

I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused to Medical Mutual Insurance Company of North Carolina and Medical Security Insurance Company as of December 31, 2020 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 29th day of June, 2022.



Mike Causey
Commissioner of Insurance



Ke Xu, CPA, CFE
Chief Financial Examiner
Financial Examination Division

**Medical Mutual Insurance Company of North Carolina
Medical Security Insurance Company**

Raleigh, North Carolina

Multi-Entity Report on Examination

As of December 31, 2020

TABLE OF CONTENTS

SCOPE OF THE EXAMINATION	2
REPORT ABBREVIATIONS	4
SUMMARY OF SIGNIFICANT FINDINGS	4
ORGANIZATIONAL STRUCTURE	4
Organizational Chart	5
INDIVIDUAL COMPANY HISTORY	5
Capital Stock	6
Dividends to Stockholder	7
MANAGEMENT AND CONTROL	7
Corporate Governance.....	7
Code of Conduct and Conflict of Interest.....	9
Corporate Records.....	9
Statutory Deposits	9
Accounts and Records.....	9
Information Technology Controls	9
Fidelity Bonds and Other Insurance	10
Employee Benefits and Pension Plans	10
Related Party Agreements	11
TERRITORY AND PLAN OF OPERATION	12
Growth of the Companies.....	12
Actuarial Opinion	13
REINSURANCE PROGRAM OVERVIEW	13
Internal Reinsurance Ceded and Assumed	13
External Reinsurance Ceded.....	13
FINANCIAL STATEMENTS	14
COMMENTS ON FINANCIAL STATEMENTS	14
SUBSEQUENT EVENTS	18
DISTRIBUTION OF REPORT ON EXAMINATION	19
CONCLUSION	20
APPENDIX A	22
APPENDIX B	27

May 23, 2022

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

**Medical Mutual Insurance Company of North Carolina (“MMIC”)
Medical Security Insurance Company (“MSIC”)**

(hereinafter collectively referred to as the “Curi Group”), at its main administrative and statutory home office located at 700 Spring Forest Road, Suite 400, North Carolina.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of each company within the Curi Group. This examination covers the period from January 1, 2016, to December 31, 2020, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. The Department’s most recent prior examination of MMIC and MSIC was as of December 31, 2015.

The purpose of this examination is to review and evaluate the Curi Group’s business processes and controls to assist in accessing and monitoring its current financial condition and prospective solvency. Pursuant to Section (“§”) 58-2-132 of the General Statutes of North Carolina (“GS”), this Report on Examination comprises only facts appearing in the books, records, or other documents of the Curi Group (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with standards established by the Department and 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 Curi Group, and evaluate 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 both currently and prospectively.

All accounts and activities of the Curi Group were considered in accordance with the Handbook risk-focused surveillance process and the following key functional activities were identified:

Investments
Reserving and Claims Handling
Reinsurance
Capital Management
Premiums and Underwriting
Related Party Transactions

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein.

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 are separately communicated to the Curi Group.

The Curi Group's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. Trial balance reconciliations of the Annual Statements were performed, as were verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Curi Group's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from the Curi Group's management.

The books and records of the Curi Group are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a). Johnson Lambert LLP of Raleigh, North Carolina, the designated independent public accountant of the Curi Group, issued an unmodified opinion for December 31, 2020. For each of the other years under examination, Ernst & Young LLP issued an unmodified opinion for the companies within the Curi Group.

REPORT ABBREVIATIONS

Annual Statement	“AS”
Board of Directors	“Board”
Financial Condition Examiners Handbook	“Handbook”
General Statutes of North Carolina	“GS”
Information Technology General Controls	“ITGCs”
Information Technology Planning Questionnaire	“ITPQ”
National Association of Insurance Commissioners	“NAIC”
North Carolina Department of Insurance	“Department”
North Carolina Administrative Code	“NCAC”
Curi Holdings, Inc.	“Curi Holdings”
Curi Agency, LLC (formerly MMIC Agency, LLC)	“Curi Agency”
Legacy Investment Holdings, LLC	“Legacy”
MMIC Administrative Services, LLC	“MMIC Admin”
MMIC Investment Holdings, Inc.	“Investment Holdings”
Valor MD Insurance, SPC	“ValorMD”
“Curi Group” includes the following companies:	
Medical Mutual Insurance Company of North Carolina	“MMIC”
Medical Security Insurance Company	“MSIC”

SUMMARY OF SIGNIFICANT FINDINGS

Comments, Recommendations and Directives

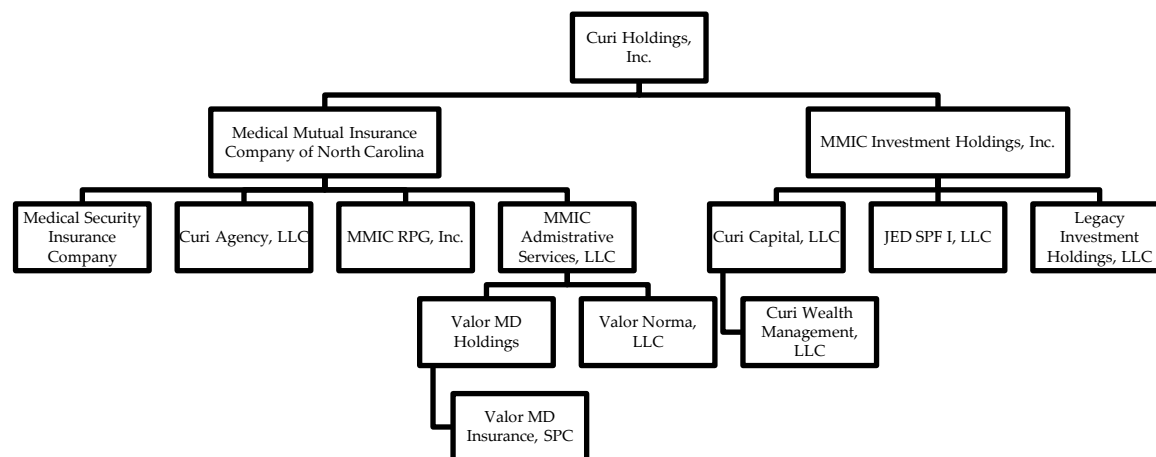
1. MMIC and MSIC were not able to provide adequate support or evidence of signed Conflict of Interest Statements for officers and directors for all periods under examination in compliance with North Carolina Administrative Code (“NCAC”) 11C.0117. For years 2018 and 2019, the Curi Group was unable to locate any Conflict of Interest Statements. In 2020, the Curi Group signed Conflict of Interest Statements electronically; however, the support was not sufficient to verify compliance with NCAC 11C.0117. The Curi Group is directed to comply with Title 11 NCAC 11C.0117 by obtaining executed Conflict of Interest Statements for all officers and directors annually and ensuring that proper records are maintained.

ORGANIZATIONAL STRUCTURE

The companies within the Curi Group are part of an insurance holding company system as defined in GS § 58-19 and are either directly or indirectly wholly owned subsidiaries of Curi Holdings, Inc. (“Curi Holdings”), a North Carolina corporation. Curi Holdings owns all outstanding shares of MMIC. MSIC is wholly owned by MMIC. MMIC and MSIC are both North Carolina corporations. Additionally, MMIC owns 100% of Curi Agency, LLC (“Curi Agency”), and MMIC RPG, Inc.. HPIX Insurance Services, LLC, previously owned by MMIC, was dissolved on January 31, 2020. MMIC also owns 100% of MMIC Administrative Services, LLC (“MMIC Admin”), which indirectly holds an equity interest in Valor MD Insurance SPC (“ValorMD”), a captive segregated portfolio company.

ORGANIZATIONAL CHART

The Company's 2020 Annual Statement Schedule Y contains a complete organizational chart. The following is a summarized organizational chart of the Curi Group within the holding company group as of December 31, 2020:



INDIVIDUAL COMPANY HISTORY

Medical Mutual Insurance Company of North Carolina

MMIC was incorporated on October 3, 1975, under the laws of the State of North Carolina as a mutual casualty insurance company. The Company commenced business on October 23, 1975, with a guaranty fund of \$832,600. MMIC is a physician-owned medical professional liability company, which provides malpractice insurance for physicians.

In January 2014, with shareholder and regulatory approval, MMIC implemented a Plan of Reorganization to change the company to a stock insurance company under the applicable North Carolina statutes. Medical Mutual Holdings, Inc. (currently Curi Holdings, Inc.) was established as an insurance holding company as part of the Plan of Reorganization and owns 100% of MMIC as a result of the non-cash, tax-free transaction, which resulted in no adjustments to MMIC's historical basis other than its capital and surplus to reflect the new common stock issued by MMIC. All policyholders of MMIC are members of Curi Holdings, Inc. with the rights typically associated with mutual company membership. In connection with the reorganization, MMIC transferred its interest in certain bonds, common stocks, cash, and other invested assets to a newly formed affiliate, MMIC Investment Holdings, Inc. ("Investment Holdings") in the form of a distribution of approximately \$135.9 million.

Medical Security Insurance Company

MSIC was incorporated on February 15, 1988, under the laws of the State of North Carolina as a stock casualty, fidelity and surety insurance company. MSIC commenced business on March 11, 1988, with 5.0 million shares of \$1 par value common capital stock authorized and 1.0 million shares issued and outstanding. All outstanding shares are owned by MMIC.

In 2013, MSIC entered into a Renewal Rights Agreement with Eastern Dentists Insurance Company and discontinued writing and renewing dental professional liability insurance in April 2013. On July 1, 2013, MSIC became a direct writer of medical professional liability insurance and began writing the same policies on a surplus lines basis. MSIC cedes 100% of the business written to its parent, MMIC. The ceded business is then subject to the captive reinsurance contract between MMIC and Valor MD Insurance, SPC, an affiliate. MSIC converted from a traditional property and casualty insurer to a Non-Admitted Domestic Surplus Lines Insurer in August 2018.

CAPITAL STOCK

As of December 31, 2020, capitalization of the individual companies consisted of the following:

Medical Mutual Insurance Company of North Carolina

Description	Value
Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	2,500,000
Total common capital stock	\$2,500,000
Par value per share	\$1.00

No additional shares of MMIC were issued during the period under examination. As of December 31, 2020, all outstanding shares of MMIC were owned by Curi Holdings. At December 31, 2020, MMIC reported \$800,000 in gross paid-in and contributed surplus and unassigned funds totaling \$329,371,582.

Medical Security Insurance Company

Description	Value
Number of authorized common capital shares	5,000,000
Number of shares issued and outstanding	1,000,000
Total common capital stock	\$1,000,000
Par value per share	\$1.00

No additional shares of MSIC were issued during the period under examination. As of December 31, 2020, all outstanding shares of MSIC were owned by MMIC. At December 31, 2020, MSIC reported \$10,767,823 in gross paid-in and contributed surplus and unassigned funds totaling \$6,328,206.

DIVIDENDS TO STOCKHOLDER

Dividends on common stock are paid as declared by the Board of Directors (“Board”) of the Curi Group. Under the insurance regulations of North Carolina, the maximum amount of ordinary dividends which the Curi Group may pay to shareholders is limited to the greater of 10% of the most recent year-end policyholders' surplus or net income (excluding realized capital gains) earned for that same year-end. Any amounts exceeding these limits are considered extraordinary and require prior Department approval. MMIC paid ordinary dividends totaling \$17.0 million, \$2.5 million, \$2.5 million, and \$12.5 million to its parent, Curi Holdings, in 2020, 2019, 2017, and 2016, respectively. MSIC paid no dividends during the periods under examination.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

The companies within the Curi Group have the same directors and principal officers. The companies occupy the same home office space and share accounting systems (i.e., accounting, policy administration, claims, etc.) and personnel. All personnel are employees of MMIC.

Shareholders

The bylaws for each insurance company within the Curi Group provide that an annual meeting of the shareholders be held at such time and place as the Board may appoint. Special meetings of the shareholders may be called at any time by the Board, chairman of the Board, the president or by any shareholder with greater than 1/10 of the shares entitled to vote at the meeting. Additionally, special meetings for MSIC may be called by the Secretary.

Board of Directors

The business of the Curi Group is conducted by its management team and is subject to review by the Board. The bylaws for MMIC specify that the number of directors shall not be less than seven. The bylaws for MSIC specify that the number of directors shall not be less than six or more than twelve. Directors are elected at the annual meeting of shareholders or by the written consent of the shareholders, and each director elected shall hold office until a successor is elected and qualified.

The following individuals served as directors as of December 31, 2020:

Name	Location	Principal Occupation
Robert E. Schaaf, MD	Raleigh, North Carolina	Chief Executive Officer and Managing Partner, Wake Radiology Services
Chris Michael Teigland, MD (Vice -Chairman)	Charlotte, North Carolina	Physician, Carolinas Medical Center
Martha Johnston Chesnutt, MD	Rocky Mount, North Carolina	Physician, Boice-Willis Clinic
Emmet Hunter Dyer, MD	Charlotte, North Carolina	Physician, Carolina Neurosurgery & Spine

Name	Location	Principal Occupation
Jeffrey David Forman, MD	Chesapeake, Virginia	Physician/Chief Medical Officer, Bayview Physicians Group
Michael Paul Moulton, MD	Wilmington, North Carolina	Physician, Medac Health Services
Caroline Lee Wilds, MD	Charlotte, North Carolina	Physician, Tryon Medical Partners

The Board has the authority to establish committees including, but not limited to, an executive committee and audit committee. The Board has appointed committees to act on behalf of MMIC and MSIC.

The following individuals served on Board committees as of December 31, 2020:

Executive Committee

Robert E. Schaaf, MD, Chair
Chris Michael Teigland, MD, Vice-Chair
Emmet Hunter Dyer, MD
Michael Paul Moulton, MD
Martha Johnston Chesnutt, MD

Executive Search Committee

Robert E. Schaaf, MD, Chair
Chris Michael Teigland, MD, Vice-Chair
Emmet Hunter Dyer, MD
Michael Paul Moulton, MD
Martha Johnston Chesnutt, MD

Governance and Nominating Committee

Martha Johnston Chesnutt, MD, Chair
Scott E. Shapiro, MD, Vice-Chair
Robert E. Schaaf, MD
Caroline Lee Wilds, MD

Audit Committee

Emmet Hunter Dyer, MD, Chair
Chris Michael Teigland, MD, Vice-Chair
Jeffrey David Forman, MD
Michael Paul Moulton, MD

Officers

The bylaws of MMIC provide that the Board will elect the officers, which consist of a president, chief executive officer, secretary, treasurer, and any other officers deemed necessary. The bylaws of MSIC provide that the Board will elect the officers, which consist of a chair of the Board and president, vice-chair of the Board and first vice-president, secretary, treasurer, chief executive officer, and any other officers deemed necessary. All officers shall hold office, subject to removal at any time by the Board, until their successors are elected and qualified.

The following individuals served as officers as of December 31, 2020:

Name	Title
Robert E. Schaaf, MD	President
Allen D. Jenkins	Chief Executive Officer
Jason T. Sandner	Chief Operating Officer, Chief Financial Officer, Treasurer
David P. Sousa	Senior Vice President, General Counsel & Secretary
Steven W. Sawyer	Senior Vice President and Assistant Secretary
John (Sean) F. Farrelly	Senior Vice President, Underwriting
Jason D. Newton	Senior Vice President, Claims

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Curi Group has established policies and procedures to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Curi Group requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the period under examination revealed that the Curi Group did not act in accordance with its policy and procedures for disclosure of conflicts of interest. (Refer to the Summary of Significant Findings)

CORPORATE RECORDS

Minutes of the meetings of the Board and its committees were reviewed for the period under examination. Based on our review, it appears that the minutes documented the Curi Group's significant transactions and events, and the directors approved these transactions and events.

The articles of incorporation and bylaws were reviewed for any changes during the period under examination. Based on our review, it appears that there have been no changes to the articles of incorporation or bylaws for the companies within the Curi Group during the period under examination.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. MMIC maintained statutory deposits in 11 states. MSIC is a surplus lines provider and is not required to have deposits in any state. The 2020 AS Schedule E, Part 3 contains a complete description and listing of the statutory deposits by state.

ACCOUNTS AND RECORDS

The Curi Group's books and records are maintained at its main administrative office located in Raleigh, North Carolina.

The Curi Group utilizes information systems to sell products to customers, establish service and maintain customer policies, and gather and report financial data. The environment for internal controls over financial reporting is highly automated and includes application controls and system generated reports supporting its financial reporting functions. Significant applications are hosted on multiple servers at the data center located in Raleigh, North Carolina and backed up at a 3rd party provider in Pennsylvania. The majority of the Curi Group's financially significant applications were supported and maintained internally by its information technology staff.

INFORMATION TECHNOLOGY CONTROLS

The Department performed a risk-based assessment and review of the Curi Group's Information Technology General Controls ("ITGCs") in accordance with the NAIC requirements as outlined in the Handbook. The guidance and direction used to perform the review of the Curi Group's ITGCs were derived from Exhibit C Part 1 - Information Technology Planning Questionnaire ("ITPQ") and Exhibit C Part 2 – Information Technology Work Program (collectively, "Exhibit C").

The Curi Group's responses to the ITPQ were evaluated, and certain controls within the IT control environment were tested to assess whether the selected controls were designed effectively and functioning properly.

The Department's objectives were to obtain reasonable assurance about whether:

1. The Curi Group had a process in place to effectively identify, mitigate and manage its IT risks;
2. The Curi Group's control structure, policies and procedures were suitably designed to achieve the control objectives specified in Exhibit C; and
3. The Curi Group complied with those policies and procedures.

The objectives above were achieved through a combination of reviewing the Curi Group's policy and procedures, testing key areas related to Exhibit C, interviewing the Curi Group's IT management, and reviewing IT risk assessment processes.

Based upon the risk-based assessment and review, the Curi Group's ITGCs were determined to be effective.

FIDELITY BONDS AND OTHER INSURANCE

The companies in the Curi Group are named insureds under a fidelity bond, which provides Curi Holdings and its affiliates with coverage totaling \$5.0 million in aggregate. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the Handbook for the Curi Group on a consolidated basis.

In addition, the Curi Group is covered by various corporate property and liability policies issued to Curi Holdings, which appeared to be adequate to cover risks in the normal course of business.

EMPLOYEE BENEFITS AND PENSION PLANS

All employees of the Curi Group are employees of MMIC. MMIC has a defined contribution employee retirement plan that covers all eligible employees of MMIC. Contributions are made based on a percentage of each employee's eligible compensation. MMIC's expense associated with this plan was approximately \$1.8 million and \$1.6 million for 2020 and 2019, respectively.

MMIC also provides a 401(k) plan to which MMIC makes limited matching contributions. MMIC's expense for matching contributions for the 401(k) plan was \$388,991 and \$429,650 for 2020 and 2019, respectively.

MMIC provides a deferred compensation plan for its officers. Officers may defer portions of their compensation and amounts that are in excess of MMIC's retirement savings options.

RELATED PARTY AGREEMENTS

Pursuant to various agreements, services such as financial management, operational management, accounting, payroll, internal audit, human resources management, tax, legal, investment advisory, and data processing are provided for or by the Curi Group and its affiliates as follows:

- a. MMIC has a management agreement with MSIC, effective January 1, 2001, under which MMIC provides general management, underwriting, marketing, claims administration, financial management, and information technology services. MSIC reimburses MMIC monthly for expenses paid on its behalf. Under this agreement, MSIC paid management fees totaling \$325,000 and \$300,000 for 2020 and 2019, respectively.
- b. MMIC has a management agreement, effective January 1, 1990, with Curi Agency (formerly known as MMIC Agency LLC) under which MMIC provides general management, financial management, and information technology services. Curi Agency reimburses MMIC monthly for expenses paid on its behalf. Under this agreement, Curi Agency paid management fees totaling \$600,000 and \$550,000 for 2020 and 2019, respectively.
- c. MMIC has a service agreement with MMIC Admin, effective January 1, 2013, under which MMIC provides general management, financial management, and information technology services. MMIC Admin reimburses MMIC monthly for expenses paid on its behalf. Under this agreement, MMIC Admin paid management fees totaling \$1,300,000 and \$1,200,000 for 2020 and 2019, respectively.
- d. MSIC has a service agreement with MMIC Admin, effective January 1, 2013, under which MSIC receives general management, financial management, and information technology services. MSIC reimburses MMIC Admin monthly for expenses paid on its behalf. Under this agreement, MSIC paid management fees totaling \$3,162,266 and \$4,781,696 for 2020 and 2019, respectively.
- e. MMIC has a service agreement with Legacy Investment Holdings, LLC (“Legacy”), effective January 1, 2014, under which MMIC provides general management, financial management, and information technology services. Legacy reimburses MMIC monthly for expenses paid on its behalf. Under this agreement, Legacy paid management fees totaling \$2,350,000 and \$2,200,000 for 2020 and 2019, respectively.
- f. MMIC has a service agreement with Investment Holdings, effective January 1, 2014, under which MMIC provides general management, financial management, and information technology services. Investment Holdings reimburses MMIC monthly for expenses paid on its behalf. Under this agreement, Investment Holdings paid management fees totaling \$430,000 and \$0 for 2020 and 2019, respectively.
- g. The Curi Group is included in a consolidated federal income tax return in accordance with a tax sharing agreement with its affiliates, effective January 1, 2014. The consolidated federal tax return is consolidated with the following affiliates: Curi Holdings, Investment Holdings, and MMIC RPG, Inc. The provision for federal income tax is computed as if each entity were filing a separate income tax return. Benefits, which arise from tax credits and net operating losses, are allocated to the entity producing such results to the extent they are utilized in the consolidated income tax provision. Intercompany tax balances are settled on an annual basis within 60 days of year-end.

TERRITORY AND PLAN OF OPERATION

Medical Mutual Insurance Company of North Carolina

MMIC specializes in writing professional liability insurance for physicians and surgeons. MMIC is licensed in all states and the District of Columbia except for California, Minnesota, New York, Oregon and Wisconsin. As of December 31, 2020, MMIC primarily wrote business in the states of North Carolina, New Jersey, Virginia, Pennsylvania, and Georgia.

Medical Security Insurance Company

MSIC is a medical professional liability insurer that is authorized to write business on a surplus lines' basis in all states and the District of Columbia except for California, Kansas, Massachusetts, Nebraska, New Mexico, New York and Wisconsin. As of December 31, 2020, MSIC primarily wrote business in the states of Georgia, North Carolina, Tennessee, Florida, and Alabama.

GROWTH OF THE COMPANIES

The data obtained from annual statements filed with the Department illustrates the growth of the companies within the Curi Group for the five-year period ended December 31, 2020.

Medical Mutual Insurance Company of North Carolina

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Income
2020	\$ 756,311,270	\$ 332,671,582	\$ 139,521,707	\$ 96,690,177	\$ 8,811,976
2019	661,810,341	334,623,704	143,217,979	94,903,711	23,404,357
2018	620,073,438	303,091,045	125,833,211	93,420,327	37,137,202
2017	598,133,137	288,732,652	138,854,060	91,546,189	22,524,960
2016	555,011,219	254,845,377	149,176,354	96,379,074	24,084,375

Medical Security Insurance Company

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Direct Premiums Earned*	Net Income
2020	\$ 29,398,455	\$ 18,096,029	\$ 20,445,237	\$ -	\$ 36,603
2019	30,661,669	18,067,352	30,696,288	-	120,553
2018	27,574,398	17,940,711	21,926,941	-	82,209
2017	32,009,845	16,733,220	29,631,122	-	183,494
2016	27,660,351	17,610,664	22,468,150	(1,842)	381,565

*MSIC cedes 100% of its premiums to MMIC; therefore, MSIC does not have any earned premium except for 2016.

ACTUARIAL OPINION

Every property and casualty insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-10-150 and GS § 58-10-155.

The statutory reserves and related items for 2020 were reviewed and certified by the Curi Group's Appointed Actuary, Michael J. Miller, FCAS, MAAA and Willis Towers Watson. Actuarial opinions regarding the Curi Group's reserves for loss and loss adjustment expenses were issued by an appointed actuary for all years during the period under examination. The appointed actuary evaluated the data provided by the Curi Group for reasonableness and consistency of the loss and loss adjustment expense reserve. According to the actuarial opinions, the reserves for both MMIC and MSIC on the loss and loss adjustment expense met the requirements of the insurance laws of North Carolina; were consistent with reserves computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid loss and loss expense obligations of the Company.

REINSURANCE PROGRAM OVERVIEW

INTERNAL REINSURANCE CEDED AND ASSUMED

MMIC has a quota share contract with MSIC effective June 1, 2013, whereby MSIC cedes 100% of the net liability for physician and surgeon business to its parent, MMIC. Under the contract, MSIC ceded premiums totaling approximately \$20.5 million and \$30.6 million for 2020 and 2019, respectively.

MMIC has a quota share reinsurance contract with ValorMD, an affiliated Cayman Islands captive, effective January 1, 2006, whereby ValorMD provides coverage for MMIC's net liability remaining after cessions to other reinsurers. During the term of this agreement, MMIC's retention amount for its excess reinsurance has ranged from \$500,000 to \$1,000,000, and the agreement has incorporated limits on the net liability to be insured. While the majority of MMIC's ceded reinsurance premiums is with ValorMD, this reinsurance arrangement is fully collateralized with funds withheld and reinsurance trusts. Under this contract, ValorMD assumed approximately \$28.5 million and \$34.6 million of premiums from MMIC, which was primarily for business written by MSIC, for 2020 and 2019, respectively.

EXTERNAL REINSURANCE CEDED

MMIC has a first excess cession reinsurance contract with reinsurance partners whereby MMIC retains 100% of the first \$1.0 million of coverage, as well as 2% of coverage between \$1.0 million and \$2.0 million. The second excess cession contract covers 100% of \$8.0 million in excess of \$2.0 million. Additionally, MMIC maintains clash and contingency excess of loss coverage covering 100% of \$10.0 million in excess of \$1.5 million for each event, all insureds, or in the aggregate from any one original insured. Under these contracts, MMIC ceded premiums totaling approximately \$13.4 million and \$12.1 million for 2020 and 2019, respectively.

FINANCIAL STATEMENTS

The financial statements in Appendix A are based on the statutory financial statements filed with the Department and present the financial condition of each company in the Curi Group for the period ending December 31, 2020. The supporting tables and exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statement information related to the prior years is unexamined and is presented for comparative purposes only.

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The Department recognizes only statutory accounting practices prescribed or permitted by the State of North Carolina for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under North Carolina insurance law. The NAIC Accounting Practices and Procedures manual has been adopted as a component of prescribed or permitted practices by the State of North Carolina. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices

The more significant accounting policies followed by the Curi Group are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or the NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of less than one year.

Common stocks: Carried at fair value except investments in stock of subsidiaries, which are carried at a value determined under the equity method.

Preferred stocks: Investment grade perpetual preferred stocks are stated at fair value. Investment grade redeemable preferred stocks are stated at cost. Preferred stock at non-investment grade is stated at the lower of cost or fair value.

Unrealized Gains and Losses: Unrealized gains and losses on investments in equity securities are generally recorded as a direct credit or charge to surplus, net of the adjustment for deferred federal income taxes.

Capital Gains (Losses): Net realized investment gains (losses) are reported net of federal income tax on statutory statement of operations.

Premiums: Direct, assumed, and ceded premiums are earned over the terms of the related policies and reinsurance contracts. Unearned premiums are established to cover the unexpired portion of premiums

written. Such premiums are computed by daily pro-rata methods for direct and ceded business and are based on reports received from ceding companies for reinsurance assumed. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Expenses incurred are reduced for ceding allowance received or receivable.

Reinsurance: Premiums, commissions, expense reimbursements, and reserves are accounted for on a basis consistent with the original policies issued and the terms of the reinsurance agreements. Premiums ceded are reported as a reduction of premium income. Losses and loss adjustment expenses are reported net of balances ceded to reinsurers. Uncollateralized amounts from unauthorized reinsurers are deducted directly from capital and surplus through a provision for unauthorized reinsurance. Changes to the provision are credited or charged directly to surplus.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, prepaid expenses, furniture, equipment, electronic data processing equipment and software, and deferred tax assets, are "non-admitted" and are charged against surplus.

Loan-backed securities: Stated at either amortized cost or the lower of amortized cost or fair market value. The retrospective adjustment method is used to value all securities.

Unpaid loss and loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets

The following represents an analysis of the MMIC's net admitted assets:

	Assets	Assets not Admitted	Net Admitted Assets
Bonds	\$404,901,723	\$ -	\$404,901,723
Preferred stocks	3,323,659	-	3,323,659
Common stocks	112,641,084	-	112,641,084
Cash, cash equivalents and short-term investments	102,187,540	-	102,187,540
Other invested assets	57,933,318	-	57,933,318
Total cash and invested assets	680,987,324	-	680,987,324
Investment income due and accrued	4,040,762	-	4,040,762
Premiums and agents' balances booked but not yet due	57,047,470	-	57,047,470
Reinsurance recoverable	275,043	-	275,043
Current federal income tax recoverable and interest thereon	926,723	-	926,723
Net deferred tax assets	9,513,663	-	9,513,663
Electronic data processing equipment and software	103,239	-	103,239
Furniture and equipment	1,335,700	1,335,700	-
Receivable from parent, subsidiaries and affiliates	3,375,877	-	3,375,877
Employee related receivables	940,212	940,212	-
Prepaid expenses	329,681	329,681	-
Other receivables	96,066	96,066	-
Deductible receivables	41,169	-	41,169
Total admitted assets	\$759,012,929	\$2,701,659	\$756,311,270

MSIC did not report any non-admitted assets at December 31, 2020.

Reinsurance Activity

The companies in the Curi Group have various types of contracts to minimize their exposure to losses. Reinsurance contracts do not relieve the companies of their primary obligation to policyholders, and failure of the reinsurers to discharge their obligations could result in losses to the companies. The Curi Group utilizes Guy Carpenter as a reinsurance intermediary to negotiate and obtain reinsurance contracts on its behalf for specifically identified risks.

Direct, assumed, and ceded premiums written and earned were as follows:

MMIC	2020	2019
Direct Written	\$ 119,076,470	\$ 112,521,691
Reinsurance Assumed from Affiliates	20,445,237	30,696,288
Direct and Assumed Written	139,521,707	143,217,979
Ceded to Affiliates	28,481,690	34,561,232
Ceded to Non-Affiliates	13,447,185	12,054,222
Ceded Written	41,928,875	46,615,454
Net Written	97,592,832	96,602,525
Net Earned	\$ 96,690,177	\$ 94,903,711

The reinsurers share in the risks at different levels as specified in the reinsurance contracts. The types of contracts and retention limits are described in the Reinsurance Program Overview.

Summary of Reserves

The following provides a reconciliation of the reserves for losses and loss adjustment expenses:

MMIC (reported in 000s)	2020	2019
Reserve for losses and loss adjustment expenses, beginning of year	\$ 200,000	\$ 190,000
Add:		
Provision for losses and loss adjustment expenses, current year	76,064	75,077
Change in estimated losses and loss adjustment expenses, prior years	7,811	(13,186)
Total incurred	83,875	61,891
Deduct:		
Losses and loss adjustment expenses paid, current year	8,075	7,593
Losses and loss adjustment expenses paid, prior year	47,800	44,298
Total paid	55,875	51,891
Reserve for losses and loss adjustment expenses, end of year	228,000	200,000
Increase in reserve for losses and loss adjustment expenses	\$ 28,000	\$ 10,000

MMIC's reserves for losses and loss adjustment expenses had unfavorable reserve development totaling \$7,810,635 in 2020 and favorable reserve development totaling \$13,185,694 in 2019 due to changes in the estimates of the ultimate unpaid liability.

MMIC's unfavorable development in 2020 occurred in reporting years 2015 and 2017, with offsetting favorable development in reporting years 2014 and 2018 in the claims made coverage. MMIC's favorable development in 2019 occurred in reporting years 2012 through 2018 in the claims made coverage. Prior to 2019, MMIC had favorable loss reserve development trends in severity and frequency.

At December 31, 2020, and 2019, MMIC's reserves for losses and loss adjustment expenses are reported net of reserve credits totaling \$575,000 and \$1,391,780, respectively, for high deductibles on MMIC's unpaid claims on claims made policies and \$41,169 and \$64,628, respectively, for amounts that are recoverable under reinsurance contracts.

MSIC cedes 100% of its net liability for physician and surgeon business to its parent, MMIC. Therefore, MSIC does not record liabilities for losses and loss adjustment expenses.

Capital and Surplus

The data obtained from annual statements filed with the Department, as reflected in Appendix B represents the changes in capital and surplus of MMIC and MSIC since the Department's last examination as of December 31, 2015, for the five-year period ended December 31, 2020.

Contingencies and Commitments

The Curi Group is involved in routine legal and administrative proceedings incidental to the conduct of its business. While the outcome of these matters cannot be estimated with certainty, it is the opinion of management that the resolution of these matters will not have a material effect on the financial position of the Curi Group.

SUBSEQUENT EVENTS

In December 2019, the COVID-19 contagious disease outbreak emerged and later was characterized as a pandemic by the World Health Organization on March 11, 2020. The President of the United States declared a National State of Emergency on March 13, 2020. The COVID-19 pandemic continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry going forward. At the time of releasing this report, the Curi Group's 2020 financial results indicated there were declines in net income, surplus and risk-based capital ratios. These negative trends have had minor negative effects on the Curi Group's operations and solvency. As such, the Department will continue to monitor and share information about the Curi Group as appropriate related to COVID-19 developments.

In 2021, Jason Sandner replaced Allen Jenkins as Chief Executive Officer.

Upon Jason Sandner being elected Chief Executive Officer, Ben Remke was elected to replace him as Chief Financial Officer, and Treasurer.

**Medical Mutual Insurance Company of North Carolina
Medical Security Insurance Company
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2020**

Steven Wallace Sawyer, Senior Vice President & Assistant Secretary
700 Spring Forest Road, Suite 400
Raleigh, North Carolina 27609

Jason Thomas Sandner, Chief Executive Officer
700 Spring Forest Road, Suite 400
Raleigh, North Carolina 27609

Benjamin Joseph Remke, Chief Financial Officer & Treasurer
700 Spring Forest Road, Suite 400
Raleigh, North Carolina 27609

CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that MMIC complies with the minimum capital and surplus requirements of GS § 58-7-75 for the kinds of insurance that the Company has been authorized to write, which is \$1,250,000.

We conclude that MSIC complies with the minimum capital and surplus requirements of GS § 58-21-21 for the kinds of insurance that the Company has been authorized to write, which is \$15,000,000.

The courteous cooperation and assistance extended by the officers and employees of the companies during the examination is hereby acknowledged.

Respectfully submitted,



Ke Xu, CPA, CFE
Chief Financial Examiner
North Carolina Department of Insurance

May 23, 2022

STATE OF NORTH CAROLINA

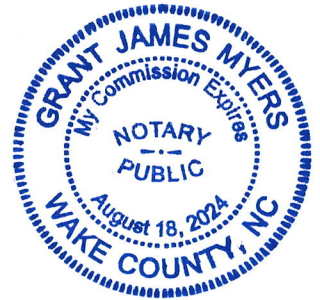
COUNTY OF WAKE

Tonneta L. Drummond, Examination Supervisor, North Carolina Department of Insurance, being first, duly sworn, deposes and says that this multi-entity report on examination, subscribed by her is true and correct to the best of her knowledge and belief.

Signature: Tonneta Drummond Date: 5/23/22

Sworn and subscribed before me this 23rd day of May, 2022.

Notary Public Signature: Grant James Myers Notary Public Seal:



Medical Mutual Insurance Company of North Carolina
Medical Security Insurance Company
Appendix A
December 31, 2020

2020 Statutory Statement of Admitted Assets

	MMIC	MSIC
Bonds	\$404,901,723	\$16,483,132
Preferred stocks	3,323,659	848,932
Common stocks	112,641,084	-
Cash, cash equivalents and short-term investments	102,187,540	905,210
Other invested assets	57,933,318	-
Total cash and invested assets	680,987,324	18,237,274
Investment income due and accrued	4,040,762	190,751
Uncollected premiums and agents' balances in course of collection	-	10,658,078
Deferred premiums and agents' balances and installments booked but deferred and not yet due	57,047,470	-
Reinsurance recoverable	275,043	-
Federal income tax recoverable	926,723	14,114
Net deferred tax asset	9,513,663	-
Electronic data processing equipment	103,239	-
Receivable from parent, subsidiaries, and affiliates	3,375,877	297,928
Deductible receivables	41,169	-
Miscellaneous receivables	-	310
Total admitted assets	\$756,311,270	\$29,398,455

2020 Statement of Liabilities, Surplus and Other Funds

	MMIC	MSIC
Losses	\$140,101,131	\$ -
Loss adjustment expenses	87,898,869	-
Commissions payable, contingent commissions and other similar charges	569,985	366,358
Other expenses	1,951,026	11,666
Taxes, licenses and fees	2,653,557	265,456
Net deferred tax liability	-	9,683
Borrowed money	50,000,000	-
Unearned premiums	53,650,349	-
Ceded reinsurance premiums payable	14,430,000	10,576,547
Funds held by company under reinsurance treaties	4,180,000	-
Amounts withheld or retained by company for account of others	62,528,714	-
Payable to parent, subsidiaries, and affiliates	-	72,716
Payable for securities	5,492,057	-
Accrued retrospective premiums	184,000	-
Total liabilities	423,639,688	11,302,426
Common capital stock	2,500,000	1,000,000
Gross paid in and contributed surplus	800,000	10,767,823
Unassigned funds	329,371,582	6,328,206
Total capital and surplus or surplus as regards policyholders	332,671,582	18,096,029
Total liabilities, capital, and surplus	\$756,311,270	\$29,398,455

2020 Statutory Statement of Income

	MMIC	MSIC
Underwriting Income (Loss)		
Premiums earned	\$96,690,177	\$ -
Deductions		
Losses incurred	23,675,292	-
Loss adjustment expenses incurred	60,199,343	166,647
Other underwriting expenses incurred	20,500,261	407,183
Total underwriting deductions	104,374,896	573,830
Net underwriting (loss)	(7,684,719)	(573,830)
Investment Income		
Net investment income earned	14,586,448	540,148
Net realized capital gains	3,547,146	5,966
Net investment gain	18,133,594	546,114
Other Income		
Miscellaneous income	1,923,149	-
Miscellaneous expense	(1,445,978)	(251)
Total other income	477,171	(251)
Net income before dividends to policyholders	10,926,046	(27,967)
Federal income taxes incurred	2,114,070	(64,570)
Net Income	\$8,811,976	\$36,603

2020 Statutory Statement of Capital and Surplus

	MMIC	MSIC
Capital and surplus, beginning of year	\$334,623,704	\$18,067,352
Capital and surplus increases (decreases):		
Net income	8,811,976	36,603
Change in net unrealized capital gains	2,966,996	(6,706)
Change in net deferred income tax	2,549,193	(1,220)
Change in non-admitted assets	739,235	-
Dividends to stockholders	(17,000,000)	-
Member savings account distributions	(19,522)	-
Change in capital and surplus as regards policyholders for the year	(1,952,122)	28,677
Capital and surplus, end of year	\$332,671,582	\$18,096,029

2020 Statutory Statement of Cash Flow

	MMIC	MSIC
Cash From Operations		
Premiums collected net of reinsurance	\$84,828,529	\$(854,178)
Net investment income	21,765,262	633,455
Miscellaneous income	487,808	(251)
Total	107,081,599	(220,974)
Benefit and loss related payments	8,803,710	-
Commissions, expenses paid and aggregate write-ins	60,494,596	1,309,977
Dividends paid to policyholders	3,500,000	-
Federal income taxes paid	(39,679)	(101,402)
Total	72,758,627	1,208,575
Net cash (used by) from operations	34,322,972	(1,429,549)
Cash Used by Investments		
Proceeds from investments sold, matured, or repaid	196,995,198	3,197,823
Cost of investments acquired	222,135,254	4,789,837
Net cash used by investments	(25,140,056)	(1,592,014)
Cash From Financing and Miscellaneous Sources		
Borrowed funds	50,000,000	-
Dividends to stockholders	17,000,000	-
Other cash provided	2,805,971	456,728
Net cash from financing and miscellaneous sources	35,805,971	456,728
Reconciliation of Cash and Short-Term Investments		
Net change in cash, cash equivalents and short-term investments	44,988,887	(2,564,835)
Cash and short-term investments, beginning of year	57,198,653	3,470,046
Cash and short-term investments, end of year	\$102,187,540	\$905,211

Medical Mutual Insurance Company of North Carolina
Medical Security Insurance Company
Appendix B
December 31, 2020

Changes in Capital and Surplus

The following represents the changes in capital and surplus since the Department's last examination as of December 31, 2015:

MMIC	2020	2019	2018	2017	2016
Capital and surplus, beginning of year	\$334,623,704	\$303,091,045	\$288,732,652	\$254,845,377	\$229,038,215
Capital and surplus increases (decreases):					
Net income	8,811,976	23,404,357	37,137,202	22,524,962	24,084,375
Change in net unrealized capital gain	2,966,996	6,609,845	(19,108,908)	11,432,193	8,797,232
Change in net deferred income tax	2,549,193	897,909	1,080,840	(9,034,678)	5,681,937
Change in no admitted assets	739,235	3,138,002	(4,747,900)	212,229	(256,382)
Dividends to stockholders	(17,000,000)	(2,925,000)	-	(2,500,000)	(12,500,000)
Surplus adjustment: paid in	-	425,000	-	-	-
Member savings account distributions	(19,522)	(17,454)	(2,841)	-	-
Transfer of accrued liability to parent	-	-	-	11,252,569	-
Change in surplus as regards policyholders for the year	(1,952,122)	31,532,658	14,358,393	33,887,275	25,807,162
Capital and surplus, end of year	\$ 332,671,582	\$334,623,704	\$303,091,045	\$288,732,652	\$254,845,377

Changes in Capital and Surplus

MSIC	2020	2019	2018	2017	2016
Capital and surplus, beginning of year	\$ 18,067,352	\$ 17,940,711	\$ 16,733,220	\$ 17,610,664	\$ 17,229,312
Capital and surplus increases (decreases):					
Net income	36,603	120,553	82,209	183,494	381,565
Change in net unrealized capital gain (loss)	(6,706)	9,186	(18,320)	13,340	-
Change in net deferred income tax	(1,220)	(3,098)	(315,150)	280,000	12,500
Change in no admitted assets	-	-	1,458,752	(1,408,693)	(12,713)
Transfer of accrued liability to parent	-	-	-	54,415	-
Change in surplus as regards policyholders for the year	28,677	126,641	1,207,491	(877,444)	381,352
Capital and surplus, end of year	\$ 18,096,029	\$ 18,067,352	\$ 17,940,711	\$ 16,733,220	\$ 17,610,664