was purchased by The Doctors Company during 2011, and in 2012 the pooling agreement was terminated and all new and renewal business was placed with TDC, leaving Intermed's policies in runoff. Effective December 31, 2014, all of Intermed's remaining policies and associated liabilities were transferred to TDC under an assumption reinsurance agreement as TDC prepared Intermed to be merged out of existence.

REINSURANCE**General**

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

Description	2014	2013	2012	2011	2010
Direct	\$ 0	\$ 27,000	\$ 1,223,000	\$ 5,292,000	\$ 5,552,000
Assumed	0	0	15,336,000	23,813,000	29,169,000
Ceded	(11,000)	(31,000)	(179,000)	(5,292,000)	(5,552,000)
Net Premiums Written	<u>\$ (11,000)</u>	<u>\$ (4,000)</u>	<u>\$ 16,380,000</u>	<u>\$ 23,813,000</u>	<u>\$ 29,169,000</u>

Assumed

Prior to 2012 Intermed participated in an intercompany pool with its parent and various affiliates. Subsequent to the purchase of the group by TDC, the pool was terminated in 2012 and all business was recaptured by the individual writers. Intermed did not assume any other business during the examination period.

Ceded

Prior to 2012 Intermed participated in an intercompany pool with its parent and various affiliates. Subsequent to the purchase of FIG by TDC, the pool was terminated in 2012 and all business was recaptured by the individual writers. Effective December 31, 2014 Intermed signed an assumption reinsurance agreement with TDC under which all remaining policies and related liabilities were transferred to TDC.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the DIFP and present the financial condition of Intermed Insurance Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered 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.

Assets

	<u>Assets</u>	Non- Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$23,589,056	\$ 0	\$23,589,056
Cash, Cash Equivalents and Short-term Investments	2,726,274	0	2,726,274
Investment Income Due and Accrued	190,470	0	190,470
Net Deferred Tax Asset	29,301	25,626	3,675
Aggregate Write-Ins for Assets	30,290	30,290	0
TOTAL ASSETS	\$26,565,391	\$55,916	\$26,509,475

Liabilities, Surplus and Other Funds

Other Expenses	\$ 9,200
Current Federal and Foreign Income Taxes	873,679
Payable to Parent	6,284,309
TOTAL LIABILITIES	\$ 7,167,188
Common Capital Stock	1,200,000
Gross paid in and Contributed Surplus	13,372,778
Unassigned Funds (Surplus)	4,769,509
TOTAL SURPLUS	\$18,142,287
TOTAL CAPITAL AND SURPLUS	\$19,342,287
TOTAL LIABILITIES AND SURPLUS	\$26,509,475

Statement of Income

Premiums Earned	(\$ 10,771)
Losses Incurred	(3,661,844)
Loss Adjustment Expenses Incurred	594,561
Other Underwriting Expenses Incurred	130,298
TOTAL	(\$2,926,214)
Net Investment Income Earned	772,650
Net Realized Capital Gains less Taxes	(58,708)
TOTAL	\$ 713,942
Aggregate Write-Ins for miscellaneous Income	5,510
Federal and Foreign Income Taxes Incurred	918,343
Net Income or Loss	\$ 2,727,323

Capital and Surplus Account

Capital and Surplus, December 31, 2013	\$ 16,795,853
Net Income	2,727,323
Change in net Unrealized Capital Gains/Losses	17,760
Change in Net Deferred Income Tax	(258,151)
Change in Nonadmitted Assets	56,501
Provision for Reinsurance	3,000
Paid in Surplus	(1,497,783)
Dividends to Stockholders	1,497,783
Net Change in Capital and Surplus	<u>\$ 2,546,433</u>
Capital and Surplus at December 31, 2014	<u><u>\$19,342,286</u></u>

Examination Changes

None

Comments on Financial Statement Items

None

General Comments and/or Recommendations

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Intermed Insurance Company during the course of this examination is hereby acknowledged and appreciated.

VERIFICATION

State of Missouri)
)
County of Jackson)

I, Bernie R. Troop, 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 Intermed 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.



Bernie R. Troop, CFE
Examiner
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 14th day of September 2016.

My commission expires: 04/14/2020 Beverly M. Webb
Notary Public



BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12464070

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.

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Levi A. Nwasoria, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration