Exhibit 2b – Word/PDF Document

File Name:
Exhibit2B_363571664.PDF

RESERVES STUDY EXHIBIT 2B – WRITTEN RESPONSE TO THE QUESTIONS BELOW:

1. Provide a general description of the actuarial methodologies used to determine and monitor carried loss and loss adjustment expense reserves for the medical malpractice business written, including frequency of reviews.

Please see attached Milliman, Inc. Illinois Medical Malpractice Data Call Memorandum, page 2, ***General Description of Assessing OMSNIC's Loss Reserves.***

2. Discuss the adequacy of medical malpractice loss and loss adjustment expense reserves as of the most recent year-end and identify and describe any material changes in the past five years in amounts of carried reserves and in reserving methods. If a material unfavorable trend exists, indicate what actions were taken to address the issue. Identify the materiality standard used to respond to this question and provide the basis for this standard.

The Company's 2008 medical malpractice loss and loss adjustment expense reserves are adequate and reasonable as opined by the Company's external actuaries. The Company's 2008 reserves did not create an exceptional value in the One-Year Reserve Development to Surplus, Two-Year Reserve to Surplus and the Estimated Current Reserve Deficiency to Surplus IRIS tests.

3. Compare company trends to industry trends, with regards to the medical malpractice line of business and include information about the specific business written by the company and, if necessary, reasons why company trends are different from the industry.

The Company's percentage change in direct written premiums has trended higher over the past several years as compared to medical malpractice carriers, which participate in Physician Insurers Association of America ("PIAA").

The Company's direct written premiums were $62,600,000, an increase of 3% from 2007 and in line with projected growth. This 3% growth figure is slightly lower than the corresponding levels in 2007 year (6%), 2006 year (7%) and in 2005 (9%).

The Company's key financial ratios as compared to the medical malpractice carriers, which participate in PIAA, have trended as follows:

- ✓ *Combined Ratio (Loss Ratio + Expense Ratio) have trended higher than the medical malpractice industry, but has a lower historical 10 year average.*
- ✓ *Net Loss & LAE Reserves to Surplus results have trended higher than the medical malpractice industry, but has a lower historical 10 year average.*
- ✓ *Direct Written Premium to Surplus has never resulted in an exceptional value under the IRIS test and stood at 99% for year-end 2008.*
- ✓ *Risk Based Capital ("RBC") requirements promulgated by the NAIC and adopted by the Illinois Department of Financial and Professional Regulation, Division of Insurance require*

property and casualty insurers to maintain minimum capitalization levels that are determined based on formulas incorporating asset risk, credit risk, and underwriting risk. At December 31, 2008, the Company's adjusted surplus exceeds the minimum RBC capitalization requirements. The Company's 2008 RBC ratio stood at 764%.

SURPLUS STUDY EXHIBIT 2B – WRITTEN RESPONSE TO THE QUESTIONS BELOW:

1. Provide a general discussion regarding the adequacy of surplus reported on Annual Statement, page 3 (Liabilities, Surplus and Other Funds), line 35, Surplus as regards policyholders, as of the last year-end.

The Company's surplus is adequate and has maintained an acceptable net written premium to surplus ratio. The net written premium to surplus ratio has ranged from 106%, starting in 2004 to 84%, as of year-end 2008. This ratio is well within the acceptable NAIC IRIS ratio range.

Total surplus stood at $88,348,000 at year-end 2008, an increase of 7% from year-end 2007. Significant increases to surplus included $7 million in net income, $1.7 million from surplus contributions and $3.2 million from the change in net deferred income tax. These increases were partially offset by $3.6 million increase in non-admitted assets, $1.5 million of net unrealized losses and $1.3million of net purchases of treasury stock.

2. Identify and describe any material events or known material trends, favorable or unfavorable, in the insurer's surplus account in the past five years. This description should include any significant changes in the surplus ratios shown on Exhibit A. If a material unfavorable trend exists, indicate the courses of remedial actions already taken or that are available to the insurer and the effects or potential effects of each. Identify the materiality standard used to respond to this item and provide the basis for this standard.

In years 2002 and 2003, the Company made capital contributions to the subsidiary company, Fortress Insurance Company of $3.3 million and $4.2 million, respectively. In 2007, the Company contributed $5.0 million. The above contributions have supported the subsidiary's growth as it continues to expand its dental professional liability program in both existing and new markets.

COMPANY DEFINED ITEMS

1. For all reports requiring "by county" information, the company may group the data by policy issuing county or other method that is consistent with its ratemaking practices. The company must identify which method is used. The company must use a consistent method to group the data in all "by county" reports. Data grouped by territory is unacceptable. Describe any changes made to the way in which the data has been grouped during the past ten years and the impact of the change(s) on the reports.

Where applicable, the data is grouped by county.

2. Describe any change(s) made to reserving or claim payment practices in the past ten years and the impact of the change(s) on the reports.

There have been no changes in reserving or claims practices in the past ten years other than adjustments to reflect the Company's experience in the various locales where it writes business.

3. Define closed claim, i.e., is a claim closed when it is assigned a closed date, or when both indemnity plus expense reserves are $0, or in some other instance? Describe any change(s) made to this definition in the past ten years and the impact of the change(s) on the reports.

A claim is considered closed when it is assigned a closing date. Reserves are automatically zeroed out.

4. Explain/define the corporate policies written by the company.

The OMSNIC Organization Policy provides a separate limit of coverage to the non-OMS employees and to the Corporation in the event of a claim for services rendered in support of oral and maxillofacial surgery care provided by OMSs who are insured under individual policies issued by the Company. A separate policy will be issued to all corporations (solo or multi-insured), partnerships, and business entities or to those protected surgeons who practice under a D/B/A. The corporation/organization must be owned and operated for the sole purpose of the practice of oral and maxillofacial surgery.

5. Each company shall use the base class and territory that is consistent with its most recent rate filing. Please define your company's base class and territory. Describe any change(s) made to the base class and/or territory in the past ten years and the impact of the change(s) on the reports.

Please see attached Milliman, Inc. Illinois Medical Malpractice Data Call Memorandum, page 2, ***Other Factors Used in Rate Development Table.*** *The initial Illinois class/territory definitions plans have never changed in Illinois.*

6. Describe any adjustment(s) made to exposures for extended reporting endorsements and the impact of the adjustment(s) on the reports.

No adjustments made.

7. For the maturity year and tail factors disclosure, list each tail factor with the corresponding maturity year if a different tail factor is used for each maturity year. If another method is used, list and describe factors and method used. **–**

Please see attached Milliman, Inc. Illinois Medical Malpractice Data Call Memorandum, page 2, ***Maturity Year & Tail Factors Table.***

8. Define what expenses are included in the expense factor.

Please see attached Milliman, Inc. Illinois Medical Malpractice Data Call Memorandum, page 2, ***Other Factors Used in Rate Development Table.*** *The expense factor includes:*

- *General Expense – 10.5% average*
- *Commission Expense – 5.9% average*
- *Other Acquisition Expense – 2.3% average*

9. List and define individually any "other" factors used in the rate filing to establish rates. This could include but is not limited to the following: profit load, reinsurance load, investment income, schedule debits/credits, etc.

Please see attached Milliman, Inc. Illinois Medical Malpractice Data Call Memorandum, page 2, ***Other Factors Used in Rate Development Table.***

10. Describe any methods and/or assumptions used in creating Reserve Study Exhibit A and why these assumptions are necessary.

For Exhibit 2A Reserves, the Policy Type Code for:

- ✓ *Claims-Made is CM rather than CMPA*
- ✓ *Occurrence is OE rather than OERE*

to accommodate the Illinois Medical Malpractice Data Call specifications of a two-digit field.

Do to size limitations within File 3 – Exhibit 2a Surplus we were forced to truncate the values within the Change in NonAdmitted Assets field for Surplus Years 2002, 2004, 2005, and 2008. Exhibit 2a Surplus: Note 1 below shows the actual and truncated values.

Exhibit 2a Surplus: Note 1

Surplus Year	Change in NonAdmitted Assets *(Actual Value)*	Change in NonAdmitted Assets *(Truncated Value)*
1997	1,393,237	1,393,237
1998	65,511	65,511
1999	-48,012	-48,012
2000	56,132	56,132
2001	64,591	64,591
2002	**-2,274,459**	**-999,999**
2003	38,574	38,574
2004	**-1,551,224**	**-999,999**
2005	**-1,203,870**	**-999,999**
2006	1,148,250	1,148,250
2007	-411,990	-411,990
2008	**-3,691,276**	**-999,999**