



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

June 26, 2013

*Sent via USPS certified mail
return receipt requested*

Jane Cundiff
Medicus Insurance Company
4807 Spicewood Springs Rd.
Austin, TX 78759-8444

Dear Ms. Cundiff:

A Market Conduct Examination of your company was conducted by authorized examiners designated by the Director of Insurance pursuant to Illinois Insurance Code Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code. The period covered by the examination is June 1, 2011 through May 31, 2012.

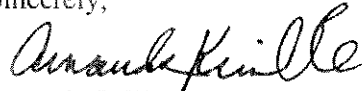
As required by Illinois Insurance Code Section 132, the Director must notify the company made the subject of any market conduct examination of the contents of the verified examination report before filing it and making the report public of any matters relating thereto, and must afford the company an opportunity to demand a hearing with reference to the facts and other evidence therein contained. A copy of the examination report is accordingly enclosed with this letter as well as a Stipulation and Consent Agreement. The company may request a hearing within 10 days after receipt of the examination report by giving the Director written notice of the request, together with a statement of its objections. The examination report will generally not be filed until hearing is completed.

Companies that do not demand a formal hearing may submit their rebuttal with respect to any matters in the examination report. The rebuttal will be considered by the Director before the examination report is filed. Please provide any rebuttals, or the signed Stipulation and Consent Order, to the undersigned by close of business, Wednesday, July 10, 2013. In the event that the Company elects to sign the Stipulation and Consent Order, please sign and return both copies. The Director will sign both copies and a fully executed copy will be returned to you for your records. Note that the Stipulation and Consent requires proof of compliance with the Orders and payment of a civil forfeiture in the amount of \$1,000 within 30 days of the receipt of the fully executed Stipulation and Consent Order.

122 S. Michigan Avenue, 19th Floor
Chicago, Illinois 60603
(312) 814-2420
<http://insurance.illinois.gov>

Once the report of examination has been filed, the exam report, the company's rebuttal, if any, and corresponding Orders (if applicable) are public documents under the Freedom of Information Act (5 ILCS 140/1 *et al.*) and may be posted on the Department's website. In the event of a formal hearing, the record of the hearing, the Hearing Officer Recommendations and the Director's final Order are also public documents and may be posted on the Department's website. Please contact me if you have any questions. I may be reached at 312-814-2420.

Sincerely,



Amanda J. Kimble
Staff Attorney
Illinois Department of Insurance
Amanda.Kimble@illinois.gov

This Market Conduct Examination was conducted pursuant to Sections 5/132, 5/401, 5/402, 5/403 and 5/425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402, 5/403 and 5/425). It was conducted in accordance with standard procedures of the Market Conduct Examination Section by duly qualified examiners of the Illinois Department of Insurance.

This report is divided into five parts. They are as follows: Summary, Background, Methodology, Findings and Technical Appendices. All files reviewed were reviewed on the basis of the files' contents at the time of the examination. Unless otherwise noted, all overcharges (underwriting) and/or underpayments (claims) were reimbursed during the course of the examination.

No company, corporation, or individual shall use this report or any statement, excerpt, portion, or section thereof for any advertising, marketing or solicitation purpose. Any company, corporation or individual action contrary to the above shall be deemed a violation of Section 149 of the Illinois Insurance Code (215 ILCS 5/149).

The Examiner-in-Charge was responsible for the conduct of this examination. The Examiner-in-Charge did approve of each criticism contained herein and has sworn to the accuracy of this report.

Amanda J. Kimble
Staff Attorney
Illinois Department of Insurance
Amanda.Kimble@illinois.gov

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF:

MEDICUS INSURANCE COMPANY
4807 SPICEWOOD SPRINGS ROAD
BUILDING 4, 1ST FLOOR
AUSTIN, TX 78759

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/402 and 5/425) do hereby appoint Examiner-In-Charge, Bernie Sullivan and associates, as the proper persons to examine the insurance business and affairs of Medicus Insurance Company, NAIC #12754, and to make a full and true report to me of the examination made by them of Medicus Insurance Company, with a full statement of the condition and operation of the business and affairs of Medicus Insurance Company, with any other information as shall in their opinion be requisite to furnish me a statement of the condition and operation of its business and affairs and the manner in which it conducts its business. The costs of this examination shall be borne by the company.

The persons so appointed shall also have the power to administer oaths and to examine any person concerning the business, conduct, or affairs of Medicus Insurance Company.



IN TESTIMONY WHEREOF, I hereto set my hand and cause to be affixed this Seal.

Done at the City of Springfield, this 21st day of June, 2012

Andrew Boron

Andrew Boron

Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with Gene Candiff, at the hour of 12:00 PM
on August 20, A.D., 2012.

Bernard Sullivan Jr
Examiner

MEDICUS INSURANCE COMPANY

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: August 20, 2012 through September 13, 2012

EXAMINATION OF: Medicus Insurance Company
(Property and Casualty Foreign)
NAIC #12754

LOCATION: 4807 Spicewood Springs Rd
Austin, TX 78759-8444

PERIOD COVERED BY EXAMINATION: June 1, 2011 through May 31, 2012

EXAMINERS: Bernie Sullivan Jr. LUTCF
Examiner-in-Charge

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I. SUMMARY

- I. The Company was criticized under 215 ILCS 5/143.14 for failing to maintain the required proof of mailing. A class trend criticism was issued in the medical liability cancellation survey.

II. BACKGROUND:

Medicus Insurance Company (MED)

The company was incorporated and licensed in the State of Texas on September 28, 2006 under the provisions of Chapter 822 of the Texas Insurance Code. The Company was licensed to write fire; inland marine, ocean marine, workers' compensation and employers' liability, automobile - liability and physical damage, liability other than auto, glass, burglary and theft, forgery and reinsurance on all lines authorized to be written on a direct basis. The Company is currently licensed in Texas, Nevada and Illinois. The license in Illinois became effective in August 2007.

On October 4, 2011, control of the Company was obtained by NORCAL Mutual through the merger of NORCAL Mutual's subsidiary, Spartacus Merger Sub., Inc., Delaware, and Medicus Insurance Holdings, Inc, Delaware, the Company's parent. Medicus Insurance Holdings was the surviving entity. The acquisition was filed with the Texas Department of Insurance and bore Texas Commissioner's Order No. 11-0792, dated October 4, 2011.

MED's 2011 NAIC Annual Statement Page 19 (Illinois) reflects the following:

Line	Direct premium written	Direct premium earned	Direct losses paid	Direct losses incurred
11 Medical professional liability	\$18,651,703	\$18,610,722	\$3,885,000	\$5,136,932

III. METHODOLOGY:

The Market Conduct Examination places emphasis on an insurer's systems and procedures used in dealing with insureds and claimants.

The following categories are the general areas examined:

1. Risk Selections
2. Underwriting
3. Claims
4. Producer Terminations and Department Complaints

The review of these categories is accomplished through examination of individual underwriting, claim files, written interrogatories, and interviews with Company personnel. Each of these categories is examined for compliance with the Department of Insurance rules, regulations, and applicable state laws.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual criticisms are identified and communicated with the insurer, but not cited in the report if not indicative of a general trend, except to the extent that there were underpayments and/or overpayments.

The following method was used to obtain the required samples and to assure a methodical selection. Surveys were developed from Company generated Excel spreadsheets. Random statistical printout reports were generated by the examiners and presented to the Company for retrieval.

Risk Selection

Nonrenewals were requested on the basis of the effective date of the transaction falling within the period under examination. They were reviewed for their compliance with statutory requirements, accuracy, validity of reasons given, and for any possible discrimination.

Underwriting

New files were selected based on the inception date falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, compliance with company underwriting guidelines, and to insure that the protection provided was as requested.

Claims

Claims were requested based on the settlement occurring, or the claim file being closed without payment within the period under examination.

All claims were reviewed for compliance with policy contracts and endorsements and applicable sections of the Illinois Insurance Code (215 ILCS 5/1 *et seq.*).

IV: SELECTION OF SAMPLE

<u>Survey</u>	<u>Population</u>	<u># Reviewed</u>	<u>% Reviewed</u>
Risk Selection:			
Medical Liability Cancellations	19	19	100.00%
Medical Liability Nonrenewals	0	0	0
Underwriting:			
Medical Liability New Business	44	44	100.00%
Medical Liability Renewals	219	45	20.54%
Claims:			
Medical Liability Paid and Median	8	8	100.00%
Medical Liability Closed without Payment	65	65	100.00%
Producer Terminations and Department Complaints:			
Producer Terminations	0	0	0
Appointed Agent Review	128	15	11.71%
Department Complaints	1	1	100.00%

V. FINDINGS:

A. Risk Selection:

1. Medical Liability Cancellations

Five (5) cancellation files were reviewed to insure compliance with the following Illinois Insurance Codes:

<u>Insurance Code</u>	<u>Overview</u>	<u># files reviewed</u>	<u># of Violations Identified</u>
215 ILCS 5/141.01	agent termination not grounds for nonrenewal	19	0
215 ILCS 5/143.10	previous refusal not grounds for nonrenewal	19	0
215 ILCS 5/143.10a	previous 3 yrs loss information must be provided with the nonrenewal	19	0
215 ILCS 5/143.16	must provide insured and producer 10 days advance notice of cancellation for non-payment	19	0
215 ILCS 5/143.14	must maintain proof of mailing,	19	12
215 ILCS 5/143.23	must provide insured with a notice of the right to appeal and procedures for requesting a hearing	19	0

Nineteen (19) cancellation files were reviewed. Twelve (12) of the 19 files required proof of mailing be maintained. All 12 of the files (100%) failed to maintain the proof of mailing as required by 215 ILCS 5/143.14. A class trend criticism was issued.

2. Medical Liability Nonrenewals

~~The examiner requested a list of policies that were nonrenewed during the examination period. The Company advised the examiner that no policies had been nonrenewed during the examination period. No nonrenewal files were reviewed.~~

	2011, i.e., prior to the issuance of the Bulletin. The company stated that it implemented the 25% maximum effective 4/1/11. All files reviewed which had been underwritten after 4/1/11 complied with the 25% maximum credit.		
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No errors were noted in this survey.

2. Medical Liability Renewals

To assess compliance with 215 ILCS 5/155.21, underwriting files were reviewed to determine if the Company was refusing to offer insurance to applicants who had entered into or intended to enter into arbitration agreements pursuant to the Malpractice Arbitration Act. Policy forms were reviewed to determine if they had been filed with the Director for approval as required by 215 ILCS 5/143. Premiums were reviewed to assess compliance with 215 ILCS 5/155.18 and Insurance Department Company Bulletin 2011-05, "Illinois Medical Professional Liability Insurance Schedule Rating Plan Guidelines."

<u>Insurance Code</u>	<u>Overview</u>	<u># files reviewed</u>	<u># Violations Identified</u>
215 ILCS 5/155.21	refusing to offer insurance to applicants who had entered into or intended to enter into arbitration agreements pursuant to the Malpractice Arbitration Act	45 no applicants were denied coverage during the examination period and no files were reviewed	0
215 ILCS 5/143	submission of forms and applications to the Director for approval	45 all forms reviewed were approved by the Director	0

<p>215 ILCS 5/155.18 and Insurance Department Company Bulletin 2011-05, "Illinois Medical Liability Insurance Schedule Rating Plan Guidelines."</p>	<p>Only one (1) file exceeded the 25% maximum in Bulletin 2011-05. However, the Bulletin was issued on May 11, 2011 and indicated that "Starting in March 2012, the maximum permissible size of the total premium adjustments will be 25%." The only file examined which exceeded the 25% standard was written in January of 2011, prior to the issuance of the Bulletin. The company stated that it implemented the 25% maximum effective 4/1/11. All files reviewed which had been underwritten after 4/1/11 complied with the 25% maximum credit.</p>	<p>45</p>	<p>0</p>
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No errors were noted in this survey.

C. Claims

1. Medical Liability Paid and Median

Claims files were reviewed to determine if claims were being reported to the Department of Financial and Professional Regulation ("IL DFPR") and the National Practitioners Data Bank as required by 215 ILCS 5/155.19 and 42 USC Section 11101 and 45 CFR Part 60 respectively. MED's records indicated that all claims had been reported as required. The examiner provided to the Illinois Department of Financial and Professional Regulation (IL DFPR) a list of all claims that the Company said had been reported to IL DFPR. The examiner requested that IL DFPR confirm that the claims had been reported to IL DFPR. IL DFPR verified that it had received each of the claim reports.

Claim files were also reviewed to determine whether arbitration awards were being honored as required by 215 ILCS 5/155.20.

<u>Insurance Code Section</u>	<u>Overview</u>	<u># files reviewed</u>	<u># Violations Identified</u>
215 ILCS 5/155.19	Report claims to the DFPR	8	Zero. Each file had documentation indicating that the claim had been reported to IL DPFR. IL DPFR confirmed that it received the claim reports.
42 USC Sec. 11101 45 CFR Part 60	Report claims to the National Practitioners Data Bank (NPDB)	8	Zero. Each file had documentation indicating that the claim had been reported to the NPDB.
215 ILCS 5/155.20	Provide coverage for and honor arbitration awards	8	Zero. Of the fifty files reviewed, 0 had been resolved by arbitration. The policy forms do not exclude coverage for arbitration awards.

No errors were noted in this survey.

2. Medical Liability Closed without Payment

All closed without payment claims files were reviewed for compliance with 215 ILCS 5/155.19 and 215 ILCS 5/155.20.

<u>Insurance Code Section</u>	<u>Overview</u>	<u># files reviewed</u>	<u># Violations Identified</u>
215 ILCS 5/155.19	Report claims to the DFPR	65	Zero. Each file had documentation indicating that the claim had been reported to IL DPFR.
215 ILCS 5/155.20	Provide coverage for and honor arbitration awards	65	Zero. No files involved claims which were resolved via arbitration.

No errors were noted in this survey.

D. Producer Terminations and Department Complaints

1. Producer Terminations

No producers were terminated by the Company during the examination period.

2. Appointed Agent Review

No errors were noted in this survey

3. Department Complaints

One (1) Department Complaint (IL11-04043) was filed during the examination period as indicated in the Company records. However, the complaint was actually only an inquiry pursuant to the Chicago Consumer Unit of the Department and was handled under a complaint against an agency (IL11-04062).

V. TECHNICAL APPENDICES:

None

STATE OF INDIANA)
) ss
COUNTY OF ALLEN)

Bernie Sullivan, being first duly sworn upon his/her oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of Medicus Insurance Company (the "Company") of Austin, Texas,

That the Examiner-In-Charge was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Company with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Company business and affairs and the manner in which the Company conduct their business;

That neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is an officer of, connected with, or financially interested in the Company nor any of the Company affiliates other than as a policyholder or claimant under a policy or as an owner of shares in a regulated diversified investment company, and that neither the Examiner-In-Charge nor any other persons so designated nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Company pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That she/he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Company for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Company.



Examiner-In-Charge

Subscribed and sworn to before me
This 19th day of Sept,
A. D. 2012 .


Notary Public 1/29/16

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF:

MEDICUS INSURANCE COMPANY
4807 SPICEWOOD SPRINGS RD
AUSTIN, TX 78759-8444

STIPULATION AND CONSENT ORDER

WHEREAS, the Director (Director) of the Illinois Department of Insurance (Department) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, Medicus Insurance Company (Company) is authorized under the insurance laws of this State and by the Director as a foreign company, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Company was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/402 and 5/425); and

WHEREAS, the Department examiners have filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited the area in which the Company was not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by the Company in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by the Company; and

WHEREAS, the Company is aware of and understands its various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, the Company understands and agrees that by entering into this Stipulation and Consent Order, it waives any and all rights to notice and hearing; and

WHEREAS, the Company and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between the Company and the Director as follows:


1. That the Market Conduct Examination indicated the area in which the Company was not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Company consent to this order requiring the Company to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that the Company shall:


1. Institute and maintain procedures to comply with 215 ILCS 5/143.14 subsection (a) which requires the Company to maintain proof of mailing for all notices of cancellation.
2. Pay to the Director of Insurance, State of Illinois, a civil forfeiture of one thousand dollars (\$1,000.00) within 30 days of the entry date of this Stipulation and Consent Order.
3. Submit to the Director of Insurance, State of Illinois, proof of compliance with the above orders within 30 days of the entry date of this Stipulation and Consent Order.

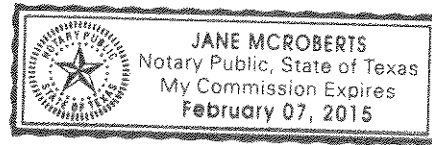
NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should the Company violate any of the provisions of this Stipulation and Consent order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of Medicus Insurance Company:


Signature
Mark Johnson
Name
Chief Financial Officer
Title

Subscribed and sworn to before me this
11th day of September A.D. 2013.


Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois:

DATE September 14, 2013


Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

January 7, 2014

Jane Cundiff
Medicus Insurance Company
6034 W. Courtyard Drive
Suite 310
Austin, TX 78730-5087

Re: ***Medicus Insurance Company
Market Conduct Examination Report***

Dear Ms. Cundiff:

The company has submitted to the Department proofs of compliance with Order # 1 and Order #2 and has submitted the \$1,000 civil forfeiture as outlined in the Stipulation and Consent Order issued by the Department. These proofs of compliance have been reviewed and are satisfactory.

The Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Sincerely,

A handwritten signature in cursive script, appearing to read "Caryn C. Carmean".

Caryn C. Carmean, A.C.A.S., M.A.A.A.
Acting Deputy Director Consumer Outreach and Protection
Illinois Department of Insurance
320 West Washington Street
Springfield, IL 62767
217-557-7311
Caryn.Carmean@illinois.gov