

STATE OF ILLINOIS
DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF

AMERICAN PHYSICIANS ASSURANCE CORPORATION
1301 NORTH HAGADORN ROAD
EAST LANSING, MI 48823

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, 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 American Physicians Assurance Corporation, NAIC #33006, and to make a full and true report to me of the examination made by them of American Physicians Assurance Corporation, with a full statement of the condition and operation of the business and affairs of American Physicians Assurance Corporation, 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 American Physicians Assurance Corporation.



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

Done at the City of Chicago, this 22nd day of October, 2012

AK

10-22-12

Andrew Boron

Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with PATTY EDGINGTON, at the hour of 11:00 AM
on Nov 5, A.D., 2012.

Bernard Sullivan Jr
Examiner

STATE OF ILLINOIS

DEPARTMENT OF INSURANCE



IN THE MATTER OF THE EXAMINATION OF

THE DOCTORS' COMPANY
185 GREENWOOD ROAD
NAPA, CA 94558

MARKET CONDUCT EXAMINATION WARRANT

I, the undersigned, Director of Insurance of the State of Illinois, pursuant to Sections 132, 401, 401.5, 402, 403 and 425 of the Illinois Insurance Code (215 ILCS 5/132, 5/401, 5/401.5, 5/402, 5/403, 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 The Doctors' Company, NAIC #34495, and to make a full and true report to me of the examination made by them of The Doctors' Company, with a full statement of the condition and operation of the business and affairs of The Doctors' 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 The Doctors' Company.



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

Done at the City of Springfield, this 9th day of September, 2012.

Andrew Boron

Director

STATE OF ILLINOIS)
) SS
COUNTY OF SANGAMON)

I personally served a copy of the within Warrant by leaving
said copy with Michael O'Donohue , at the hour of 11:30 AM
on 10-15 , A.D., 2012.

Bernard Sullivan Jr
Examiner

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

THE DOCTORS' COMPANY
AMERICAN PHYSICIANS ASSURANCE CORPORATION OF ILLINOIS

MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: October 15, 2012, through November 9, 2012

EXAMINATION OF: The Doctors' Company
(Med Mal Foreign) NAIC #34495

American Physicians Assurance Corporation
of Illinois
(Med Mal Foreign) NAIC #33006

LOCATION: 1301 N. Hagadorn Rd
East Lansing, MI 48823

PERIOD COVERED BY EXAMINATION: July 1, 2011 through June 30, 2012

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

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I. SUMMARY

1. The company was criticized under 215 ILCS 5/143.17a for failing to provide 60 days advanced notice on renewals when the premium increased more than 30%. A general trend criticism was issued in the Medical Liability Renewals/New Business survey.

2. The company was criticized under 215 ILCS 5/143.17a for failing to maintain proof of mailing of the notice of the premium increase of more than 30%. A class trend criticism was issued in the Medical Liability Renewals/New Business survey.

II. BACKGROUND:

The Doctors' Company

The Doctors' Company, an Interinsurance Exchange, was founded by doctors for doctors in 1976 and is committed to advancing, protecting, and rewarding the practice of good medicine. The Doctors' Company primarily writes medical professional liability and is licensed in all jurisdictions except New York. The Doctors' Company is the largest national insurer of physician and surgeon medical liability with almost 73,000 member physicians.

EIC's 2011 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC #34495

| | Line | Direct premium written | Direct premium earned | Direct losses paid | Direct losses incurred |
|----|--------------------------------|------------------------|-----------------------|--------------------|------------------------|
| 11 | Medical professional liability | \$17,493,028 | \$7,641,477 | \$1,500,000 | \$1,657,546 |
| 35 | Total | \$17,493,028 | \$7,641,477 | \$1,500,000 | \$1,657,546 |

American Physicians Assurance Corp of IL

American Physicians Assurance Corporation (APA) was founded in 1975 under the parent company of AP Capital. APA is licensed in Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, Nevada, New Mexico, North Dakota, Ohio, South Dakota, Tennessee, Virginia and Wisconsin, with medical professional liability writings primarily in the Midwest and New Mexico. On October 22, 2010, The Doctors' Company completed its acquisition of APA including the parent company of AP Capital. Effective with renewals and new business commencing July 1, 2011, all business was written under The Doctors' Company.

EIC's 2011 NAIC Annual Statement Page 19 (Illinois) reflects the following: NAIC# 33006

| | Line | Direct premium written | Direct premium earned | Direct losses paid | Direct losses incurred |
|----|--------------------------------|------------------------|-----------------------|--------------------|------------------------|
| 11 | Medical professional liability | \$15,015,284 | \$24,708,608 | \$5,356,921 | \$7,970,622 |
| 16 | Workers' compensation | \$0 | \$0 | \$212,451 | \$0 |
| 35 | Total | \$15,015,284 | \$24,708,608 | \$5,569,371 | \$7,970,622 |

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 Selection
2. Underwriting
3. Claims
4. Producer Termination & Department Complaints

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

The report concerns 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 ensure 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, the accuracy and 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 Nonrenewals | 1 | 1 | 100.00% |
| Underwriting: | | | |
| Medical Liability Renewals / New Business | 740 | 91 | 12.29% |
| Claims: | | | |
| Medical Liability Paid & Median | 18 | 18 | 100.00% |
| Medical Liability Closed without Payment | 96 | 96 | 100.00% |
| Complaints & Producer Review: | | | |
| Producer Terminations | 1 | 1 | 100.00% |
| Appointed Agent Review | 110 | 110 | 100.00% |

V. FINDINGS:

A. Risk Selection:

1. Medical Liability Cancellations

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

2. Medical Liability Nonrenewals

| <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 | 1 | 0 |
| 215 ILCS 5/143.10 | previous refusal not grounds for nonrenewal | 1 | 0 |
| 215 ILCS 5/143.10a | previous 3 yrs loss information must be provided with the nonrenewal | 1 | 0 |
| 215 ILCS 5/143.17a | must provide insured and producer 60 days advance notice of non-renewal | 1 | 0 |
| 215 ILCS 5/143.17a | must maintain proof of mailing, | 1 | 0 |
| 215 ILCS 5/143.17a | must be specific in explanation of reason | 1 | 0 |

No errors were noted in this survey.

B. Underwriting:

1. Medical Liability Renewals/New Business

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 | no applicants were denied coverage during the examination period sample and no files were reviewed | 0 |
| 215 ILCS 5/143 | submission of forms and applications to the Director for approval | all forms reviewed were approved by the Director | 0 |
| 215 ILCS 5/143.17a | 60 day advance notice of renewal premium increase of more than 30% | 80 | 3 |
| 215 ILCS 5/143.17a | maintain proof of mailing of renewal notice with increase in premium of 30% or more | 80 | 2 |

| | | | |
|--|--|-----------|----------|
| <p>215 ILCS 5/155.18 and Insurance Department Company Bulletin 2011-05, "Illinois Medical Professional 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, "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, 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.</p> | <p>91</p> | <p>0</p> |
|--|--|-----------|----------|

Eighty (80) medical liability renewal files were reviewed. Of the 80 files reviewed, five (5) files required a 60 day advance notice for a premium increase of more than 30% as required by 215 ILCS 5/143.17a. Three (3) of the five (5) files, (60%), were criticized under this section for failure to provide a 60 day advance notice of the premium increase of more than 30%. A general trend criticism was issued.

| <u>Policy Number</u> | <u>Effective Date</u> | <u>Premium Increase %</u> | <u>Overcharge</u> | <u>Criticism</u> |
|-----------------------------|-----------------------|---------------------------|-------------------|---|
| T w o 0819847 | 03/15/12 | 33.3% | \$342.35 | no notice letter of explanation provided the insured 215 ILCS 5/143.17a |
| E i g h 0821089 | 04/07/12 | 162.5% | \$5,036.42 | no letter of explanation provided the insured 215 ILCS 5/143.17a |
| t y 0840648 (| 05/01/12 | 60.0% | \$612.31 | no notice letter of explanation provided the insured 215 ILCS 5/143.17a |

8

Eighty (80) medical liability renewal files were reviewed. Of the 80 files reviewed, five (5) files required a 60 day advance notice for a premium increase of more than 30% as required by 215 ILCS 5/143.17a. All five (5) files, (100%), were criticized under this section for failure to maintain the proof of mailing of the notice as required by 215 ILCS 5/143.17a. A class trend criticism was issued.

| <u>Policy Number</u> | <u>Effective Date</u> | <u>Expiration Date</u> | <u>Premium Increase %</u> | <u>Criticism</u> |
|----------------------|-----------------------|------------------------|---------------------------|---|
| 0818667 | 03/01/12 | 03/01/13 | 104.0% | failed to maintain proof of mailing of the required notice 215 ILCS 5/143.17a |
| 0819264 | 03/01/12 | 03/01/13 | 153.6% | failed to maintain proof of mailing of the required notice 215 ILCS 5/143.17a |
| 0819847 | 03/15/12 | 03/15/13 | 33.3% | failed to maintain proof of mailing of the required notice 215 ILCS 5/143.17a |
| 0821089 | 04/07/12 | 04/07/13 | 162.5% | failed to maintain proof of mailing of the required notice 215 ILCS 5/143.17a |
| 0840648 | 05/01/12 | 05/01/13 | 60.0% | failed to maintain proof of mailing of the required notice 215 ILCS 5/143.17a |

C. Claims

1. Medical Liability Paid & 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. IL DFPR confirmed that it received 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 | 18 | Zero. Each file had documentation indicating that the claim had been reported to IL DPFR. IL DFPR confirmed that it received the claim reports. |
| 42 USC Sec. 11101 45 CFR Part 60 | Report claims to the National Practitioners Data Bank (NPDB) | 18 | 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 | 18 | Zero. Of the 18 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 | 96 | 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 | 96 | Zero. No files involved claims which were resolved via arbitration. |

No errors were noted in this survey.

D. Producer Terminations & Department Complaints

1. Producer Terminations

One producer termination was reviewed. No errors were noted in this survey.

2. Appointed Agent Review

One hundred ten (110) producer licenses were reviewed to verify that the licenses were up to date. No errors were noted in this survey

3. Department Complaints

No department complaints were filed during the examination period.

V. TECHNICAL APPENDICES:

MEDICAL LIABILITY PAID CLAIMS

| MEDIAN DISTRIBUTION | | |
|----------------------------|--------|---------|
| No. Days Category | Number | Percent |
| 0-30 | 0 | 0.00% |
| 31-60 | 0 | 0.00% |
| 61-90 | 0 | 0.00% |
| 91-180 | 0 | 0.00% |
| 181-365 | 2 | 11.11% |
| over 365 | 16 | 88.89% |
| Total | 18 | 100.00% |

STATE OF ILLINOIS)
) ss
COUNTY OF COOK)

Bernie Sullivan, being first duly sworn upon his 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:

The Doctors Company, NAIC #34495
American Physicians Assurance Corp of IL, NAIC #33006


That, as Examiner-In-Charge, he 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 Companies 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 Companies' business and affairs and the manner in which the Companies conduct their business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Companies nor any of the Companies' affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

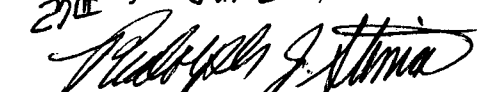
That an examination was made of the affairs of the Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That 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 Companies for the period covered by the Report as determined by the examiners;

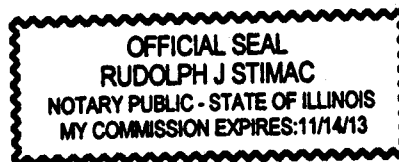
That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance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


Bernie Sullivan
Examiner-In-Charge

Subscribed and sworn to before me
this 27th day of JUNE, 2013.



Notary Public





IN THE MATTER OF:

THE DOCTORS' COMPANY
1301 N. HAGADORN RD
EAST LANSING, MI 48823

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, The Doctors' Company and American Physicians Assurance Corporation of Illinois (the Companies) are authorized under the insurance laws of this State and by the Director as a foreign mutual companies, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Companies 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 various areas in which the Companies were 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 Companies 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 Companies.

WHEREAS, the Companies are aware of and understand their 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 Companies understand and agree that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Companies 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 Companies and the Director as follows:

1. That the Market Conduct Examination indicated various areas in which the Companies were not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Companies consent to this order requiring the Companies 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 Companies shall:

1. Institute and maintain procedures whereby the Companies provides 60 day advance notice of premium increases of 30% or more, as required by 215 ILCS 5/143.17a(a).
2. Institute and maintain procedures whereby the Companies maintain proof of mailing of all 60 day advance notices of premium increases of 30% or more, as required by 215 ILCS 5/143.17a(d).
3. Pay to the Director of Insurance, State of Illinois, a civil forfeiture of two thousand dollars (\$2,000.00) within 30 days of the entry date of this Stipulation and Consent Order.
4. 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 Companies 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 The Doctors Company:

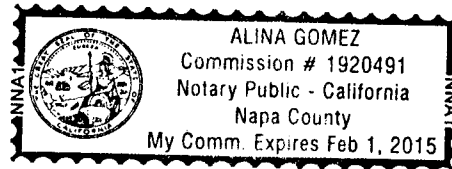
Michael O'Donohue
Signature

Michael O'Donohue
Name

Vice President-Regulatory Compliance
Title

Subscribed and sworn to before me this
15th day of July A.D. 2013.

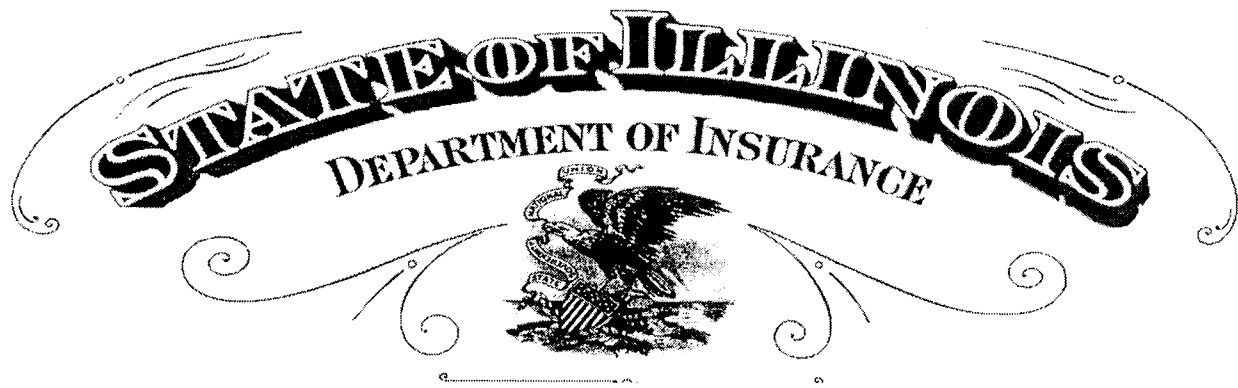
Alina Gomez
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois;

DATE July 16, 2013

Andrew Boron
Andrew Boron
Director



IN THE MATTER OF:

THE DOCTORS' COMPANY
1301 N. HAGADORN RD
EAST LANSING, MI 48823

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, The Doctors' Company and American Physicians Assurance Corporation of Illinois (the Companies) are authorized under the insurance laws of this State and by the Director as a foreign mutual companies, to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of the Companies 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 various areas in which the Companies were 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 Companies 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 Companies.

WHEREAS, the Companies are aware of and understand their 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 Companies understand and agree that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, the Companies 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 Companies and the Director as follows:

1. That the Market Conduct Examination indicated various areas in which the Companies were not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and the Companies consent to this order requiring the Companies 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 Companies shall:

1. Institute and maintain procedures whereby the Companies provides 60 day advance notice of premium increases of 30% or more, as required by 215 ILCS 5/143.17a(a).
2. Institute and maintain procedures whereby the Companies maintain proof of mailing of all 60 day advance notices of premium increases of 30% or more, as required by 215 ILCS 5/143.17a(d).
3. Pay to the Director of Insurance, State of Illinois, a civil forfeiture of two thousand dollars (\$2,000.00) within 30 days of the entry date of this Stipulation and Consent Order.
4. 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 Companies 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 The Doctors Company:

Michael O'Donohue

Signature

Michael O'Donohue

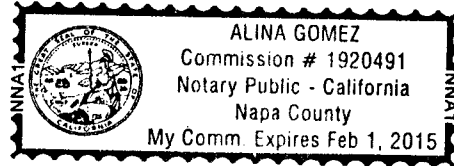
Name

Vice President-Regulatory Compliance

Title

Subscribed and sworn to before me this
15th day of July A.D. 2013.

Alina Gomez
Notary Public



DEPARTMENT OF INSURANCE of the
State of Illinois;

DATE July 16, 2013

Andrew Boron
Andrew Boron
Director



Illinois Department of Insurance

PAT QUINN
Governor

ANDREW BORON
Director

September 23, 2013

Sent via US Mail Return Receipt

Michael O'Donohue
The Doctors' Company
VP Regulatory Compliance
185 Greenwood Rd.
Napa, CA 94558

Re: Market Conduct Examination of The Doctors Company, NAIC #34495 and
American Physicians Assurance Corp of IL, NAIC #33006

Dear Mr. O'Donohue:

The Department is in receipt of your letter dated September 18, 2013 in which The Doctors Company provided proof of compliance. The Department has reviewed the proof and found that it is satisfactory. As a result, the Department is closing its files on this exam. As mentioned in previous correspondence, this exam will be made public by posting on the Department's website as authorized by 215 ILCS 5/132.

Should you have any questions, please contact me at (312) 814-5420.

Sincerely,

A handwritten signature in cursive script that reads "Amanda J. Kimble".

Amanda J. Kimble
Assistant General Counsel
Illinois Department of Insurance
Amanda.Kimble@illinois.gov