

STATE OF OREGON
DEPARTMENT OF
CONSUMER AND BUSINESS
SERVICES
DIVISION OF FINANCIAL
REGULATION



REPORT OF FINANCIAL EXAMINATION

OF

TDC NATIONAL ASSURANCE COMPANY
LAKE OSWEGO, OREGON

AS OF

DEC. 31, 2023

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DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

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NAIC COMPANY CODE 41050

AS OF

DEC. 31, 2023

TABLE OF CONTENTS

SALUTATION	3
SCOPE OF EXAMINATION	4
COMPANY HISTORY	5
CORPORATE RECORDS	6
MANAGEMENT AND CONTROL	6
INTERCOMPANY AGREEMENTS	11
FIDELITY BOND AND OTHER INSURANCE	14
TERRITORY AND PLAN OF OPERATION	14
GROWTH OF THE COMPANY	16
REINSURANCE	16
ACCOUNTS AND RECORDS	18
STATUTORY DEPOSIT	18
COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS	19
SUBSEQUENT EVENTS	19
FINANCIAL STATEMENTS	19
ASSETS	20
LIABILITIES, SURPLUS AND OTHER FUNDS	21
STATEMENT OF INCOME	22
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION	23
NOTES TO FINANCIAL STATEMENTS	24
<i>Note 1 – Invested assets</i>	24
<i>Note 2 – Actuarial reserves</i>	25
ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS	26
SUMMARY OF COMMENTS AND RECOMMENDATIONS	26
CONCLUSION	26
ACKNOWLEDGMENT	27
AFFIDAVIT	28

SALUTATION

Jan. 15, 2025

Honorable Andrew R. Stolfi
Director
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter St. NE
Salem, OR 97301-3883

Dear director:

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

**TDC NATIONAL ASSURANCE COMPANY
5 Centerpointe Drive, Suite 400
Lake Oswego, OR 97035**

NAIC Company Code 41050

Hereinafter referred to as the “company.” The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our regular, multistate, full-scope, coordinated group examination of TDC National Assurance Company (formerly known as Underwriter for the Professions Insurance Company). The examination was coordinated with the insurers in The Doctors Company Group, with the state of California designated as the lead state. The last examination of this property and casualty insurer was completed as of Dec. 31, 2019. The current examination covers the period of Jan. 1, 2020, to Dec. 31, 2023.

We conducted our examination pursuant to ORS 731.300 and according to ORS 731.302(1), which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners 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 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, as mentioned in ORS 731.302 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (subjective conclusions, proprietary information, etc.), are not included within the examination report, but separately communicated to other regulators and the company.

COMPANY HISTORY

The company was incorporated under the laws of Colorado on Sept. 5, 1989, as Underwriter for the Professions Inc., a stock corporation. It commenced business on Dec. 28, 1990, under a certificate of authority issued by the Colorado Department of Regulatory Agencies, Division of Insurance. Effective Jan. 1, 2002, the company changed its name to Underwriter for the Professions Insurance Company.

On Sept.11, 2012, the company filed an application for re-domestication according to Oregon Revised Statutes (ORS) 731.363. Effective Nov. 1, 2012, the company changed its name to UMIA Insurance Company, a member of the TDC Group of companies. On Feb. 22, 2013, the company changed its name back to Underwriter for the Professions Insurance Company. Effective July 26, 2016, the company changed its name to TDC National Assurance Company to better reflect its new strategic plan.

Capitalization

The company has 750,000 shares of common stock authorized, with 750,000 shares issued and outstanding. All shares are owned by its parent, The Doctors Company, An Interinsurance Exchange (TDC). The stated par value of the shares is \$10 per share and the company reported

\$7,500,000 as the value of its common capital stock. No additional capital had been contributed to the company during the period under examination.

Dividends to stockholders and other distributions

During the period under examination, the company did not declare nor did it pay any dividends or cash distributions to its sole shareholder.

CORPORATE RECORDS

Board minutes

In general, the review of the board meeting minutes of the company, consisting of quarterly unanimous-written consents in lieu of meeting, describes current events, officer and director elections, investment transactions, and regulatory issues. The minutes adequately describe and support the company's transactions and events.

Articles of incorporation

The company's restated articles of incorporation were most recently amended on Dec. 15, 2021. The articles of incorporation conformed to the Oregon Insurance Code.

Bylaws

The company's bylaws were last amended and restated on July 26, 2016. The bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of directors

Article 3.01 of the bylaws state the business and affairs of the corporation will be managed and all corporate powers will be exercised by, or under, the direction of a board of directors. Article 3

section 3.02 states the number of directors will be no less than three and no more than seven. The exact number of directors may be fixed or changed from time to time by the board of directors. At least 25 percent of the directors will be residents of the state of Oregon. As of Dec. 31, 2023, the company was governed by a five-member board of directors as follows:

<u>Name and address</u>	<u>Principal affiliation</u>	<u>Member since</u>
Lisa B. Blessis Granby, Connecticut	Attorney TDC Specialty Underwriters Inc.	2017
Mary K. Collins Bend, Oregon	Director business development – The Doctors Management Company	2021
Mark A. Luttrell Portland, Oregon	Vice president of Claims The Doctors Management Company	2019
Paul F. Romano Farmington, Connecticut	President and CEO TDC Specialty Underwriters Inc.	2017
Robert L. Wortelboer Jr. Ponte Vedra Beach, Florida	President and CEO TDC National Assurance Co.	2017

Under Oregon law, ORS 732.305, at least five or one-quarter of the directors, whichever is fewer, must be residents of Oregon, and a majority of the directors must be nonsalaried officers of the company. The company was in compliance with this statute. The directors, as a group, have experience in law, insurance, accounting, and management, in accordance with the provisions of ORS 731.386.

Officers

Article 4.01 of the bylaws describes the officers of the company. The principal officers serving at Dec. 31, 2023, were as follows:

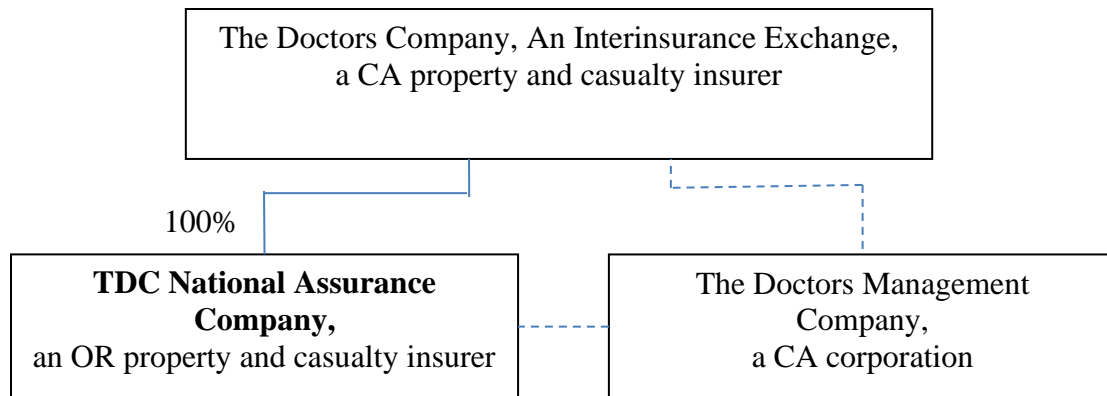
<u>Name</u>	<u>Title</u>
Robert Lee Wortelboer Jr.	President and chief executive officer
Kristin Anne Curley	Treasurer and chief financial officer
David Armand McHale	Secretary
Thomas Connell Wilson III	Senior vice president
Marilya Spina	Vice president
Douglas Charles Will	Vice president

Conflict of interest

The company's parent, TDC, adopted a formal code of ethics including reporting of any conflicts of interest for all directors, officers, and responsible employees. Board members, senior officers, and key employees of the company are required to annually sign a conflict-of-interest statement. From a review of the completed conflict-of-interest questionnaires, the company's personnel performed due diligence in completing the conflict-of-interest statements. No material conflicts of interest were noted.

Insurance company holding system

The company is a member of an insurance company holding system, which includes four other insurers: a risk retention group, three sales and administration subsidiaries, and 12 entities related to real estate and other investments. These entities are domiciled in nine separate states. An insurance holding company registration statement was filed by the company according to the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020(1). The following condensed organizational chart depicts the relationships of the company within the holding company system:



A description of each of the entities above is as follows:

The Doctors Company, An Interinsurance Exchange (TDC) is a California-domiciled property and casualty insurer. TDC commenced writing business on April 15, 1976, formed as a reciprocal insurer by physicians and is owned by its policyholders. A majority of the members of the board of governors are physicians. TDC owns 100 percent of the capital stock of the company and would be considered the parent and ultimate controlling entity.

The Doctors Management Company (TDMC) is a California corporation responsible for conducting the business operations of TDC. It acts as the attorney in fact and performs management and administrative duties for TDC and its subsidiaries.

The other insurers not included in the chart above are:

Hospitals Insurance Company (HIC) is a New York-domiciled property and casualty insurer. HIC was purchased by TDC in 2019. HIC primarily writes medical professional liability (MPL) and other coverage for the four major New York hospitals that were its former owners.

TDC Special Risks Insurance Company (TDCSR) is a District of Columbia pure captive. DCSR assumes business from TDC and its affiliates.

TDC Specialty Insurance Company (TDCSI) is a District of Columbia-domiciled property and casualty insurer. TDCSI is an admitted insurer in two states and the District of Columbia and writes on a surplus-lines basis in an additional 48 states and Puerto Rico.

TDC Specialty Underwriters Inc. (TDCSU) is a Connecticut corporation created in January 2016 to underwrite excess and surplus business focused on health-care entities distributed through retail and wholesale brokers. It underwrites hospital and medical facilities, long-term care facilities, errors-and-omissions managed care organizations, and nonstandard physicians. It is 100 percent owned by TDCSI.

The Doctors Company Risk Retention Group, A Reciprocal Exchange (TDCRRG) is a reciprocal insurer organized under the laws of the District of Columbia. TDCRRG writes MPL insurance for private practice doctors, large physician groups and health-care facilities on a nationwide basis.

INTERCOMPANY AGREEMENTS

The following agreements are in place between the company and members of the insurance holding company system:

Management services agreement

Effective July 1, 2009, the company entered into a management services agreement with TDMC. According to the agreement, TDMC is required to provide adequate personnel, facilities, equipment, computer systems and software, stationery, forms, printing, and other supplies to perform the services and acts agreed upon by the company and TDMC. Specific duties include: obtaining and maintaining licenses in various jurisdictions, computer operations, procurement of reinsurance, accounting, and other financial services. In return for these services, the company pays TDMC a monthly fee equal to the actual expenses incurred on the company's behalf. The agreement was amended effective July 26, 2016, to reflect the company's name change to TDC National Assurance Company and to reflect all references in the agreement to Underwriter For the Professions Insurance Company being "a Colorado stock insurer" or a "Colorado domiciled stock insurer" to be replaced with "an Oregon stock insurer" to reflect the re-domestication from Colorado to Oregon. The agreement was amended a second time, effective Aug. 1, 2017, to restate Exhibit A in its entirety.

Management services agreement

Effective March 1, 2017, the company entered into a management services agreement with an affiliated underwriting services company, TDC Specialty Underwriters Inc. (TDCSU). Under the terms of the agreement, TDCSU agrees to provide the services set forth in Exhibit A and to provide adequate personnel, facilities, equipment, computer systems and software, stationery, forms,

printing, and other supplies to perform the services and acts agreed upon by the company and TDCSU. TDCSU's compensation under the agreement is limited to reimbursement of all expenses actually incurred by TDCSU. Services to be performed by TDCSU include:

- Providing claims services, including investigation of, and payment or denial of claims against, the company's insureds and handling claims against the company. TDCSU also agrees to establish and maintain complete and accurate claims records.
- Negotiating, underwriting, classifying, rating, investigating, and determining whether applications for insurance policies should be declined or accepted, with or without coverage restrictions, rate surcharges, deductibles or coinsurance factors according to good insurance practices and underwriting standards proposed by TDCSU and accepted by the company.
- Computing and paying commissions to agents and brokers.
- Approving, terminating, and appointing producers according to agency and broker approval, termination, and appointment criteria approved by the company.
- Issuance of insurance policies and endorsements subject to underwriting guidelines proposed by TDCSU and approved by the company. TDCSU is required to maintain complete and accurate records of all policies written.
- Making determinations to cancel or nonrenew insurance coverage written by the company, including providing timely notice of cancellation or nonrenewal, subject to guidelines proposed by TDCSU and approved by the company.
- Collection, receiving, and accounting for all premiums paid for insurance issued by the company, through the direct deposit of the premiums in a bank or banks, to the account of the company.

- Procuring any required reinsurance on behalf of the company according to good insurance and business practices.
- Advertising for insurance products, including brochures, solicitations, and media contacts, subject to approval by the company.
- Establishing reserves for claims and expenses according to standards proposed by TDCSU and approved by the company.
- Preparing all necessary forms incidental to the solicitation, underwriting, classification, rating, cancellation, nonrenewal, investigation, and declination, or acceptance of insurance applications.
- Rate and form filings.
- Licensing and regulatory filings.
- Other duties include preparing proposed budgets for the company, maintaining applicable records, preparing required financial reports as requested, and clerical support.

The agreement was amended effective Aug. 1, 2017, to restate Exhibit A in its entirety.

Tax sharing agreement

TDC and its subsidiaries are parties to a sixth amended and restated federal income tax allocation agreement entered into on Oct. 31, 2022. This agreement was amended to reflect the reduction of subsidiaries. Under the terms of the agreement, TDC agrees to file a consolidated federal income tax return on behalf of all subsidiaries. Allocation of tax liability is based on separate returns calculations with intercompany tax liabilities to be settled no later than 30 days after the month in which the tax payment has been made or after the filing of the consolidated return, if any additional payments are due. This agreement was approved by the Oregon Division of Financial Regulation.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions, and the solvency of the insurers providing the coverages. The insurance coverages are provided through insurance policies issued by unaffiliated insurance companies. TDC and its subsidiaries, including the company, are insured up to a \$20 million aggregate limit, including single-loss limits of \$10 million with a \$100,000 deductible against losses from acts of dishonesty and forgery by its employees and agents. Fidelity bond coverage was found to meet the coverage recommended by the NAIC. TDC and its subsidiaries, including the company, are also insured under a commercial umbrella liability policy with a limit of \$25 million.

The company was also included in the following insurance coverages in force as of Dec. 31, 2023, which were found to be adequate:

Directors and officers liability	Auto liability
Insurance company errors and omissions	Cybersecurity liability
Property damage liability	General liability
Fiduciary liability	Employment practices liability

TERRITORY AND PLAN OF OPERATION

The company is licensed to transact business in 48 states and is also eligible to write surplus lines of business in California, Utah, and the District of Columbia. The company had been authorized in the state of Oregon since Aug. 13, 2001, to write casualty insurance (excluding workers' compensation). In July 2016, the certificate of authority was amended, and the company is now authorized to write property and casualty (including workers' compensation), marine and transportation, surety, and health policies.

From its inception, the company’s business was the assumption of the death, disability, and retirement (DD&R) riders issued in conjunction with the medical malpractice policies issued by TDC. This coverage, known as a “free-tail” policy, is offered to physicians and medical professionals insured by members of the TDC Group who have left the practice of medicine.

As of Dec. 31, 2023, the company was writing a limited amount of direct business (about 40 percent of total gross premiums written) but most of the business was generated from the assumption of the DD&R riders. As of Dec. 31, 2023, the company wrote direct premiums in 44 of the states in which it is licensed. The top 10 are as follows:

<u>State</u>	<u>Direct premiums written</u>	<u>Percentage</u>
California	\$ 23,733,923	33.5%
Illinois	3,350,015	4.7%
Maryland	2,491,996	3.5%
Massachusetts	2,139,488	3.0%
Michigan	2,074,773	2.9%
Minnesota	2,347,741	3.3%
New York	4,062,140	5.7%
North Carolina	2,163,267	3.1%
Ohio	2,294,116	3.2%
Texas	2,507,266	3.5%
All others	<u>23,632,778</u>	<u>33.4%</u>
Total	<u>\$ 70,797,503</u>	<u>100.0%</u>

The following is a breakdown of the net premiums written in 2023:

Lines of business	Premium	Percentage
Medical professional liability – occurrence	\$ 18,695,756	47.5%
Medical professional liability – claims-made	3,060,148	7.8%
Other liability – occurrence	230,298	0.6%
Other liability – claims-made	14,457,758	36.8%
Products liability – claims-made	345,978	0.9%
Reinsurance – nonproportional assumed liability	<u>2,538,579</u>	<u>6.5%</u>
Totals	<u>\$ 39,328,517</u>	<u>100.0%</u>

GROWTH OF THE COMPANY

Growth of the company over the past five years is reflected in the following schedule. Amounts were derived from company's annual statements, except in those years where a report of examination was published by the Oregon Division of Financial Regulation.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and surplus</u>	<u>Net income (loss)</u>
2019*	\$ 388,618,907	\$ 276,548,621	\$ 112,070,285	\$ 7,658,491
2020	424,409,279	291,772,316	132,636,963	18,222,172
2021	452,182,984	299,936,112	152,246,872	17,868,128
2022	467,340,884	310,873,072	156,467,812	11,257,017
2023*	501,510,754	330,786,457	170,724,297	9,962,498

*Per examination

REINSURANCE

Assumed

Effective Dec. 31, 1999, the company is a party to an assumption reinsurance agreement with TDC, by which the company assumes 100 percent of the DD&R endorsements available on policies issued by TDC. The company's obligation with regard to these endorsements is \$1 million per claim/\$3 million policy aggregate limit of liability.

Effective Jan. 1, 2021, the company is a party to an assumption reinsurance agreement with TDCRRG, by which the company assumes 100 percent of the deceased, disabled, or retired, (DD&R), endorsements available on policies issued by TDCRRG. The company's obligation with regard to these endorsements is \$1 million per claim.

Ceded

Effective Jan. 1, 2006, the company and TDC entered into a property, casualty, and accident and health quota share reinsurance agreement. The company will cede a fixed pro-rata share (90 percent) of its net retained liability for its business classified as physicians and surgeons professional liability, owners, landlords, and tenants liability and related health care business.

The agreement was amended effective July 26, 2016, to change the name of the company from Underwriter for the Professions Insurance Company to TDC National Assurance Company, to acknowledge the re-domestication from Colorado to Oregon, and to change the company from a Colorado corporation to an Oregon corporation.

The agreement was amended a second time effective Aug. 1, 2017, to restate the business covered by the agreement to exclude any business written by the company for any insured in California.

The agreement was amended a third time effective Jan. 1, 2018, to restate the net retained liability portion, to restate the loss and loss adjustment expense portion, and to define the ceding commission to be 28 percent as of the effective date, and to include unallocated loss adjustment expenses in the agreement to better reflect the operating results of the company.

The agreement was amended a fourth time effective Jan. 1, 2018, to restate the business covered by the agreement to redefine the company's business as classified as physicians and surgeons professional liability; owners, landlords, and tenants liability and related health care business; hospital professional liability; medical facilities professional liability; long-term care professional liability; products completed operations liability (including errors and omissions liability associated therewith); clinical trials liability (including errors and omissions liability associated

therewith); managed-care organizations errors and omissions; managed-care organizations professional liability; health care consultants professional liability; employment practices liability; directors and officers liability; management liability; employee benefit liability; commercial general liability; umbrella liability; excess liability; cyber liability; privacy and security liability; and fiduciary and crime coverage.

Risk retention

The company did not retain risk on any one subject in excess of 10 percent of its surplus as regards policyholders. The company complied with the provisions of ORS 731.504.

Insolvency clause

The reinsurance agreements each contained an insolvency clause that specified payments would be made to a statutory successor without diminution in the event of insolvency in compliance with ORS 731.508(3).

ACCOUNTS AND RECORDS

In general, the company's records and source documentation supported the amounts presented in the company's Dec. 31, 2023, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. The company has a system in place to account for unclaimed funds and the company has filed the reports on abandoned property pursuant to the provisions of ORS 98.352.

STATUTORY DEPOSIT

The company had deposits with the Oregon Division of Financial Regulation, Department of Consumer and Business Services (DCBS), pursuant to the provisions of ORS 731.604 and

731.628. The deposit consists of U.S. treasury notes and bonds with a par value of \$3 million. This asset was confirmed directly by the Oregon Division of Financial Regulation, a division of the Department of Consumer and Business Services. The deposits were properly disclosed on Schedule E – Part 3 of the 2023 annual statement.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no comments or recommendations made from the prior report of examination.

SUBSEQUENT EVENTS

On Aug. 15, 2024, the company declared an ordinary dividend of \$17,072,000 and an extraordinary dividend of \$52,928,000 – both payable to its parent, The Doctors Company, on Sept. 13, 2024. The company made the proper notification of the distribution to the director of DCBS according to the reporting requirements established by ORS 732.554 and 732.576.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the company with the Division of Financial Regulation and present the financial condition of the company for the period ending Dec. 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. These statements include:

- Statement of assets
- Statement of liabilities, surplus, and other funds
- Statement of income
- Reconciliation of capital and surplus since the last examination

TDC NATIONAL ASSURANCE COMPANY
ASSETS
As of Dec. 31, 2023

	Current Year Total	Notes
Bonds	\$ 418,483,673	1
Preferred stocks	5,936	1
Common stocks	28,375,162	1
Cash, cash equivalents, and short-term investments	28,557,110	1
Other invested assets	7,878,507	
Receivables for securities	957,448	
Aggregate write-ins for invested assets	-	
Subtotals, cash and invested assets	<u>\$ 484,257,835</u>	
Investment income due and accrued	3,121,548	
Premiums and considerations uncollected premiums and agents' balances in the course of collection	7,241,579	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	-	
Accrued retrospective premiums, and contracts subject to redetermination	-	
Amounts recoverable from reinsurers	1,079,556	
Current federal income tax recoverable	194,241	
Net-deferred tax asset	2,109,711	
Receivables from parent; subsidiaries and affiliates	3,506,285	
Aggregate write-ins for other-than-invested assets	-	
Total Assets	<u><u>\$ 501,510,754</u></u>	

TDC NATIONAL ASSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS
As of Dec. 31, 2023

	Current Year	Notes
	Total	
Losses	\$ 54,079,494	2
Reinsurance payable on paid losses and loss adjustment expenses	1,686,987	2
Loss adjustment expenses	30,879,662	2
commissions payable, contingent commissions, and other similar charges	-	
Other expenses	173,500	
Taxes, licenses, and fees	199,633	
Current federal income taxes	-	
Unearned premiums	234,274,757	
Advance premium	13,590	
Ceded reinsurance premiums payable	1,819,279	
Amounts withheld or retained by company for account of others	192,058	
Remittances and items not allocated	-	
Provision for reinsurance	-	
Net adjustments in assets and liabilities due to foreign exchange rates	-	
Payable to parent; subsidiaries and affiliates	210,849	
Payable for securities	7,234,963	
Payable for securities lending	-	
Aggregate write-ins for liabilities	21,686	
Total Liabilities	<u>\$ 330,786,457</u>	
Common capital stock	\$ 7,500,000	
Gross paid in and contributed surplus	13,750,000	
Unassigned funds (surplus)	<u>149,474,297</u>	
Surplus as regards policyholders	<u>170,724,297</u>	
Total liabilities, surplus, and other funds	<u><u>\$ 501,510,754</u></u>	

TDC NATIONAL ASSURANCE COMPANY
STATEMENT OF INCOME
For the Year Ended Dec. 31, 2023

	Current Year	Notes
	Total	
Underwriting Income		
Premiums earned	\$ 35,763,219	
Deductions		
Losses incurred	17,365,846	
Loss adjustment expenses incurred	12,271,599	
Other underwriting expenses incurred	3,390,826	
Aggregate write-ins for underwriting deductions	-	
Total underwriting deductions	<u>33,028,271</u>	
Net underwriting gain (loss)	2,734,948	
Investment Income		
Net investment income earned	21,082,314	
Net realized capital gains (losses)	<u>(8,817,689)</u>	
Net investment gain (loss)	12,264,624	
Other Income		
Net gain (loss) from agents' or premium balances charged off	-	
Finance and service charges not included in premiums	-	
Aggregate write-ins for miscellaneous income	<u>131,354</u>	
Total other income	131,354	
Net income before dividends to policyholders, and income taxes	15,130,927	
Dividends to policyholders	-	
Federal income taxes	<u>5,168,429</u>	
Net income	<u><u>\$ 9,962,498</u></u>	

TDC NATIONAL ASSURANCE COMPANY
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended Dec. 31,

	2023	2022	2021	2020	2019
Surplus as regards policyholders, Dec. 31 previous year	<u>\$ 156,467,812</u>	<u>\$ 152,246,872</u>	<u>\$ 132,636,963</u>	<u>\$ 112,070,285</u>	<u>\$ 102,484,113</u>
Net income	9,962,498	11,257,017	17,868,128	18,222,172	7,658,491
Change in net unrealized capital gains or (losses)	4,153,601	(6,772,242)	1,288,420	1,678,949	1,533,637
Change in net deferred income tax	246,188	173,468	92,377	594,866	511,243
Change in nonadmitted assets	(105,801)	(437,302)	360,984	70,691	(117,200)
Change in provision for reinsurance	-	-	-	-	-
Change in surplus notes	-	-	-	-	-
Cumulative effect of changes in accounting principles	-	-	-	-	-
Capital changes					
Paid in	-	-	-	-	-
Transferred from surplus (stock dividend)	-	-	-	-	-
Transferred to surplus	-	-	-	-	-
Surplus adjustments					
Paid in	-	-	-	-	-
Transferred to capital (stock dividend)	-	-	-	-	-
Transferred from capital	-	-	-	-	-
Distributions to parent (cash)	-	-	-	-	-
Change in treasury stock	-	-	-	-	-
Examination adjustments	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-	-	-
Change in surplus as regards policyholders for the year	<u>14,256,485</u>	<u>4,220,940</u>	<u>19,609,909</u>	<u>20,566,678</u>	<u>9,586,172</u>
Surplus as regards policyholders, Dec. 31 current year	<u>\$ 170,724,297</u>	<u>\$ 156,467,812</u>	<u>\$ 152,246,872</u>	<u>\$ 132,636,963</u>	<u>\$ 112,070,285</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested assets

At year-end 2023, the company’s long-term bond investments were in U.S. Treasury obligations, residential mortgage-backed securities, U.S. political subdivisions, U.S. special revenue issuer obligations, and corporate issues. Most of the bonds were investment grade (NAIC designation 1 and 2) and represented 72.2 percent of total invested assets.

The company’s stock comprised of two industrial and miscellaneous preferred stocks, five industrial and miscellaneous common stocks, one mutual fund, and three exchange-traded funds.

Cash equivalents were comprised of two exempt money market mutual funds, and three money market mutual funds.

A comparison of the major investments over the past five years is as follows:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Common</u> <u>Stocks</u>	<u>C</u> <u>Cash and</u> <u>Short-term</u>	<u>Ratio</u> <u>A/</u> <u>Total</u> <u>Assets</u>	<u>Ratio</u> <u>B/</u> <u>Total</u> <u>Assets</u>	<u>Ratio</u> <u>C/</u> <u>Total</u> <u>Assets</u>
2019 *	\$ 341,787,049	\$ -	\$ 15,971,908	87.9%	0.0%	4.1%
2020	372,459,950	6,441,234	16,166,072	87.8%	1.5%	3.8%
2021	378,544,985	40,599,874	19,774,997	83.7%	9.0%	4.4%
2022	396,468,936	30,530,915	26,964,483	84.8%	6.5%	5.8%
2023 *	418,483,673	28,375,162	28,557,110	83.4%	5.7%	5.7%

*Balance per examination.

The board of directors approved the investment transactions, pursuant to ORS 733.740. As of Dec. 31, 2023, sufficient invested assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC-insured cash deposits, and the company was in compliance with ORS 733.580.

Effective Oct. 24, 2017, the company entered into a custody agreement with The Northern Trust Company. The agreement contains all the relevant protections described in OAR 836-027-0200(4)(a)-(1).

The company participates in a Securities Lending Program to generate additional income. Borrowers of those securities provide collateral equal to or in excess of 102 percent of the market value of the loaned securities. In the second quarter of 2021, the company changed its security lending administrator from Deutsche Bank to Northern Trust. Under the new agreement, the program changed from a cash collateral program to a noncash program. Under the new program,

the borrower must place securities issued by the U.S. government on deposit with Northern Trust. As of Dec. 31, 2023, the company had \$1,887,749 on loan.

Note 2 – Actuarial reserves

The exchange and the company’s senior vice president and chief actuary, Richard Soulsby, FCAS, MAAA, prepared and opined on its loss and loss adjustment expense reserves as of Dec. 31, 2023. Mr. Soulsby prepared an actuarial analysis of the company’s experience for the purpose of developing estimates of unpaid loss and loss adjustment expenses (LAE) at year-end 2023.

The senior casualty actuary from the California Department of Insurance, Giovanni Muzzarelli, FCAS, CERA, MAAA, as of Dec. 31, 2023, reviewed the actuarial report prepared by the company’s appointed actuary and concurred with Mr. Soulsby’s conclusion that the company’s gross, loss, loss adjustment expense, and DD&R reserves as of Dec. 31, 2023, were reasonably stated as of Dec. 31, 2023.

In addition, David Dahl, FCAS, MAAA, the property/casualty actuary for the Oregon Division of Financial Regulation, reviewed the report for reasonableness. Mr. Dahl reviewed the reconciliation of the data used in the company’s actuarial report to the data in the actuarial work papers and found them to be consistent. He relied on work performed by the examiners assigned to the reserve/claims handling key activity, who reviewed the underlying data used to create the annual statement filing, as well as prepared his own independent calculations.

Because medical professional liability claims can be reported years after the medical incident in question occurred and take several years to reach settlement, there can be significant uncertainty regarding the loss and LAE reserve estimate. The company assumes the liability from The Doctors Company Group’s business for DD&R coverage provided in its policies. The DD&R reserve is within the actuary’s range of reasonable estimate.

The company reported the following:

	<u>Annual statement</u>
Reserve for unpaid losses	\$ 54,079,494
Reserve for unpaid LAE	30,879,662
Unearned premium reserve*	234,274,757*
Additional reserves	-
Total actuarial liabilities	<u>\$ 319,233,913</u>

* Includes a \$210 million liability for historic premiums that have been collected to fund loss and DCCE on yet to be issued DD&R coverage extensions (extended reporting endorsements) for which the company is liable to TDC per the Dec. 31, 1999, assumption reinsurance agreement with TDC.

The appointed actuary opined that the reserves for unpaid losses and LAE carried by the company as of Dec. 31, 2023, were reasonable. Mr. Dahl concurred that the reserves of the company were reasonably stated as of Dec. 31, 2023.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

There were no adjustments to capital and surplus resulting from this examination.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no recommendations in this report of examination.

CONCLUSION

During the four-year period covered by this examination, the surplus of the company has increased from \$112,070,286, as presented in the Dec. 31, 2019, report of examination, to \$170,724,297, as shown in this report. The comparative assets and liabilities are:

	<u>2023</u>	Dec. 31, <u>2019</u>	<u>Change</u>
Assets	\$ 501,510,754	\$ 388,618,907	\$ 112,891,847
Liabilities	<u>330,786,457</u>	<u>276,548,621</u>	<u>54,237,836</u>
Surplus	<u>\$ 170,724,297</u>	<u>\$ 112,070,286</u>	<u>\$ 58,654,011</u>

ACKNOWLEDGMENT

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

In addition to the undersigned, David Dahl, FCAS, MAAA, property/casualty actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination. We would also like to thank the following for their participation in this coordinated examination:

California Department of Insurance (CDI)
Ber Vang, CFE, CISA, bureau chief, San Francisco/Sacramento
Li Lim, CFE, supervising examiner
Sam Chiu, CFE, examiner in charge
Mei Gu, CFE, insurance examiner
Giovanni Muzzarelli, FCAS, MAAA, CDI actuary
Bob Depp, CPCU, ARE, claims specialist

Respectfully submitted,

/s/ Tho Le

Tho Le, CFE, PIR
Senior insurance examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)

County of Marion)

Tho Le, CFE, PIR, being duly sworn, states as follows:

1. I have authority to represent the State of Oregon in the examination of TDC National Assurance Company, Lake Oswego, Oregon.
2. The Division of Financial Regulation 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 TDC National Assurance Company was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

/s/ Tho Le

Tho Le, CFE, PIR
Senior insurance examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 3rd day of March, 2025.

/s/ Cindy Engle

Notary public in and for the State of Oregon

My commission expires: 7/9/2027