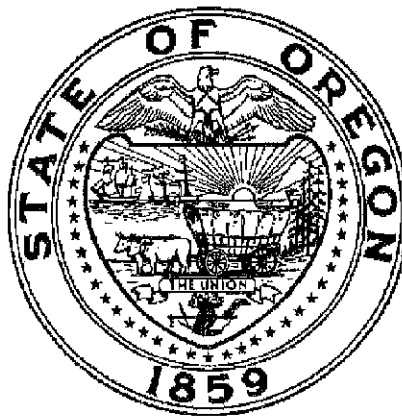


**STATE OF OREGON  
DEPARTMENT OF  
CONSUMER & BUSINESS SERVICES  
INSURANCE DIVISION**



REPORT OF QUALIFYING FINANCIAL EXAMINATION

OF

**MMIC ACQUISITION CORPORATION  
BEAVERTON, OREGON**

AS OF

MAY 7, 2013

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

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**SALUTATION**

May 28, 2013

Honorable Louis Savage, Commissioner  
Department of Consumer and Business Services  
State of Oregon  
350 Winter Street NE  
Salem, Oregon 97301-3883

Dear Commissioner:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

**MMIC ACQUISITION CORPORATION  
1915 NW Amberglen, 4<sup>TH</sup> Floor  
Beaverton, Oregon 97006**

hereinafter referred to as the "Company." The following report is respectfully submitted.

## SCOPE OF EXAMINATION

We have performed our qualifying examination of MMIC Acquisition Corporation. This examination was conducted to determine if the Company is qualified to be issued an Oregon Certificate of Authority as a domestic insurer pursuant to Chapter 732 of the Oregon Insurance Code.

In addition to a verification of the Company's financial position, the following matters were reviewed:

- Corporate Records
- Management and Control
- Accounts and Records

This examination was conducted in compliance with the Oregon Insurance Code as well as in accordance with the procedures promulgated by the National Association of Insurance Commissioners.

## COMPANY HISTORY

The Company was organized on March 4, 2013, as part of plan of acquisition submitted by MMIC Insurance, Inc., to acquire control of Utah Medical Insurance Association (UMIA), an unaffiliated Oregon domestic insurer. The Company was formed by MMIC Insurance, Inc., a wholly-owned subsidiary of MMIC Group, Inc., a Minnesota domiciled Mutual Insurance Holding Company, to facilitate the acquisition of UMIA.

On March 27, 2013, the Company was granted a "Certificate of Incorporation" by the Insurance Division, in accordance with ORS 732.055. Upon obtaining a Certificate of Authority, the Company intends to merge itself into UMIA, changing UMIA from an Oregon domiciled interinsurance exchange managed by its Attorney-in-Fact into a for-profit stock corporation.

## CORPORATE RECORDS

### Articles of Incorporation

The Company's original Articles of Incorporation were filed with the Insurance Division effective March 27, 2013. The Articles contained the necessary information to comply with ORS 732.095.

Bylaws were not considered necessary, as the existence of this corporation with cease immediately after the effective date of the Agreement and Plan of Merger ("Agreement"). The effective date of the Agreement will be June 30, 2013.

## MANAGEMENT AND CONTROL

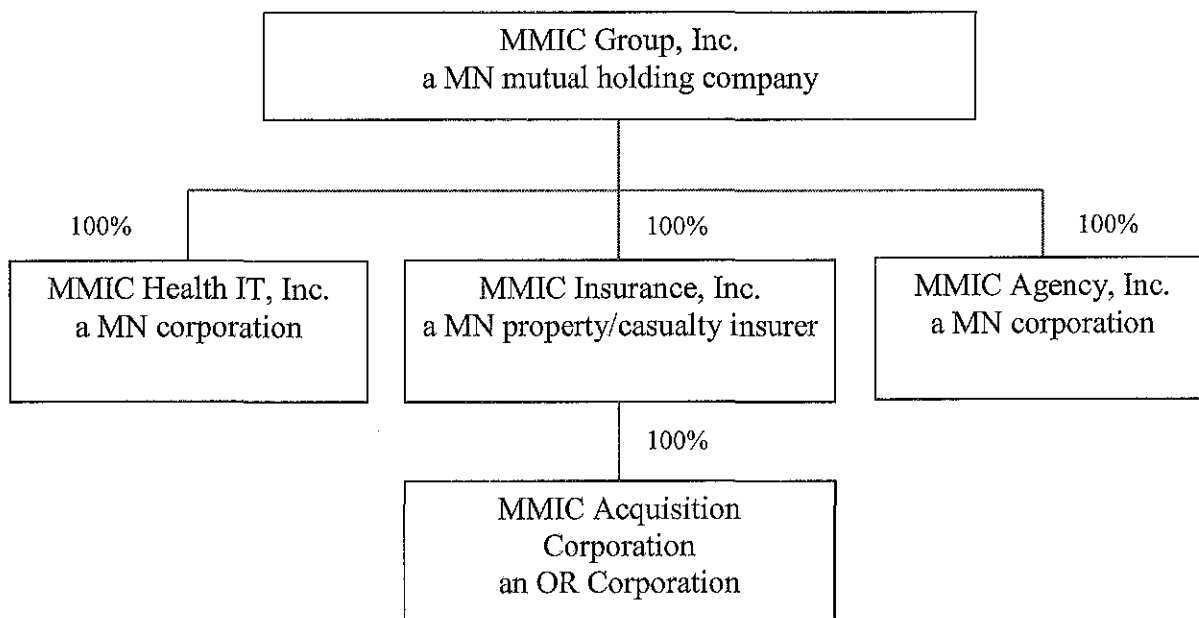
### Directors and Officers

The application for permit to organize insurer with capital stock included a listing of the Board of Directors and Officers at time of approval. The following were listed as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>
William J. McDonough Minneapolis, Minnesota	President and CEO MMIC Group, Inc.
Lori H. Berreman Minneapolis, Minnesota	VP and General Counsel MMIC Group, Inc.
Ross C. Formell Minneapolis, Minnesota	Attorney
James M. Kennedy Portland, Oregon	Attorney
Michelle Slater Portland, Oregon	Attorney

Insurance Company Holding System

The Company is a member of an insurance holding company system. The Company's ultimate ownership is vested with the policyholders of MMIC Insurance Inc. The following organizational chart shows the relationship between the entities related to the Company:



A description of the related entities in the holding company structure is as follows:

MMIC Group, Inc. is a Minnesota corporation formed in 2011 as a result of the reorganization of MMIC Insurance Inc., into a mutual holding company structure.

MMIC Insurance, Inc. is a Minnesota corporation formed in 1980 as a reciprocal insurer under the name Minnesota Medical Insurance Exchange (MMIE). In 1988 MMIE was restructured from a reciprocal to a for-profit stock insurer, changing its name to Midwest Medical Insurance Company. In 2011, it restructured again as a mutual insurer, adopting its current name.

MMIC Health IT is a Minnesota corporation formed in 1997 as Midwest Medical Solutions, Inc. It offers technology products and services to physicians and groups.

MMIC Agency, Inc. is a Minnesota corporation formed in 1995 and created to serve MMIC clients who are not currently working with an independent insurance agent or broker.

### **INTERCOMPANY AGREEMENTS**

The Company will be merged into UMIA and will cease to exist after approval and merger is consummated.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company will be merged into UMIA and will cease to exist after approval and merger is consummated.

### **ACCOUNTS AND RECORDS**

The Company will be merged into UMIA and will cease to exist after approval and merger is consummated.

### **FINANCIAL STATEMENTS**

The following financial statements show the financial condition of MMIC Acquisition Corporation as of May 7, 2013:

Statement of Assets  
Statement of Liabilities, Surplus and Other Funds



**MMIC ACQUISITION CORPORATION**  
**ASSETS**  
**As of May 7, 2013**

<b>ASSETS</b>	<b>Balance per Company</b>	<b>Examination Adjustments</b>	<b>Balance per Examination</b>	<b>Notes</b>
Cash, cash equivalents and short-term investments	\$ 3,000,000	-	\$ 3,000,000	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	
Total Assets	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	

**LIABILITIES, SURPLUS AND OTHER FUNDS**  
**As of May 7, 2013**

<b>LIABILITIES, SURPLUS AND OTHER FUNDS</b>	<b>Balance per Company</b>	<b>Examination Adjustments</b>	<b>Balance per Examination</b>	<b>Notes</b>
Aggregate write-ins for liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	<u>\$ 0</u>	<u>\$ -</u>	<u>\$ 0</u>	
Common capital stock	\$ 1,000	\$ -	1,000	
Gross paid in and contributed surplus	2,999,000	-	2,999,000	
Unassigned funds (surplus)	<u>0</u>	<u>-</u>	<u>0</u>	
Surplus as regards policyholders	<u>3,000,000</u>	<u>-</u>	<u>3,000,000</u>	2
Total Liabilities, Surplus and other Funds	<u>\$ 3,000,000</u>	<u>\$ -</u>	<u>\$ 3,000,000</u>	

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Invested Assets

The examiner verified the balances in the investment account were held in the name of the Company, and confirmed the balances held with the respective custodians and banks. No procedures were performed by the examiner to determine the accuracy of reporting or pricing. Procedures were limited to determining the ownership and existence of the securities. The Company's CDAR agreement with Oppenheimer & Co. LLP did not qualify as a custodial arrangement in accordance with OAR 836-027-0200. In addition, the agreements allows for liens to be placed on the assets held of the Company to satisfy obligations. This is in violation of ORS 732.580(2).

Effective with the approval of the acquisition and merger of UMIA, the Company's assets will become managed under UMIA's current investment agreement with Wells Fargo Institutional Trust Group. The assets will become part of UMIA's regular investment portfolio protected under a custody agreement with Wells Fargo Bank, NA. This custodial agreement contains all the relevant protections described in OAR 836-027-0200. At that point, the Company's agreement with Oppenheimer will be cancelled which will remedy the violation of ORS 732.580(2).

### Note 2 – Surplus as Regards Policyholders

The Company's total surplus of \$3,000,000 complies with ORS 731.554(1) which requires an insurer to maintain capital and surplus of at least \$2,500,000 and ORS 731.554(5) for a domestic insurer applying for its original certificate of authority in this state shall possess, when first so authorized, additional capital and surplus of not less than \$500,000. The Company has the amount necessary for meeting the \$3.0 million minimum required pursuant to ORS 731.554(1) and (5).

## SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner made no changes to surplus as a result of this qualifying examination and made no recommendations.

## CONCLUSION

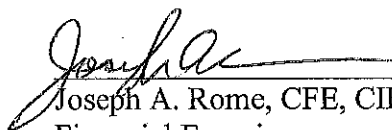
As of May 7, 2013, the Company's reported surplus as regards policyholders of \$3,000,000.

Based on the result of this examination, the examiners have determined the Company satisfies the requirements to become an Oregon domestic insurer pursuant to the requirements of ORS 731.358.

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the Company during the examination process are gratefully acknowledged.

Respectfully submitted,



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Joseph A. Rome, CFE, CIE  
Financial Examiner  
Department of Consumer and Business Services  
State of Oregon

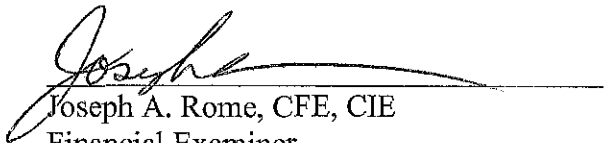
**AFFIDAVIT**

STATE OF OREGON            )  
  )    ss  
County of Marion            )

Joseph A. Rome, CFE, CIE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of MMIC Acquisition Corporation, Beaverton, Oregon.
2. The Insurance Division of the Department of Consumer and Business Services of the state of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report. The examination of MMIC Acquisition Corporation was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

  
\_\_\_\_\_  
Joseph A. Rome, CFE, CIE  
Financial Examiner  
Department of Consumer and Business Services  
State of Oregon

Subscribed and sworn to me this 11 day of June, 2013.

  
\_\_\_\_\_  
Notary Public for the State of Oregon



My Commission Expires: 3/22/2017