

EXAMINATION REPORT OF
IOWA MEDICAL MUTUAL INSURANCE COMPANY
IOWA CITY, IOWA
AS OF DECEMBER 31, 2020

Des Moines, Iowa
May 24, 2022

HONORABLE DOUG OMMEN
Commissioner of Insurance
Insurance Division
State of Iowa
Des Moines, Iowa

Commissioner:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs and financial condition of

IOWA MEDICAL MUTUAL INSURANCE COMPANY

IOWA CITY, IOWA

AS OF DECEMBER 31, 2020

at its Home Office, 200 College of Medicine Administration Building, Iowa City, Iowa.

INTRODUCTION

Iowa Medical Mutual Insurance Company, hereinafter referred to as the “Company,” was last examined as of December 31, 2015. The examination reported herein was conducted as a single state exam by the Iowa Insurance Division.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2016 to close of business on December 31, 2020, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. The Handbook requires that we plan and perform the examination to evaluate the financial condition, identify current and prospective risks of the company 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 company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition.

HISTORY

The Company was organized as a captive mutual insurance company to insure the professional medical liability exposures of the University Of Iowa Carver College Of Medicine's (CCOM) University of Iowa Physicians (UIP). The Company is a nonprofit corporation under the laws of the State of Iowa, owned by the policyholders to whom policies of insurance will be issued. The UIP includes teaching faculty of the College of Medicine who will be insured by the Company. Membership in the UIP is limited to faculty within the CCOM involved in clinical care.

The Company was incorporated on May 19, 2004 and commenced business on June 2, 2004. The Company properly filed Articles of Incorporation and Bylaws with the State of Iowa.

MANAGEMENT AND CONTROL

Membership

As stated in the Bylaws, a member is identified as every person or other legal entity to whom a policy of insurance has been issued, or may hereafter be issued by the Corporation, or who at any time be insured by the Corporation against loss or damage arising from any of the risks or hazards insured by the Corporation. A Member of the Corporation shall be entitled to the rights and privileges of such memberships as defined in the Articles, Bylaws, and contract of insurance, so long only as said contract of insurance is in force and effect.

Guaranty Shareholders are shareholders of guaranty capital of the Corporation pursuant to Section 515.20 of the Iowa Code. Guaranty Shareholders, if any, shall be members of the Corporation.

Members, other than those members serving as Directors and acting in their capacities as Directors, shall not be entitled to vote on any proposed amendment to the Articles of Incorporation or on any proposal for dissolution of this Corporation.

All votes of the members of the Corporation shall be proxy submitted in consideration for the contracts of insurance issued by the Corporation. Each proxy shall be written and executed by the Member and shall designate the Chair of the Board as the proxy of the Member and state the duration, if any, of its validity. Each proxy shall entitle the proxy holder to one vote on any matter that may properly come to a vote of the members.

A quorum shall be present at any meeting at which at least 10 percent of the members are present in person or by proxy.

The regular annual meeting of the members shall be held immediately following the conclusion of the meeting of the University Of Iowa Physicians Of Carver College Of Medicine as amended in 2014. The meeting shall be held in the same location as the meeting of the UIP.

In lieu of the regular annual meeting, set forth in Section 4.1, the Board may designate by resolution a different date, time and place to hold an annual meeting, so long as notice thereof is given at twenty (20) days prior to any such annual meeting informing the members of the date, time and place of the annual meeting.

Board of Directors

The Bylaws provide that the Company shall be managed by a Board of Directors consisting of not less than five nor more than seven members. Pursuant to Iowa Code Section 515.20, two of the total number of Directors serving on the Board at any time shall be representatives of the Guaranty Shareholders of the Corporation whenever there are Guaranty Shareholders of the Corporation.

Regular meetings of the Board of Directors may be held at such places and at such times as the Board of Directors may determine from time to time. Special meetings may be held at any time whenever called by the Chairman of the Board, President or a majority of Directors.

According to the Bylaws, elected directors serve three year terms. The term of any Director may be renewed for any number of additional terms.

As of December 31, 2020, individual duly elected and serving as corporate directors were as follows:

<u>Name</u>	<u>Principal Affiliation</u>	<u>Term Expires</u>
John M. Buatti, M.D. Iowa City, IA	Physician University of Iowa	2021
Douglas J. Van Daele, M.D. Iowa City, IA	Physician University of Iowa	2021
Rod P. Lehnertz** North Liberty, IA	Senior Vice President, Finance and Operations University of Iowa	2022
Cynthia A. Wong, M.D. Iowa City, IA	Physician University of Iowa	2022
J. Brooks Jackson, M.D., MBA Minneapolis, MN	Chairman Dean, Carver College of Medicine	2023
Terry L. Johnson** Coralville, IA	Chief Financial Officer and Treasurer University of Iowa	2023
Rachel A. Maassen, M.D., MBA Coralville, IA	Physician University of Iowa	2023

**Serving as the Guaranty Shareholders as of December 31, 2020.

Committees

The Bylaws states “the Board of Directors at each annual meeting shall appoint an Executive Committee and may from time to time designate such other committees as the Board deems appropriate.” The Executive Committee shall consist of the Chair of the Board and two Directors, one of whom shall be a representative of any Guaranty Shareholder. There were no Directors appointed to the Executive Committee during the exam period and there were no Executive Committee meetings held.

Officers

The Bylaws provides that the officers of the Corporation shall consist of a Chair of the Board, President, Vice President, Secretary, and Treasurer. The Board of Directors shall elect the officers, each of whom shall serve for a term of three years, which may be renewed for any number of additional terms at the discretion of the Board of Directors.

The principal officers serving at December 31, 2020 were as follows:

<u>Elected Officers</u>	<u>Title</u>
Rachel A. Maassen	President
Jason A. Haddy	Vice President and Treasurer
Gay D. Pelzer	Secretary

*Rachel A. Maassen, M.D., MBA, resigned as President on October 18, 2021 for the remainder of her term. Douglas J. Van Daele, M.D., will serve as President for the remainder of her term. Dr. Rachel Maassen will remain on the Board of Directors.

CONFLICT OF INTEREST

The University has a written Code of Ethical Conduct and procedures in place for the annual disclosure to its Board of Directors of any material interest or affiliation of its directors, officers and staff, which is in conflict with their official duties. The disclosures were found to be signed by the directors, officers, and staff, with the exception of 2020. Potential conflicts were disclosed and were deemed not to have a material impact on the operations of the Company.

CORPORATE RECORDS

The recorded minutes of the meetings of the Board of Directors and Members minutes were read and noted.

The Articles of Incorporation and Bylaws have remained unchanged during the exam period.

The minutes of the Board of Directors show that the Report of Examination as of December 31, 2015 by the Iowa Insurance Division was received by the Board at its 2018 annual meeting.

FIDELITY BOND AND OTHER INSURANCE

All Directors and officers are employees of the University of Iowa and are employees for the State of Iowa. State employees are protected by Iowa Code chapters 669 and 504 and separate fidelity coverage is not needed.

EMPLOYEE WELFARE

The Company does not have any employees. All Officers are employees of the University of Iowa.

28E AGREEMENT

The University of Iowa self-insures exposures up to \$3,000,000. The Company provides coverage of \$2,000,000 per occurrence excess layer of coverage above the retention of \$3,000,000. Pursuant to the 28E Agreement, the State of Iowa covers all amounts in excess of \$5,000,000 per occurrence and \$9,000,000 aggregate per fiscal year. The Company has no reinsurance for the \$2,000,000 that they insure.

TERRITORY AND PLAN OF OPERATION

The Company is only licensed to sell professional liability insurance in Iowa.

GROWTH OF COMPANY

The growth of the Company is reflected by the following data taken from the Company's copies of the filed annual statements for the years indicated.

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus to Policyholders</u>	<u>Net Premiums Earned</u>	<u>Net Losses Incurred</u>	<u>Investment Income Earned</u>
2016	\$ 26,477,093	\$ 22,389,787	\$ 3,173,905	\$ -	\$ 25,590
2017	26,031,086	22,389,700	3,355,817	-	43,843
2018	26,243,215	22,401,099	3,493,465	-	63,793
2019	26,499,089	22,401,394	3,670,625	1,000,000	69,126
2020	26,468,545	22,402,041	3,833,884	-	71,589

ACCOUNTS AND RECORDS

Trial balances were prepared for the exam years under review. Amounts from the electronic general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income or disbursements.

During the course of the examination, no material, aggregate surplus difference was identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2020.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

NOTE: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division and present the financial condition of the Company for the period ending December 31, 2020.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$ 22,500,000	\$ -	\$ 22,500,000
Cash and short-term investments	3,935,517		3,935,517
Investment income due and accrued	16,338		16,338
Current federal and foreign income tax recoverable	16,690		16,690
Aggregate write-ins for other-than-invested assets	9,953		9,953
 Total assets	 <u>\$ 26,478,498</u>	 <u>\$ 0</u>	 <u>\$ 26,478,498</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses		\$ -
Other expenses		214,256
Dividends declared and unpaid – Policyholders		3,643,692
Aggregate write-ins for liabilities		208,556
Total liabilities		<u>\$ 4,066,504</u>
 Surplus notes		 \$ 22,000,000
Unassigned funds (surplus)		<u>402,041</u>
 Surplus as regards policyholders		 <u>\$ 22,402,041</u>
 Total liabilities and surplus		 <u>\$ 26,468,545</u>

STATEMENT OF INCOME

Underwriting Income

Premiums earned		\$ 3,833,884
<u>Deductions</u>		
Salaries	\$ 173,262	
Taxes, licenses and fees	2,245	
Other underwriting expenses incurred	78,629	
Total underwriting deductions		<u>254,136</u>
Net underwriting gain (loss)		\$ 3,579,748

Investment Income

Net investment income earned	\$ 71,589	
Net realized capital gains (losses)	<u>2,942</u>	
Net investment gain (loss)		<u>74,531</u>
Net income before dividends to policyholders		\$ 3,654,279
Dividends to policyholders		<u>3,643,683</u>
Net income after dividends to policyholders and federal and foreign income taxes		\$ 10,596
Federal and foreign income taxes incurred		<u>(4)</u>
Net income		<u>\$ 10,600</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2019	\$ <u>22,401,394</u>
<u>Gains and (Losses) in Surplus</u>	
Net income	\$ 10,600
Change in nonadmitted assets	<u>(9,953)</u>
Change in surplus as regards policyholders for the year	<u>\$ 647</u>
Surplus as regards policyholders, December 31, 2020	<u>\$ 22,402,041</u>

CASH FLOW STATEMENT

Cash from Operations

Premiums collected net of reinsurance	\$ 3,833,884	
Net investment income	<u>159,277</u>	
Total		\$ 3,993,161
Commissions, expenses paid and aggregate write-ins	259,822	
Dividends to policyholders	2,484,994	
Federal income taxes paid (recovered) net	<u>14,569</u>	
Total expenses		<u>2,759,385</u>
Net cash from operations		<u>\$ 1,233,776</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 23,810,000	
Net gains (losses) on cash, cash equivalents, and short-term investments	<u>356</u>	
Total investment proceeds		\$ 23,810,356
Cost of investments acquired (long-term only):		
Bonds	\$ <u>28,300,000</u>	
Total investments acquired		\$ 28,300,000
Net cash from investments		<u>\$ (4,489,644)</u>

Cash from Financing and Miscellaneous Sources

Net cash from financing and miscellaneous sources	<u>\$ (1,194,147)</u>
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RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ (4,450,015)
Cash, cash equivalents and short-term investments:	
Beginning of year	<u>8,385,534</u>
End of year	<u>\$ 3,935,519</u>

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company is hereby acknowledged.

In addition to the undersigned, Josh Pietan, Examiner for the Iowa Insurance Division, participated in the examination and preparation of this report.

Respectfully submitted,

/s/ Amanda Theisen
AMANDA THEISEN, CFE
Assistant Chief Examiner
Insurance Division
State of Iowa