



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

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

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, 2015, 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 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, management and control, territory and plan of operations, reinsurance, financial statements, comments on financial statement items, examination changes, and general comments and/or recommendations.

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, 2015 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) 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 15th day of June, 2017.

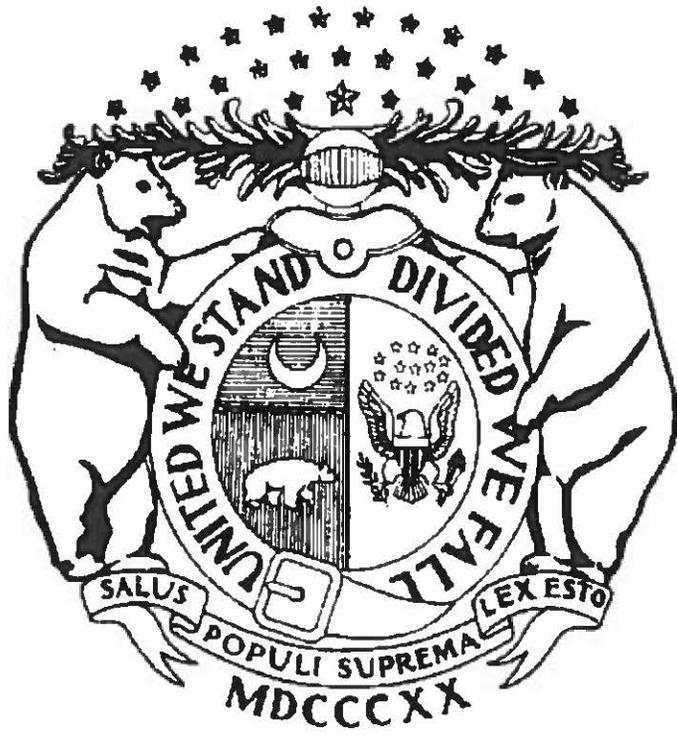



Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

**REPORT OF THE
FINANCIAL EXAMINATION OF
PREFERRED PHYSICIANS MEDICAL
RISK RETENTION GROUP, INC.**

**AS OF
DECEMBER 31, 2015**

FILED
JUN 26 2017
**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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Overland Park, Kansas
May 5, 2017

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
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

Preferred Physicians Medical Risk Retention Group, Inc.

hereinafter referred to as PPMRRG or as the Company. Its administrative office is located at 11880 College Boulevard Suite 300, Overland Park, Kansas 66210, telephone number 913-262-2585. The fieldwork for this examination began on November 21, 2016, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of PPMRRG. The prior full-scope financial examination of PPMRRG covered the period of January 1, 2007, through December 31, 2010. The current full-scope financial examination covers the period of January 1, 2011, through December 31, 2015. The examination also included the material transactions and/or events occurring subsequent to December 31, 2015.

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 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, 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 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 process. This may include assessing significant estimates made by management and evaluating 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 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 significant findings of fact 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 separately communicated to other regulators and/or the Company.

Reliance Upon Others

The examiners relied upon information supplied by the Company's independent auditor, RSM US LLP of Springfield, Illinois, for its audit covering the period from January 1, 2015, through December 31, 2015. Areas in which testing and results from the CPA workpapers were relied upon in our examination included journal entry testing, internal control identification, subsequent disbursement testing, fraud inquiries, paid claims data testing and sampling, reinsurance risk transfer analysis and legal expense analysis.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance findings, or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

On October 24, 2016, a Form A – Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer was filed with DIFP for the acquisition of control of PPMRRG by NORCAL Mutual Insurance Company (NORCAL), a California-domiciled mutual insurer. This Form A was approved in December 2016 and NORCAL became PPMRRG’s ultimate controlling entity effective January 1, 2017. NORCAL acquired control of PPMRRG through acquisition by NORCAL of PPM Services Inc. (PPMS). Concurrent with the change in control, the following transactions occurred:

- PPMRRG paid an extraordinary dividend to PPMS in an amount equal to 100% of the statutory surplus of PPMRRG. The total provisional dividend paid was \$127,068,621, based upon estimated surplus, with a true-up payment of \$4,256,985 which will be subsequently paid;
- NORCAL acquired a \$5 million surplus note from PPMRRG, by which NORCAL recapitalized PPMRRG;
- PPMS paid a dividend to its shareholders (PPMRRG policyholders). The total provisional dividend paid was \$127,068,621, based upon estimated surplus, with a true-up payment of \$4,256,985 which will be subsequently paid;
- PPMRRG converted from a stock insurance company to a mutual insurance company with ownership of PPMRRG reverting to its members/policyholders;
- Each PPMRRG policyholder/member delivered to NORCAL a voting agreement and irrevocable proxy allowing NORCAL to exercise all voting and related rights with respect to such member's policies or contracts issued by PPMRRG;
- PPMRRG entered into a Management Services Agreement with PPMS;
- NORCAL and PPMRRG entered into a Loss Portfolio Transfer Agreement by which PPMRRG ceded all liability on existing claims to NORCAL;
- NORCAL and PPMRRG entered into a Quota Share Reinsurance Contract under which PPMRRG ceded 100% of PPMRRG's future business to NORCAL;
- PPMRRG’s name was changed to “Preferred Physicians Medical Risk Retention Group, a Mutual Insurance Company.”

COMPANY 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 laws of Chapter 379 Revised Statutes of Missouri. Pursuant to a Plan of Conversion and Reorganization, the Company was converted from a mutual 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., 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.

Dividends & Capital Contributions

Cash dividends declared and paid to the sole shareholder PPMS during the exam period are indicated below.

<u>Year</u>	<u>Dividends Paid</u>
2011	\$2,000,000
2012	2,000,000
2013	2,000,000
2014	2,500,000
2015	2,500,000

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

Mergers and Acquisitions

No mergers or acquisitions involving PPMRRG occurred during the examination period. However, see the summary regarding the agreement of merger and change in control in the Subsequent Events section of this report.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors which is 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 or more than fifteen 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 at each annual meeting of the Shareholders for a term of three years. The Directors elected and serving as of December 31, 2015 were as follows:

<u>Name and Address</u>	<u>Primary Occupation and Business Affiliation</u>
Joseph P. Annis, MD Austin, Texas	Anesthesiologist Dartmouth-Hitchcock Medical Center
Donn A. Chambers, MD Atlanta, Georgia	Anesthesiologist Physician Specialists in Anesthesia, P.C.
Thomas A. DeBacco Leawood, Kansas	Chairman & Founder Essenza Software, Inc.
Robert P. Edwards, MD Sandy, Utah	Anesthesiologist Mountain West Anesthesia, L.L.C.
Thomas L. Enstrom, JD Topeka, Kansas	Attorney and Management Consultant Enstrom & Associates
Steven J. Hattamer, MD Hollis, New Hampshire	Anesthesiologist Nashua Anesthesia Partners
Philip D. Irwin, CPA Olathe, Kansas	President & Chief Executive Officer Federated Rural Electric Management Corporation
Thomas W. Laming Leawood, Kansas	Senior Vice-President Scout Investments, Inc.
Aubrey Maze, MD Phoenix, Arizona	Anesthesiologist & Pediatrician Valley Anesthesiology & Pain Consultants, Ltd.
Steven R. Sanford, JD Topeka, Kansas	President & Chief Executive Officer PPMRRG
James H. Sederberg, MD Denver, Colorado	Anesthesiologist Greater Colorado Anesthesia, P.C.
Jay H. Yedlin, MD Overland Park, Kansas	Anesthesiologist Anesthesia Associates of Kansas City, P.C.

Following the consummation of the agreement of merger and change in control effective January 1, 2017, the Board of Directors of the Company was reconstituted with the following individuals elected and serving:

<u>Name and Address</u>	<u>Primary Occupation and Business Affiliation</u>
Sandra L. Beretta, MD Hillsborough, California	Physician Sandra Beretta, MD, Inc.
Patricia A. Dailey, MD Hillsborough, California	Physician Anesthesia Care Associates Medical Group
Theodore S. Diener Greenbrae, California	President and Chief Executive Officer NORCAL Mutual Insurance Company
Robert P. Edwards, MD Sandy, Utah	Anesthesiologist Mountain West Anesthesia, L.L.C.
Steven J. Hattamer, MD Hollis, New Hampshire	Anesthesiologist Nashua Anesthesia Partners
Aubrey Maze, MD Phoenix, Arizona	Anesthesiologist & Pediatrician Valley Anesthesiology & Pain Consultants, Ltd.
Harry B. Richardson, Jr., MD Santa Rosa, California	Physician Redwood Regional Medical Group, Inc.
Jaan E. Sidorov, MD, MHSA, FACP Harrisburg, Pennsylvania	Physician Sidorov Health Solutions, Inc.
William R. Vetter, MD Sacramento, California	Physician Sutter Medical Group

Committees

Pursuant to the Bylaws, the Board of Directors appoints 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, 2015, the Committees and members were as follows:

<u>Executive Committee</u>	<u>Investment Committee</u>	<u>Audit, Actuarial & Compensation Committee</u>	<u>Governance Committee</u>
Aubrey Maze ¹	Thomas W. Laming ¹	Philip D. Irwin ¹	Donn A. Chambers ¹
Thomas L. Enstrom	Steven J. Hattamer	Thomas A. DeBacco	Joseph P. Annis
Thomas W. Laming	Steven R. Sanford	Thomas L. Enstrom	Robert P. Edwards
Steven R. Sanford	James H. Sederberg	Jay H. Yedlin	Steven R. Sanford
Jay H. Yedlin	Deanna R. Olson ²		

Following the consummation of the agreement of merger and change in control effective January 1, 2017, revisions to the Board Committees are pending.

Officers

The officers elected and serving as of December 31, 2015, were as follows:

<u>Name</u>	<u>Office</u>
Aubrey Maze	Chairman
Steven R. Sanford	President, Chief Executive Officer
Deanna R. Olson	Vice President-Finance, Chief Financial Officer, Treasurer & Secretary
James F. Johnson	Vice President-Sales
Brent G. Hodges	Vice President-Underwriting
Brian J. Thomas	Vice President-Risk Management
Wade D. Willard	Vice President-Claims
Nancy E. Kuhn	Assistant Secretary

There were no changes to the Company's officers elected and serving as a result of the agreement of merger and change in control effective January 1, 2017.

Corporate Records

A review was made of PPMRRG's Articles of Incorporation and By-laws for the period under examination. The Articles of Incorporation were amended on October 13, 2013, and October 24, 2015. Both amendments pertained to updating the Company's business address.

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

¹ Committee Chair

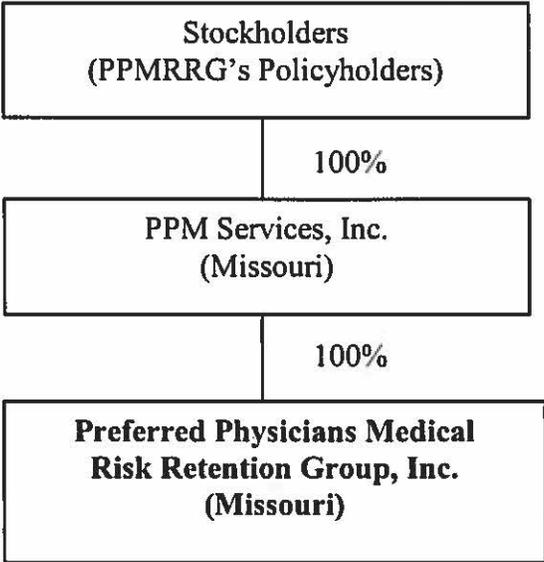
² Ex officio member

Holding Company, Subsidiaries and Affiliates

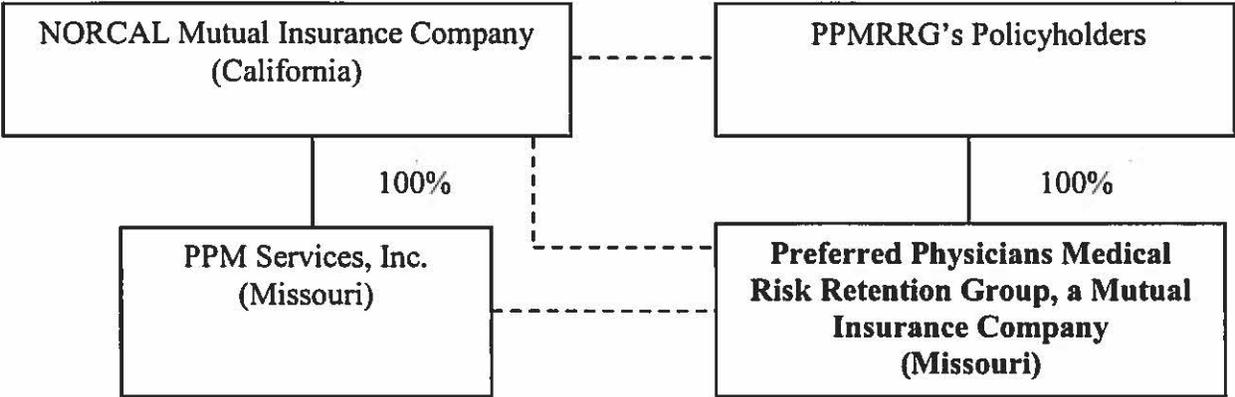
The Company is a member of an Insurance Holding Company System as defined by 382.010 RSMo (Definitions). As of December 31, 2015, the Company was directly owned 100% by PPM Services, Inc. the ultimate controlling entity. All stockholders of PPMS are also policyholders of PPMRRG and no one person held or owned 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 year under examination.

Organizational Chart

The following organizational chart depicts the holding company system of PPMRRG as of December 31, 2015.



Following the consummation of the agreement of merger and change in control, the following chart depicts the holding company system of PPMRRG as of January 1, 2017.



Affiliation between PPM Services, Inc. and PPMRRG is through a management services agreement. Affiliation between NORCAL Mutual Insurance Company and PPMRRG is by way of a surplus note, reinsurance agreement, and a shareholders' voting agreement. These arrangements are disclosed in the Subsequent Events section of this report.

Transactions with Affiliates

The Company's agreements with affiliates that were in effect as of December 31, 2015, are outlined below.

1. Type: Consolidated Income Tax Agreement

Parties: PPMRRG and PPMS

Effective: March 14, 1996

Terms: PPMS shall file a consolidated federal income tax return. PPMRRG agrees to transfer quarterly an amount PPMS equal to the federal estimated payment required by the Internal Revenue Service had the Subsidiary 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.

2. 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, usually over a period of four years. This common stock purchase obligation is 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. The agreement requires PPMRRG to account for the monies attributable to the stock purchase under "funds held" in its books and records. The agreement further obligates PPMRRG to remit the funds to PPMS within fifteen days (15) 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.

During 2012, 2013 and 2014, PPMS provided PPMRRG with various management and administrative services under the Intercorporate Services and Cost Allocation Agreement. These services ended at year-end 2014, when all employees were moved from PPMS to PPMRRG effective January 1, 2015. Facilities were also provided by PPMS under this agreement until August 2015, when PPMRRG moved its home office to a different location. The agreement was terminated effective August 20, 2015, as there were no services or facilities being provided under the agreement at that time. PPMRRG entered into a new management services contract with PPMS, effective January 1, 2017. See the Subsequent Events section of this report for further disclosure regarding this contract.

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 37 states. As of December 31, 2015, approximately 76% of the Company's direct written premiums were concentrated in 8 states: New York, Arizona, Maryland, Florida, Utah, Virginia, Missouri and Connecticut.

PPMRRG only writes one line of business, medical malpractice coverage for anesthesiologists, including their practice entities and health care support personnel. 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, 2015, approximately 93.6% of direct premiums written were on a claims-made basis with the remaining 6.4% being on an occurrence basis.

As a risk retention group, all qualified policyholders are required to purchase stock in the Company's parent, PPMS, to meet the requirements of the Federal Risk Retention Act. Prior to July 1, 2011, all full-time practicing anesthesiologists insured by PPMRRG were required to purchase \$1,800 in shares of PPMS and make \$1,800 of permanent capital contributions to PPMS over a four-year period. Beginning July 1, 2011, and effective through the entire examination period, 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.

REINSURANCE

General

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct Premium	\$41,239,641	\$37,619,797	\$37,509,314	\$35,652,151	\$36,333,111
Assumed Premium	-	-	-	-	-
Ceded Premium	<u>(4,754,955)</u>	<u>(8,234,567)</u>	<u>(11,521,200)</u>	<u>(7,481,735)</u>	<u>(8,477,463)</u>
Net Premium Written	<u>\$36,484,686</u>	<u>\$29,385,230</u>	<u>\$25,988,114</u>	<u>\$28,170,416</u>	<u>\$27,855,648</u>

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, 2015, the Company entered into an excess of loss reinsurance agreement with the following reinsurers:

<u>Reinsurer</u>	<u>Participation</u>
Ace Property & Casualty Insurance Co.	25%
Axis Reinsurance Company	10%
Berkley Insurance Company	15%
Hannover Ruckversicherung-Aktiengesellschaft	15%
Transatlantic Reinsurance Company	35%

The agreement applies to all claims made on policies or extended reporting endorsements having effective dates during the twelve month term extending from January 1, 2015, through December 31, 2015. Under the agreement, the reinsurers participate in losses in excess of the Company's retention of \$300,000 per claim up to a loss limit of \$1,000,000 per claim exclusive of extra contractual obligations and/or excess limits liability. Total reinsurer liability is limited to \$3,200,000 each insured, each claim, under this coverage.

The agreement also provides coverage in regard to policies with limits greater than \$1,000,000 each insured, each claim, issued to insureds domiciled in the states of New York and Virginia. The reinsurers agree to indemnify the Company for losses in excess of \$1,000,000 each insured, each claim, limited to 90% of \$1,300,000 for New York policies and 90% of \$1,200,000 for Virginia policies.

For policies with limits in excess of \$1,000,000 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.

The Company entered into a new excess of loss reinsurance agreement effective January 1, 2016. The terms of the new agreement are very similar to those of the prior agreements, including the same reinsurers and participation levels, with minor adjustments to certain reinsurer limits and premium structure. The Company entered into another new reinsurance contract effective January 1, 2017, with significantly different terms and structure than that of prior contracts. See the Subsequent Events section of this report for further details regarding this contract.

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

FINANCIAL STATEMENTS

The following financial statements, present the financial condition of Preferred Physicians Medical Risk Retention Group, Inc. for the period ending December 31, 2015. 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 section. 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 key activity.

Assets as of December 31, 2015

	Assets	Non- Admitted Assets	Net Admitted Assets
Bonds	\$170,903,455	\$ 0	\$170,903,455
Common Stocks	23,686,001	0	23,686,001
Cash and Short-term Investments	11,381,821	0	11,381,821
Investment Income Due and Accrued	1,595,765	0	1,595,765
Recoverable from Reinsurers	1,227,085	0	1,227,085
Current federal income tax recoverable	398,643	0	398,643
Net Deferred Tax Asset	2,623,396	0	2,623,396
EDP equipment and software	16,720	0	16,720
Furniture and Equipment	310,102	310,102	0
Aggregate Write-In Assets	337,590	337,590	0
TOTAL ASSETS	\$212,480,578	\$647,692	\$211,832,886

Liabilities, Surplus and Other Funds as of December 31, 2015

Losses	\$ 47,136,574
Loss Adjustment Expenses	18,930,917
Other Expenses (Excluding Taxes, Licenses and Fees)	2,120,976
Taxes, Licenses and Fees (Excluding Federal and Foreign Income Taxes)	167,618
Unearned Premiums	8,475,051
Advance Premium	5,557,367
Ceded Reinsurance Premiums Payable (Net of Ceding Commissions)	5,122,583
Amounts Withheld or Retained by Company for Account of Others	589,438
Payable to Parent, Subsidiaries and Affiliates	5,313
TOTAL LIABILITIES	\$ 88,105,837
Common Capital Stock	800,000
Gross Paid In and Contributed Surplus	13,094,730
Unassigned Funds (Surplus)	109,832,314
Surplus as Regards Policyholders	\$ 123,727,044
TOTAL LIABILITIES AND SURPLUS	\$ 211,832,881

Statement of Income
For the Year Ended December 31, 2015

Premiums Earned	\$ 27,640,229
DEDUCTIONS:	
Losses Incurred	7,173,062
Loss Adjustment Expenses Incurred	6,575,251
Other Underwriting Expenses Incurred	5,975,503
Aggregate write-ins for underwriting deductions	1,486,785
Total Underwriting Deductions	\$ 21,210,602
Net Underwriting Gain	\$ 6,429,628
Net Investment Gain	8,620,113
Federal Income Taxes Incurred	4,141,896
Net Income	\$ 10,907,845
CAPITAL AND SURPLUS ACCOUNT:	
Surplus as Regards Policyholders, December 31, 2014	\$ 118,027,145
Net Income	10,907,843
Change in Net Unrealized Capital Gains or (Losses)	(3,549,717)
Change in Net Deferred Income Tax	129,557
Change in Non-Admitted Assets	690,574
Change in Provision for Reinsurance	21,641
Dividends to Stockholders	(2,500,000)
Change in Surplus as Regards Policyholders for the Year	\$ 5,699,898
Surplus as Regards Policyholders, December 31, 2015	\$ 123,727,043

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR 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, Laura Church, CFE, Craig Weaver, CFE, and Brad Brunton, examiners for the Missouri DIFP, participated in this examination. Kristine Fitzgerald, ACAS, MAAA, FCA, of Actuarial & Technical Solutions, Inc., also participated as a consulting actuary.

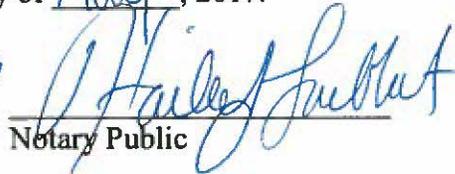
VERIFICATION

State of Missouri)
County of Cole)

I, Shannon W. Schmoeger, 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.


Shannon W. Schmoeger, CFE, ARe
Examiner-In-Charge
Missouri DIFP

Sworn to and subscribed before me this 17th day of May, 2017.

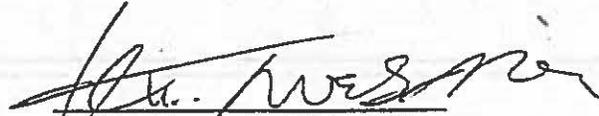
My commission expires: March 30, 2019 
Notary Public

HAILEY LUEBBERT
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: March 30, 2019
Commission Number: 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.



Levi N. Nwasoria, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration