



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of Integris Insurance Company (the "Company") as of December 31, 2021, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions.

TO WIT:

1. I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("C.G.S").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On February 3, 2023, the verified Report of the Company was filed with the Connecticut Insurance Department (the "Department").
4. In accordance with C.G.S. §38a-14(e)(3), the Company was afforded a period of thirty (30) days within which to submit to the Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On February 6, 2023, the Company notified the Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company is hereby adopted as filed with the Department.
2. That the Company shall comply with the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the C.G.S.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the Board of Directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the Commissioner, in writing, that a copy of the report or summary has been provided to each director."

Please address the certification to the Commissioner but send said certification to the care/attention of Michael Shanahan, Supervising Examiner, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary the chief executive officer or the chief financial officer of the entity examined shall present the report of summary to the entity's Board of Directors or similar governing body at a regular or special meeting."

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 9th day of February, 2023.



Andrew N. Mais
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF

INTEGRIS INSURANCE COMPANY
(NAIC CODE 15890)

AS OF

DECEMBER 31, 2021

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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January 24, 2023

The Honorable Andrew N. Mais
Commissioner of Insurance
State of Connecticut Insurance Department
153 Market Street
Hartford, Connecticut 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned conducted a financial examination of the condition and affairs of

INTEGRIS INSURANCE COMPANY

(hereinafter referred to as the Company or IIC), a capital stock corporation incorporated under the laws of the State of Connecticut and having its home and main administrative office located at 80 Glastonbury Boulevard, Glastonbury, Connecticut. The report on such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2017. The current examination, which covers the period from January 1, 2018 to December 31, 2021, was conducted at the main administrative office of the Company.

As part of the examination planning procedures, the Department reviewed the following materials submitted by the Company from 2018 through 2021:

- Statutory basis audit reports prepared by the Company's independent certified public accounting firm, Deloitte & Touche, LLP (D&T);
- Board of Director (Board) and other committees minutes (through the latest 2022 minutes);
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion; and
- Annual statements filed with the Department.

A comprehensive analysis of the Company's financial statements and other filings submitted to the Financial Analysis Unit of the Department indicated no material concerns with respect to financial condition or regulatory compliance issues.

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A coordinated examination was performed concurrently with the District of Columbia in association with its examination of Integris Risk Retention Group, Inc. (RRG).

Workpapers prepared by D&T in connection with its annual statutory basis audit were reviewed and relied upon, to the extent deemed appropriate.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook). 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 evaluating system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated 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 the 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 insurer 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.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

The Company was originally incorporated on August 6, 1984, and commenced business on October 1, 1984 as Connecticut Medical Insurance Company (CMIC). The Company was organized by the Connecticut State Medical Society (CSMS) to write medical malpractice insurance for member physicians. During the Company's first three policy years, American Insurance Services, Inc. (AIS) conducted the day to day management. AIS had entered into this agreement with Connecticut Medical Management, Inc. (CMMI), a wholly owned subsidiary of the CSMS.

Effective October 1, 1987, CMMI acquired from AIS substantially all of the employees, net assets, facilities, contracts, and records employed in operating the Company. On September 1, 1988, CMMI transferred its employees, net assets, facilities, contracts, and records to the Company.

On July 1, 1991, the Company began writing standard business owners coverage for its policyholders, covering property and liability exposures for physicians' offices. The Company stopped writing this business in 1998.

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In 1998, the Company expanded medical malpractice business to other healthcare professionals (podiatrists, chiropractors, dentists, and dental hygienists).

On March 31, 1999, the Company purchased a twenty percent interest in Professional Liability Insurance Company of America (PLICA), a property/casualty company that was licensed in over thirty states from Medical Liability Mutual Insurance Company (MLMIC). The Company expected to expand regionally using the PLICA licenses. On April 1, 2002, the Company sold its interest in PLICA back to MLMIC.

In August 2004, the Company was licensed and launched its expansion into Massachusetts.

On April 1, 2010, the Company sponsored a \$3,250,000 surplus note for the initial capitalization of RRG (formally known as CMIC Risk Retention Group), a mutual risk retention group established for the purpose of providing medical professional liability insurance to one or more states in close proximity to the Company's current licensed states.

On October 1, 2020, CMIC underwent a mutual holding company reorganization (the Reorganization) pursuant to CGS Sec. 38a-156. In order to effect the Reorganization, the Company converted from a mutual insurance company to a stock insurance company and was renamed Integris Insurance Company. The Company then became a wholly-owned subsidiary of a newly-organized intermediate stock holding company, Integris Financial Services Incorporated (IFS), and an indirect wholly-owned subsidiary of a newly-organized mutual holding company, Integris Group Incorporated (Integris Group).

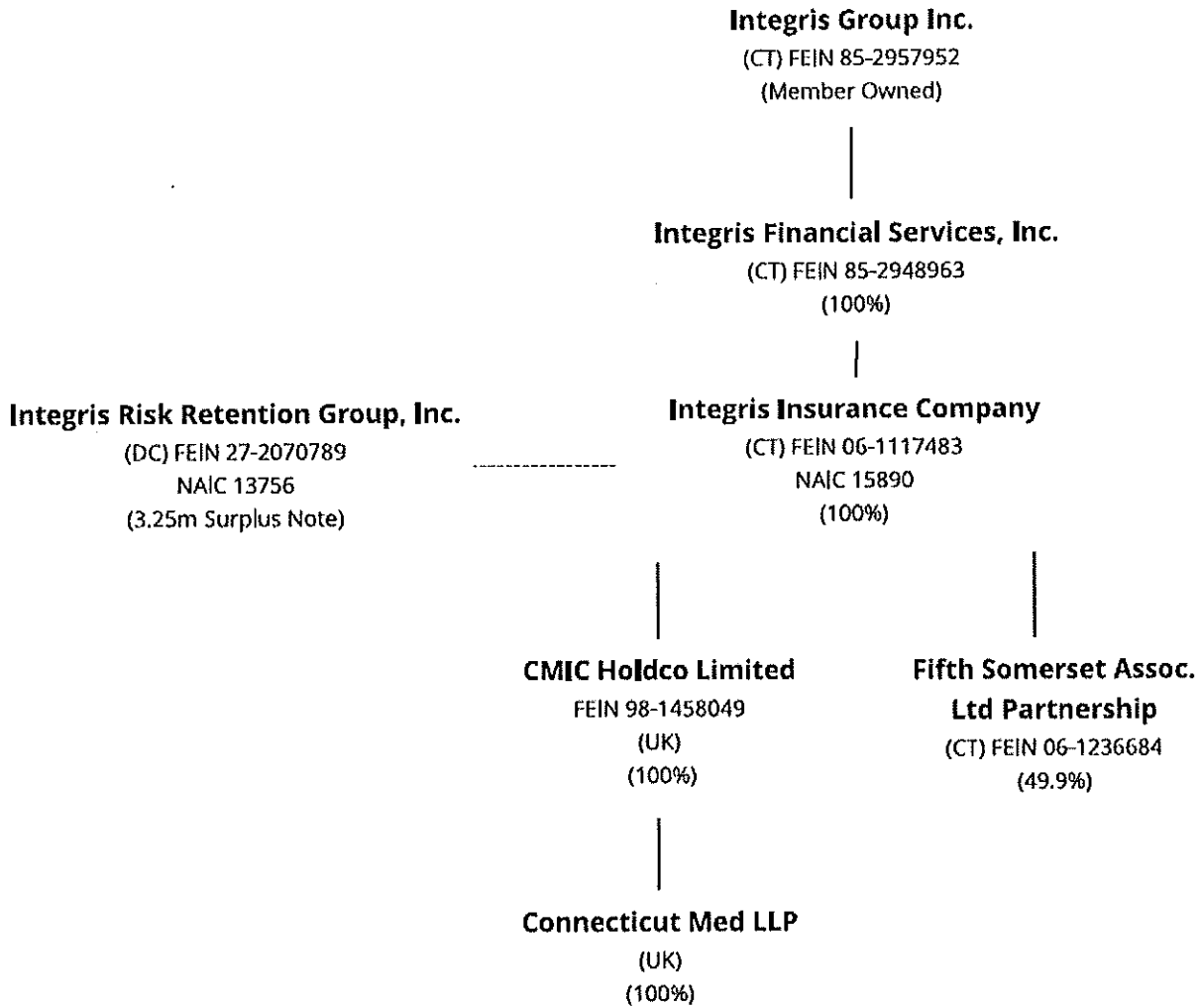
This mutual holding company structure was accomplished by the issuance to Integris Group of 100% of the initial shares of voting stock of the Company and being capitalized by the Company at \$1,500,000. Immediately thereafter, Integris Group contributed all such shares of voting stock of the Company to IFS together with an initial \$1,250,000 capital contribution. IFS then issued to Integris Group 100% of the initial shares of voting stock of IFS and capitalized the Company with \$1,000,000 in consideration of the contributed shares of the Company.

As part of the Reorganization, the Company's policyholders, who were members of the Company prior to the Reorganization, became members of Integris Group, holding the membership rights in Integris Group that they had previously had as members of the Company prior to the Reorganization. All of the insurance policies issued by the Company prior to the Reorganization remained in force and unchanged (except that, following the Reorganization, they confer membership in Integris Group rather than the Company) and those policies remain obligations of the Company as a stock insurance company.

ORGANIZATIONAL CHART

The following is an organizational chart of the Company and sponsored risk retention group as of December 31, 2021:

INTEGRIS INSURANCE COMPANY



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MANAGEMENT AND CONTROL

Shareholders

All annual members' meetings shall be held at the principal office of the Company or at such other place, either within or without the State of Connecticut, as may be fixed by the Board, the chair of the board, if any, or the president of the Company and stated in the notice of meeting or in a duly executed waiver of notice thereof.

An annual meeting of the shareholders for the election of directors and the transaction of such other business as may properly come before the meeting shall be held each year on such date in the first six months of the Company's fiscal year as shall be designated by the Board, the chair of the Board, if any, or the president of the Company, or in the absence of such designation, on the next succeeding business day, or on such other date as shall be fixed by the Board.

Special meetings of the shareholders shall be held (a) on call of the Board, the chair of the Board, if any, or the president of the Company, or (b) if the holders of at least 10% of all the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting sign, date and deliver to the Company's secretary one or more written demands for the meeting describing the purpose or purposes for which it is to be held. Special meetings may be held within or without the State of Connecticut at the place stated in the notice of meeting or in a duly executed waiver of notice thereof, and only business within the purpose or purposes described in the meeting notice may be conducted at a special shareholders' meeting.

Written notice of each meeting of shareholders, stating the place, date and time of the meeting and, in the case of a special meeting, a description of the purpose or purposes for which the meeting is called, shall be given not less than ten (10) days nor more than sixty (60) days prior to each meeting, to each shareholder of record entitled to vote at such meeting.

Each shareholder shall have one vote per share on each matter voted on at a shareholders meeting, which vote may be cast by the shareholder in person or by proxy. At any meeting of the shareholders, unless otherwise required by law or the Certificate of Incorporation, the presence of a majority of the votes entitled to be cast on the matter constitutes a quorum for action on that matter.

Board

The number of directors who will constitute the entire membership of the Board shall be not less than eight (8). Members of the initial Board as elected at the organization meeting shall hold office until the first annual meeting of shareholders and until their respective successors shall have been duly elected and qualified or until their earlier resignation or removal. At each annual meeting of shareholders, directors shall be elected to hold office until the next succeeding annual meeting and until their respective successors have been duly elected and shall have qualified or until their earlier resignation or removal.

The Board may create one or more committees and appoint members of the Board to serve on them. Each committee shall have two or more members, who serve at the pleasure of the Board. The creation of a

INTEGRIS INSURANCE COMPANY

committee and appointment of its members shall be approved by a majority of all the directors in office when the action is taken.

A regular annual meeting of the Board for the election of officers shall be held at a place, date and time to be fixed by the Board, the chair, if any, or the president of the Company. Regular meetings of the Board may be held with or without written notice of the date, time, place or purpose of the meeting.

Special meetings of the Board may be called by any director, the chair, if any, or the president of the Company on at least two days' notice to each director, given either by mail or private carrier or by telegraph, facsimile transmission or other form of wireless communication or orally, in person or by telephone.

A majority of the number of directors then in office shall constitute a quorum at any meeting of the Board, but if less than a quorum of directors is present at a meeting of the Board, a majority of the directors present may adjourn the meeting from time to time without further notice.

Officers

The officers of the Company shall include a president and a secretary, and when deemed necessary by the Board, a chair, one or more vice presidents, a treasurer and such other officers and assistant officers as may be elected. Any two or more offices may be held by the same person.

Committees

Additionally, the Company relies on the oversight of the Integris Group Board and Committees of the Board. The Integris Group bylaws indicate that there shall be an Executive Committee and the following standing Committees: Finance and Audit Committee; Claims Committee; Underwriting Committee; Business Development Committee; Risk Management Committee; Compensation Committee and Governance Committee. The Board may also create such additional Committees as it deems necessary for the conduct of the Group's business.

Members of the Board serving the Company at December 31, 2021, were as follows:

<u>Name</u>	<u>County</u>
Mary Ann Bentz, MD	New London, CT
Scott Serels, MD	Fairfield, CT
John Hornby, MD	Middlesex, CT
Jeffrey Hopkins, MD	Worcester, MA
Edmund Schiavoni	Rockingham, NH
Mark D'Agostino, MD	New Haven, CT
William Potter, MD	Fairfield, CT
Nicholas Bontempo, MD	Hartford, CT
Robert Marra, DPM	Tolland, CT

The Company's officers as of December 31, 2021, were as follows:

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<u>Name</u>	<u>Title</u>
John Brian Hornby, MD	President
Mary Ann Bentz, MD	Vice President
Jeffrey Bruce Hopkins, MD	Secretary
Mark Andrew D'Agostino, MD	Treasurer
Stephen James Gallant	Chief Executive Officer (CEO)
Michael Patrick Conneely	Chief Financial Officer (CFO)

RELATED PARTY AGREEMENTS

The Company is party to the following agreements:

- Effective December 2, 2020, the Company became part of a Tax Sharing Agreement with IFS and Integris Group for the filing of all IRS and state income tax returns. The agreement is for a period of 5 years with annual renewal of consecutive 1-year terms unless given written notice of termination at least 90 days prior to the expiration date.
- A Quota Share Reinsurance Contract (Reinsurance Contract), whereby the Company assumes 95% of all RRG's business up to a \$3 million limit per claim.
- An Amended and Restated Services Agreement (Services Agreement), effective January 1, 2013, the Company provides to RRG, major operational functions such as underwriting, risk management services, and claims handling. The Company charges RRG a 3.33% premium-based service fee for expenses allocated to RRG.

As of December 31, 2021, the current Services Agreement between the Company and RRG did not comply with Statement of Statutory Accounting Principles No. 25, No. 70 and A-440 of the NAIC Practices and Procedures Manual (Manual), and Section 38a-136 of the CGS.

A review of the Services Agreement noted the following:

- The Service Agreement did not have an effective date and date it was signed;
- The Company is not maintaining a Trust Account;
- The Company is not remitting payment of the 3.33% Service Fee within 30 days from the end of the month in accordance with the Services Agreement;
- The Company is unable to provide support that the 3.33% service fee charge yielded the most accurate results; and
- The above recommendations were included in the prior Examination Report, as of December 31, 2017, but not complied with.

It was recommended that the Company amend and submit the Services Agreement to the Department (via Form D), addressing all the issues identified above, in accordance with the Manual, Instructions and

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Section 38a-136 of the CGS and that the Reinsurance Contract, (also via Form D) addresses any imbalances that could occur resulting from the amended Service Agreement.

Effective January 1, 2022, the Company amended, and the Department approved, both the Services Agreement and Reinsurance Contract.

INSURANCE COVERAGE

The Company maintains a financial institution bond insurance through the Hartford Fire Insurance Company, in an amount that exceeds the suggested minimum, as outlined in the Handbook. In addition to the fidelity insurance policy, the Company maintains various other types of insurance coverages.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in the states of Connecticut and Massachusetts and is authorized to write liability (other than auto) and commercial multi-peril insurance.

The Company writes medical malpractice insurance for approximately 2,005 health care professionals including physicians, surgeons, osteopaths, dentists, oral surgeons, hospitals, and other medical care providers in Connecticut and Massachusetts. Business is primarily generated on a direct basis in Connecticut and through brokers in Massachusetts.

REINSURANCE

The Company assumes 95% of RRG business as noted above in the “Related Party Agreements” section of this report.

The Company has a ceded reinsurance program to protect its surplus and to enable it to write higher valued policies. The significant terms and limits of the treaties comprising the program for the December 31, 2021, year are as follows:

Excess and Clash Layers

Reinsurance Contract	Company Retention	Attachment	Limits
Excess Layer (Section A)	30%	\$1,000,000	\$1,000,000 excess of \$1,000,000 each and every claim and policy
Clash/XPL/ECO Layer (Section B)	30%	\$1,000,000	\$5,000,000 excess of \$1,000,000 each and every loss

XPL – Excess of Policy Limits

ECO – Extra Contract Obligation

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Catastrophe Awards Made Excess of Loss

Reinsurance Contract	Company Retention	Attachment	Limits
Awards Made	None	Excess of Underlying Reinsurance (Section A & B)	\$10,000,000

INFORMATION TECHNOLOGY CONTROLS

Due to the small size of the Company's IT department and the corresponding lack of segregation of duties and formalized controls, a comprehensive review was not performed. Instead, a limited review of key risks and controls pertaining primarily to the safeguarding of data and business continuity was performed. Due to the limited scope of this review, no reliance was placed on IT controls.

ACCOUNTS AND RECORDS

During 2019, the Company migrated to a new general ledger system, Insurance Systems Group, Inc. (ISI). Journal entries related to underwriting and claims maintained in ISI are automatically generated by the system. In addition, journal entries are manually prepared on a monthly basis and are summarized on the general ledger report.

General ledger account balances were reconciled and traced to the amounts reported in the annual statement for 2021. Detailed analyses were performed on the individual accounts throughout the examination.

The Company's investments are processed through its custodian. Investment services have been consolidated with one investment advisory firm, New England Asset Management.

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FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2021. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 382,386,628		\$ 382,386,628
Common stocks	73,821,263		73,821,263
Cash, cash equivalents and short-term investments	15,481,794		15,481,794
Investment income due and accrued	2,177,277		2,177,277
Uncollected premiums and agents' balances in the course of collection	2,452,181		2,452,181
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,320,155		1,320,155
Current federal and foreign income tax recoverable	4,052,645		4,052,645
Electronic data processing equipment and software	2,836,734	\$ 2,836,734	0
Furniture and equipment	254,801	254,801	0
Receivables from parent, subsidiaries and affiliates	65,929		65,929
Aggregate Write-Ins for other than invested assets	8,071,299	567,678	7,503,621
Totals	<u>\$ 492,920,707</u>	<u>\$ 3,659,213</u>	<u>\$ 489,261,494</u>

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LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$ 120,454,737
Reinsurance Payable on paid losses and loss adjustment expenses	170,485
Loss adjustment expenses	29,217,558
Commissions payable, contingent commissions and other similar charges	(1,984)
Other expenses	2,607,231
Taxes, licenses and fees	(1,793)
Net deferred tax liability	3,960,297
Unearned premiums	12,341,445
Advance premium	3,588,364
Ceded reinsurance premiums payable (net of ceding commissions)	1,812,781
Amounts withheld or retained by company for account of others	2,260,992
Aggregate write-ins for liabilities	435,000
Total liabilities	176,845,112
Common Capital Stock	1,000,000
Unassigned funds (surplus)	311,416,382
Surplus as regards policyholders	312,416,382
Total	<u>\$ 489,261,494</u>

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STATEMENT OF INCOME

UNDERWRITING INCOME	
Premiums earned	\$22,315,176
DEDUCTIONS	
Losses incurred	31,209,379
Losses adjustment expenses incurred	8,538,275
Other underwriting expenses incurred	13,571,535
Aggregate write-ins for underwriting deductions	154,000
Total underwriting deductions	53,473,189
Net underwriting gain (loss)	(31,158,013)
INVESTMENT INCOME	
Net investment income earned	11,252,668
Net realized capital gains (losses)	7,117,021
Net investment gain (loss)	18,369,689
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(93,690)
Aggregate write-ins for miscellaneous income	385,996
Total other income	292,306
Net income before dividends to policyholders, after capital gains and before all other federal and foreign taxes	(12,496,018)
Net income after dividends, after capital gains and before all other federal and foreign taxes	(12,496,018)
Federal and foreign income taxes incurred	(3,880,824)
Net income	(\$8,615,193)
CAPITAL AND SURPLUS ACCOUNT	
Surplus as regards policyholders, December 31 prior year	315,832,476
Net income	(8,615,193)
Change in net unrealized capital gains or (losses)	4,957,686
Change in net deferred income tax	368,135
Change in nonadmitted assets	(129,722)
Change in provision for reinsurance	3,000
Change in surplus as regards policyholders for the year	(3,416,094)
Surplus as regards policyholders, December 31 current year	<u>\$312,416,382</u>

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<u>LOSSES</u>	<u>\$120,454,737</u>
<u>LOSS ADJUSTMENT EXPENSES</u>	<u>\$29,217,558</u>
<u>UNEARNED PREMIUMS</u>	<u>\$12,341,445</u>

The Department's actuaries performed a review of reserving, pricing and underwriting risks.

In addition, the Company carried a \$6,218,000 liability for the future utilization of the death, disability or retirement benefit (DDR) within its professional liability policies. This liability is carried as an unearned premium reserve and comprised 50% of the total unearned premium.

No significant findings were noted during the review of reserving, pricing and underwriting risks, and the DDR.

<u>COMMON CAPITAL STOCK</u>	<u>\$1,000,000</u>
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The Company has 10,000 shares of \$100 par value common stock issued and outstanding.

<u>UNASSIGNED FUNDS (SURPLUS)</u>	<u>\$311,416,382</u>
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The following is a reconciliation of unassigned funds during the period under examination:

Surplus as of December 31, 2017	\$307,318,708
Net income	23,470,833
Change in net unrealized capital gains or (losses)	(13,322,115)
Change in net deferred income tax	(704,721)
Change in nonadmitted assets	(3,271,323)
Dividends to stockholders	(575,000)
Establishment of mutual holding company	(1,500,000)
Surplus as of December 31, 2021	<u>\$311,416,382</u>

SUBSEQUENT EVENTS

- On April 11, 2022, the Company paid a cash dividend of \$630,000 to its parent company, IFS.
- On June 11, 2022, Dr. Victoria Reyes was elected to the Board.
- On October 24, 2022, the Company announced the hiring of Kirk Tweedy as Chief Operating Officer.

CONCLUSION

The results of this examination disclosed that as of December 31, 2021, the Company had admitted assets of \$489,261,494, liabilities of \$176,845,112, and surplus as regards policyholders of \$312,416,382. During the period under examination, admitted assets decreased \$14,841,716, liabilities decreased \$19,939,389, and surplus as regards policyholders increased \$5,097,674.


INTEGRIS INSURANCE COMPANY

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: Michael Shanahan, CFE; Ellen McCarthy, AFE; Chiffon King, AFE; Deshauna Hammond, Wanchin Chou, FCAS, MAAA; Amy Waldhauer, FCAS, MAAA; and Kenneth Roulier, AFE, AES, CISA.

I, Jeffrey Prosperi, CFE, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2021, to the best of my information, knowledge and belief.

Respectfully submitted,




Jeffrey Prosperi, CFE
Insurance Certified Financial Examiner
State of Connecticut
Insurance Department



State of Connecticut ss

County of Hartford

Subscribed and sworn to before me, Dwendolyn L. Robinson,
Notary Public on this 2 day of February, 2023



Notary Public

My Commission Expires June 30, 2026