



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of	)	No. 13-159
	)	
The Financial Examination of	)	FINDINGS, CONCLUSIONS,
<b>PHYSICIANS INSURANCE</b>	)	AND ORDER ADOPTING REPORT
<b>A MUTUAL COMPANY</b>	)	OF FINANCIAL EXAMINATION
	)	
A Domestic Insurer.	)	

**BACKGROUND**

An examination of the financial condition of **PHYSICIANS INSURANCE A MUTUAL COMPANY**, (the Company) as of December 31, 2011, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of authority as a mutual insurer. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings and instructions was transmitted to the Company for its comments on April 17, 2013. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.



## FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 12 of the report.

## CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of Physicians Insurance A Mutual Company and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

## ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-2.

1. The Company is ordered to execute a revised or amended custodial agreement that complies with RCW 48.13.480. Instruction 1, Examination Report, page 1.
2. The Company is ordered to comply with RCW 48.05.250 and RCW 48.31B.025(2)(c) by amending the Tax Allocation Agreement, effective January 1, 1999, reflecting current participants. The Company is also ordered to follow the NAIC Annual Statement Instructions and the AP&P, as required by WAC 284-07-050(2) by listing all Tax Allocation Agreement participants in Note No. 9(F)(1) of the NAIC Annual Statement. Instruction 2, Examination Report, page 2.
3. The Company is ordered to comply with RCW 48.31B.030(1)(b) by properly filing agreements subject to the Holding Company Regulation and with RCW 48.31B.025(2)(c)(v) and WAC 284-18-390 by reporting all intercompany agreements in the Company's annual registration statement, which includes the Management and Service Agreement between the Company and a non-insurance company affiliate, Association Insurance Services, Inc. Instruction 3, Examination Report, page 2.

4. The Company is ordered to comply with RCW 48.94.025(3) by annually obtaining a copy of statements of the financial condition of its reinsurance intermediary-broker with which it transacts business. Instruction 4, Examination Report, page 2.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 16th day of May, 2013.



MIKE KREIDLER  
Insurance Commissioner



Mary-Lou Misrahy  
President and Chief Executive Officer

April 22, 2013

Mr. James T. Odiorne, CPA, JD  
Deputy Insurance Commissioner  
Company Supervision Division  
Office of Insurance Commissioner  
State of Washington  
PO Box 40255  
Olympia, WA 98504-0255

RE: Financial Examination Reports of Physicians Insurance A Mutual Company (PIAMC) and Western Professional Insurance Company (WPIC) as of December 31, 2011

Dear Mr. Odiorne:

Following are our comments relating to the draft copies you provided us on April 17:

- In the organization chart at the top of page 4 of the PIAMC report and on page 3 of the WPIC report, it should read Association Insurance Services, Inc. rather than Association of Insurance Services, Inc.
- Page 12 of the PIAMC report discusses special consents. We want to point out that PIAMC also has a waiver from the requirement that all audit committee members be directors. We don't know if that's something you want to include in the report or not.
- Our understanding is that you will soon be sending these reports to all directors. We want to make you aware that the annual meeting of members is scheduled for April 29<sup>th</sup>. At that time, James P. Campbell, M.D. and Grant E. McLaughlin, CPA will retire from the Board of PIAMC and Aparna Ananth, M.D. (aparnaananth@gmail.com) and John Pasqualetto (jpasqualetto@comcast.net) will be elected as new directors. We mention this here as we thought it may affect your distribution of the reports.

Please advise if you need any additional information. We very much appreciate this opportunity to review the report drafts.

Sincerely,

Mary-Lou Misrahy  
President and Chief Executive Officer