

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF:

Professional Liability Insurance Company of America
130 South Bemiston Avenue, Suite 506
St Louis, Missouri 63105-1913

SUSPENSION ORDER

WHEREAS, Professional Liability Insurance Company of America (PLICA), a New York domiciled insurer, has been issued a Certificate of Authority by the Illinois Department of Insurance (Department); and

WHEREAS, PLICA has filed with the Department financial statements for the periods ended December 31, 2008, March 31, 2009, and June 30, 2009; and

WHEREAS, PLICA's 2008 Statement of Actuarial Opinion stated that there was a data discrepancy between the 2007 data in Schedule P of the Annual Financial Statement and the same data provided by the Company for the 2008 Schedule P; and

WHEREAS, PLICA reported in 2008 an adverse one-year loss development of \$9.3 million, or 41% of 2007 policyholders' surplus, and an adverse two-year loss development of \$7.6 million, or 40% of 2006 policyholders' surplus; and

WHEREAS, PLICA's net cash from operations was negative \$2,785,357 at December 31, 2008, and negative \$2,902,944 at June 30, 2009. This is in significant contrast to operations for other medical malpractice insurance companies which generally produce positive cash from operations in the early years of a company's operations; and

WHEREAS, PLICA had an underwriting loss of \$7,330,560 in 2008, which resulted in a 44% loss of Policyholders' surplus. However, per the June 30, 2009 Quarterly Statement, Notes to Financial Statement #24, there has been a \$1.9M unfavorable prior-year development since December 31, 2008 to June 30, 2009.

If an estimated after tax amount of \$1.2M was booked at December 31, 2008, this would have resulted in a Policyholders' surplus loss of 56%; and

WHEREAS, based on the Department's review with respect to the requirements of Paragraph 10 of SSAP 55, PLICA's held reserves as of year-end 2008 are inadequate; and

WHEREAS, PLICA's failure to report any current accident year incurred but not reported reserves on the June 30, 2009 statement results in a 2009 accident year loss ratio of 5.9% and therefore, is not in compliance with Section 5/378 of the Illinois Insurance Code (215 ILCS 5/378), which requires companies at all times to maintain reserves, in the aggregate to provide for the payment of all losses and claims incurred, whether reported or unreported, which are unpaid and for which the company may be liable; and

WHEREAS, PLICA had five IRIS Ratios for 2008 outside the usual values as detailed below:

#6 Investment Yield was 7.5% while usual values are 3.0% to 6.5%,
#7 Gross Change in Policyholders' surplus was negative 29.0% while usual values are negative 10% to positive 50 %,
#8 Change in Adjusted Policyholders' surplus was negative 28.0% while usual values are negative 10% to positive 25%,
#11 One-Year Reserve Development to Policyholders' surplus was 41.0% while usual values are under 20%,
#12 Two-Year Reserve Development to Policyholders' surplus was 40.0% while usual values are under 20%.
Having 5 of 13 IRIS Ratios outside the usual values indicate hazardous financial condition; and

WHEREAS, PLICA's Expense Ratio (underwriting expenses/written premium) has been steadily increasing since 2004:

For 2004 it was 24%
For 2005 it was 31%
For 2006 it was 44%
For 2007 it was 51%
For 2008 it was 70%
For First Quarter 2009 it was 76%
For First Half of 2009 it was 95%.

The increasing nature of the expense ratio could lead to an impairment of capital and surplus and indicates management's inability to efficiently manage PLICA's operations; and

WHEREAS, PLICA's direct premiums have been steadily decreasing:

Direct Premium Written	Change for Year
2005 -\$32.1M	
2006 -\$43.0M	34%
2007 -\$29.7M	(31%)
2008 -\$22.6M	(24%)
June 30, 2009 -\$10.3M	(10%) [Change from 6/08 to 6/09]

The decreasing revenues threaten the company's viability as a going concern if the trend continues; and

WHEREAS, the Connecticut Department of Insurance amended PLICA's Certificate of Authority and Compliance on August 21, 2009, to limit PLICA to service only existing business, further limiting the company's ability to generate future revenues; and

WHEREAS, it is evident from the foregoing that PLICA is in such financial condition that the further transaction of business in Illinois would be hazardous to policyholders and creditors in this state and to the public; and

WHEREAS, Section 5/119(2) of the Illinois Insurance Code (215 ILCS 5/119(2)) allows for an immediate suspension before a hearing in such instances.

NOW, THEREFORE, IT IS ORDERED pursuant to Section 5/119(1) (c) of the Illinois Insurance Code (215 ILCS 5/119(1) (c)) that the Certificate of Authority of PLICA is hereby suspended until October 31, 2011.

IT IS FURTHER ORDERED that the suspension of the Certificate of Authority of PLICA shall take effect at 12:01 a.m. on November 1, 2009. During the term of this suspension, the company shall write no new policies in Illinois and shall nonrenew, after giving the appropriate notice to policyholders as required by statute or by contract, all inforce Illinois policies, except those which are guaranteed renewable or noncancellable or required by statute to be renewed due to failure or inability to provide adequate notification that its Illinois Certificate of Authority has been suspended and to inform such policyholders of their options to continue coverage provided under such contracts.

IT IS FURTHER ORDERED that this Order of Suspension shall in no way affect, impair, or prohibit the Company's duty to pay justified policyholder claims.

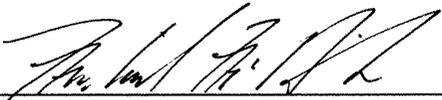
Pursuant to Section 5/401(c) of the Illinois Insurance Code (215 ILCS 5/401(c)), PLICA may request a hearing to contest the provisions of this Suspension Order by filing a written request for a hearing with the Director within 20 days of the date of this Suspension Order. In such event, the Director will issue PLICA a notice of hearing; such hearing to be held at a time and place

fixed therein. The request for a hearing is to be mailed to the attention of Thomas Ratsch of the Department's Regulatory Action Unit at 320 West Washington Street, Springfield, Illinois 62767.

Nothing contained herein shall prevent the Director of Insurance from taking any and all appropriate action should PLICA violate any provision of the Illinois Insurance Code, Illinois insurance regulations and/or any provision contained in this Suspension Order.

ILLINOIS DEPARTMENT OF INSURANCE

Date: 10-22-9



Michael T. McRaith
Director of Insurance