REPORT ON EXAMINATION
OF
HEALTHCARE PROFESSIONALS INSURANCE COMPANY

AS OF DECEMBER 31, 2023

EXAMINER: **SABU CHERIAN**
DATE OF REPORT: **SEPTEMBER 25, 2025**

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January 26, 2026

Honorable Kaitlin Asrow
Acting Superintendent
New York State Department of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and in compliance with the instructions contained in Appointment Number 32695 dated September 4, 2024, attached hereto, I have made an examination into the condition and affairs of Healthcare Professionals Insurance Company as of December 31, 2023, and submit the following report thereon.

Wherever the designation "the Company" appears herein without qualification, it should be understood to indicate Healthcare Professionals Insurance Company.

Wherever the term "Department" appears herein without qualification, it should be understood to mean the New York State Department of Financial Services.

1. SCOPE OF EXAMINATION

The Department has performed an examination of Healthcare Professionals Insurance Company, a single-state insurer. The previous examination was conducted as of December 31, 2018. This examination covered the five-year period from January 1, 2019, through December 31, 2023. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner.

This examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook, which requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. This examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with New York laws, statutory accounting principles, and annual statement instructions.

This examination report includes, but is not limited to, the following:

Company history
Management and control
Territory and plan of operation
Holding company description
Financial statement presentation
Loss review and analysis
Summary of recommendations

This report on examination is confined to financial statements and comments on those matters that involve departures from laws, regulations or rules, or that are deemed to require explanation or description.

2. DESCRIPTION OF COMPANY

Healthcare Professionals Insurance Company was incorporated under the laws of the State of New York on June 7, 2005, and commenced business on January 10, 2006. The Company was a wholly owned subsidiary of HANYS Member Hospitals Self-Insurance Trust (the "Trust"). The Trust was formed in response to the mandate of the Medical Malpractice Reform Act of 1985 and represented the interests of over 80 hospitals in New York State. The Company was formed for the purpose of writing professional liability insurance for hospitals and physicians. For physicians and surgeons, the Company wrote excess

medical malpractice liability policies pursuant to Section 18 of Chapter 266 of the Laws of New York of 1986, as from time to time amended and extended ("Section 18").

On July 1, 2007, the Company entered into a novation agreement with the Trust. Pursuant to the terms of the agreement, the Company acquired all liabilities for Section 18 policies of excess medical malpractice liability insurance and all liabilities for direct pay first layer excess liability policies for occurrences July 1, 2005, through June 30, 2006, and July 1, 2006, through June 30, 2007, originally written by the Trust. The prior reinsurance treaty with the Trust that ceded 100% quota share of liabilities for these policies was rescinded.

On March 1, 2013, the Trust sold the Company to HPIC Holdings, Inc. On October 28, 2013, the Company signed an Assumption of Liabilities Agreement for the Trust's participation share in the Medical Malpractice Insurance Pool of New York State ("MMIP").

On June 30, 2017, the Company was placed into voluntary run-off.

A. Corporate Governance

Pursuant to the Company's charter and by-laws, management of the Company is vested in a board of directors consisting of not less than seven nor more than ten members. The board meets four times during each calendar year. At December 31, 2023, the board of directors was comprised of the following nine members:

Name and Residence	Principal Business Affiliation
Samuel Francis Bosco, MD Wynantskill, New York	Retired
Joseph Patrick Corcoran Longboat Key, Florida	Vice Chairman, HPIC Holdings, Inc.
Dennis James Loughridge Voorheesville, New York	Secretary, HPIC Holdings, Inc.
Veronica Katherine Loughridge Voorheesville, New York	President and Chief Executive Officer, Healthcare Professionals Insurance Company, Inc.
Arthur Gordon McAleer Rockport, Maine	Compliance Officer, Bixby & Company, LLC

Name and Residence	Principal Business Affiliation
Mark Daryl Morris Lakewood Ranch, Florida	Chairman of the Board, HPIC Holdings, Inc.
Cleo Mae Ostrander New York, New York	Vice President, Finance, Healthcare Professionals Insurance Company, Inc.
Mark Carl Schoell Orchard Park, New York	Treasurer, HPIC Holdings, Inc.
Howard Jay Williams, MD Manlius, New York	Retired

As of December 31, 2023, the principal officers of the Company were as follows:

Name	Title
Mark Daryl Morris	Chairman
Joseph Patrick Corcoran	Vice Chairman
Veronica Katherine Loughridge	President and Chief Executive Officer
Dennis James Loughridge	Secretary
Mark Carl Schoell	Treasurer

B. Territory and Plan of Operation

As of December 31, 2023, the Company was licensed to write business solely in New York.

As of the examination date, the Company was authorized to transact the kinds of insurance as defined in the following numbered paragraphs of Section 1113(a) of the New York Insurance Law:

Paragraph	Line of Business
4	Fire
5	Miscellaneous property
6	Water damage
7	Burglary and theft
8	Glass
9	Boiler and machinery
10	Elevator
11	Animal
12	Collision
13	Personal injury liability
14	Property damage liability
15	Workers' compensation and employers' liability
16	Fidelity and surety

Paragraph	Line of Business
19	Motor vehicle and aircraft physical damage
20	Marine and inland marine
21	Marine protection and indemnity

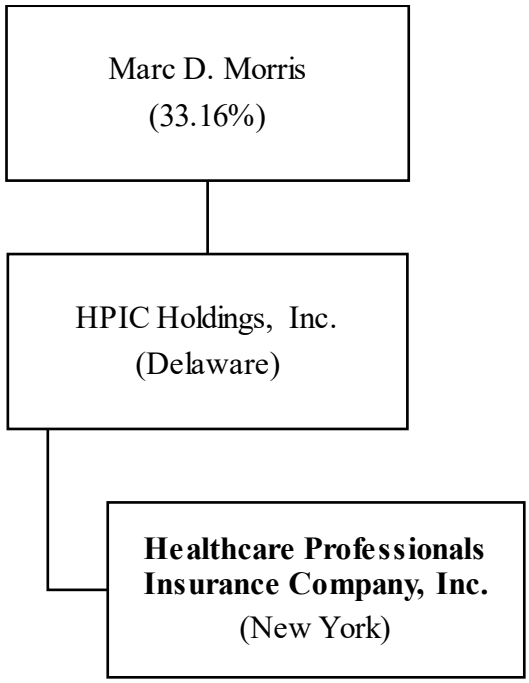
Based upon the lines of business for which the Company is licensed and the Company's current capital structure, and pursuant to the requirements of Articles 13 and 41 of the New York Insurance Law, the Company is required to maintain a minimum surplus to policyholders in the amount of $3,800,000.

C. Holding Company System

The Company is a wholly owned subsidiary of HPIC Holdings, Inc. ("HHI"), a Delaware corporation. HHI is a private holding company in which the Company's Chairman of the Board, Mark D. Morris, has a 33.16% interest. No other shareholder has a greater interest in HHI than Mr. Morris. HHI was formed in 2012 by the Company's directors and senior management for the purpose of acquiring the Company.

A review of the holding company registration statements filed with this Department indicated that such filings were complete and were filed in a timely manner pursuant to Article 15 of the New York Insurance Law and Department Regulation 52.

The following is an abridged chart of the holding company system at December 31, 2023:



At December 31, 2023, the Company was party to the following agreement with its affiliate:

Tax Allocation Agreement

Effective October 1, 2014, a tax sharing agreement was entered into by the Company and HHI. The agreement sets forth the terms relating to the allocation of federal income tax liabilities for taxable years in which consolidated federal income tax returns are filed. The agreement was filed with this Department pursuant to Section 1505 of the New York Insurance Law and Circular Letter No. 33 (1979).

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following shows the assets, liabilities and surplus as regards policyholders as of December 31, 2023, as reported by the Company:

Assets	Assets	Assets Not Admitted	Net Admitted Assets
Bonds	$33,833,547	$ 0	$33,833,547
Common stocks (stocks)	19,142,216	0	19,142,216
Cash, cash equivalents and short-term investments	1,918,754	0	1,918,754
MMIP asset	7,529,105	0	7,529,105
Investment income due and accrued	371,420	0	371,420
Deferred premiums, agents' balances and installments booked but deferred and not yet due	146,301	0	146,301
Electronic data processing equipment and software	7,665	0	7,665
Receivables from parent, subsidiaries and affiliates	2,364,736	0	2,364,736
MMIP accrued interest	53,535	0	53,535
Deferred comp asset	675,926	0	675,926
HHI accrued loan interest	162,116	0	162,116
Prepaid expenses	107,950	107,950	0
A/R miscellaneous	65,312	0	65,312
Total assets	$66,378,583	$107,950	$66,270,633

Liabilities, Surplus and Other Funds

Liabilities

Losses and Loss Adjustment Expenses		$29,752,148
Other expenses (excluding taxes, licenses and fees)		167,180
Current federal and foreign income taxes		1,858,618
Net deferred tax liability		604,373
Deferred comp liability		675,926
Total liabilities		$33,058,245

Surplus and Other Funds

Common capital stock	$10,000,000	
Gross paid in and contributed surplus	10,000,010	
Unassigned funds (surplus)	13,212,378	
Surplus as regards policyholders		$33,212,388
Total liabilities, surplus and other funds		$66,270,633

Note: The Internal Revenue Service has not audited tax returns covering tax years 2019 through 2023. The examiner is unaware of any potential exposure of the Company to any tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Income

The net loss for the examination period as reported by the Company was $(13,499,196), as detailed below:

Underwriting Income		
Premiums earned		$ 35,019
Deductions:		
Losses and loss adjustment expenses incurred	$ 9,457,097	
Other underwriting expenses incurred	23,006,874	
MMIP change in PDR reserve	(3,226)	
Parentis action	2,400,000	
Commutation	17,646,405	
Paid interest on claim	24,905	
Total underwriting deductions		52,532,055
Net underwriting gain or (loss)		$(52,497,036)
Investment Income		
Net investment income earned	$14,741,858	
Net realized capital gain	7,438,157	
Net investment gain or (loss)		22,180,015
Other Income		
Net gain or (loss) from agents' or premium balances charged off	$ 5	
Finance and service charges not included in premiums	268	
Interest and gain/loss mutual fund deferred compensation	381,533	
MMIP investment income/gain	1,193,719	
Admin pool	980,375	
Miscellaneous income	397,037	
HHI loan interest income	162,116	
Total other income		3,115,053
Net income before federal and foreign income taxes		$(27,201,968)
Federal and foreign income taxes incurred		(13,702,772)
Net income (loss)		$(13,499,196)

C. Capital and Surplus

Capital paid in is $10,000,000 consisting of 100 shares of $100,000 par value per share common stock. Gross paid in and contributed surplus is $10,000,010. Capital paid in and gross paid in and contributed surplus did not change during the examination period.

Surplus as to policyholders decreased by $26,562,354 during the five-year examination period January 1, 2019, through December 31, 2023, as reported by the Company, detailed as follows:

Surplus as regards policyholders as reported by the Company as of December 31, 2018			$59,774,742
	Gains in Surplus	Losses in Surplus	
Net income		$13,499,196	
Net unrealized capital gains or (losses)	$4,887,208		
Change in net deferred income tax		902,890	
Change in nonadmitted assets	298,408		
Dividends to stockholders	0	17,345,884	
Total gains and losses	$5,185,616	$31,747,970	
Net increase (decrease) in surplus			(26,562,354)
Surplus as regards policyholders as reported by the Company as of December 31, 2023			$33,212,388

D. Analysis of Changes to Surplus

Surplus as regards policyholders as of December 31, 2023, as reported by the Company		$33,212,388
Decrease in surplus due to adjustment in receivables from parent, subsidiaries and affiliates (refer to section 4)	(2,364,736)	
Decrease in surplus due to accrued loan interest (refer to section 4)	(162,116)	
Total decrease in surplus		(2,526,852)
Surplus as regards policyholders as of December 31, 2023, per report on examination		$30,685,536

4. RECEIVABLES FROM PARENT, SUBSIDIARIES AND AFFILIATES

The examination admitted asset for the captioned items of $0 is $2,364,736 less than the $2,364,736 reported by the Company as of December 31, 2023. The examination analysis of receivables from parent, subsidiaries, and affiliates was conducted in accordance with the New York Insurance Law. The captioned balance sheet item was non-admitted in accordance with Section 1407(a)(4) and Section 1302(b) of the New York Insurance Law.

On March 1, 2023, the Company ("lender") and HHI ("borrower") executed a promissory note with a principal amount of $2,364,736. The Department did not approve this transaction. Pursuant to the terms of the promissory note, HHI promises to pay the Company the principal amount of $2,364,736 with interest (SOFR plus 300 basis points) on the unpaid principal balance from March 2, 2023, until paid in full. The first interest payment was due March 1, 2025, with subsequent interest payments due March 1, 2026, March 1, 2027, and March 1, 2028. At December 31, 2023, the Company reported accrued loan interest of $162,116. The first principal payment is due March 1, 2026, and shall be in the amount of 15% of the outstanding principal balance of the loan. The second principal amount is due March 1, 2027, and shall be in the amount of 15% of the outstanding principal balance of the loan. The third and final principal payment is due March 1, 2028, and shall be in the amount of 70% of the outstanding principal balance of the loan. The examiner notes that HHI's main source of income is derived from the Company, and it can only make interest payments/repay the loan with Company-derived funds.

The Company is directed to non-admit the captioned asset and related interest because:

1. It is a prohibited investment pursuant to Section 1407(a)(4) of the New York Insurance Law
2. It is an asset of doubtful value pursuant to Section 1302(b) of the New York Insurance Law.

Section 1407(a)(4) of the New York Insurance Law states, in part:

> "(a) Any insurer that makes investments… may invest in, or otherwise acquire or loan upon, directly or indirectly, any of the types of investments described in section one thousand four of this article… except the following prohibited investments: … (4) Obligations, shares or other securities (including certificates of deposit) issued by a parent corporation or a corporation which is an affiliate…"

Section 1302(b) of the New York Insurance Law states:

> "All non-admitted assets and all other assets of doubtful value or character included as ledger or non-ledger assets in any statement by an insurer to the superintendent, or in any examiner's report to him, shall also be reported,

> to the extent of the value disallowed, as deductions from the gross assets of such insurer except where the superintendent permits a reserve to be carried among the liabilities of such insurer in lieu of any such deduction."

As HHI has no substantial means to repay the promissory note, or related interest, other than from funds obtained from the Company, the reported receivable (e.g. repayment of the loan) and related interest has doubtful value. Pursuant to Section 1302(b) of the New York Insurance Law, assets of doubtful value should be disallowed.

Furthermore, the NAIC Annual Statement Instructions states that loans made to affiliates shall be excluded from Line 23 "Receivables from parent, subsidiaries and affiliates". The Company is directed to report the loan amount on Line 8 "Other Invested Assets (Schedule BA)", and non-admit the amount in its entirety.

The Company subsequently complied with the directives to non-admit and to re-classify the captioned asset. In its Quarterly Statement as of June 30, 2025, the Company reported $2,364,736 as "Other invested assets" and non-admitted the amount in its entirety. The Company received the accrued loan interest in April 2025.

5. LOSSES AND LOSS ADJUSTMENT EXPENSES

The examination liability for the captioned items of $29,752,148 is the same as reported by the Company as of December 31, 2023. The examination analysis of the loss and loss adjustment expense reserves was conducted in accordance with actuarial standards of practice and statutory accounting principles, including SSAP No. 55.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination did not contain any comments or recommendations.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Receivables from Parent, Subsidiaries and Affiliates	
i.	Pursuant to Section 1407(a)(4) and Section 1302(b) of the New York Insurance Law, the Company is directed to non-admit the reported receivable and related loan interest. In its Quarterly Statement as of June 30, 2025, the Company reported a non-admitted asset of $2,364,736. The Company received the accrued loan interest in April 2025.	11
ii.	The Company is directed to report the loan amount on Line 8 "Other Invested Assets (Schedule BA)", and non-admit the amount in its entirety. In its Quarterly Statement as of June 30, 2025, the Company reported $2,364,736 as "Other invested assets", and non-admitted the amount in its entirety.	12

Respectfully submitted,

Sabu Cherian
Sabu Cherian,
Financial Services Examiner 3

STATE OF NEW YORK)
)ss:
COUNTY OF NEW YORK)

Sabu Cherian, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

Sabu Cherian
Sabu Cherian

Subscribed and sworn to before me

this_____ day of_____, 2026.

APPOINTMENT NO. 32695

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***Adrienne A. Harris****, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Sabu Cherian

as a proper person to examine the affairs of the

Healthcare Professionals Insurance Company, Inc.

and to make a report to me in writing of the condition of said

COMPANY

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by name and affixed the official Seal of the Department at the City of New York

this 4th day of September 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:

Eileen Fox

Eileen Fox
Assistant Deputy Superintendent