



Paul R. LePage
GOVERNOR

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL
AND FINANCIAL REGULATION
BUREAU OF INSURANCE
34 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0034

Eric A. Cioppa
SUPERINTENDENT

June 29, 2018

Eric A. Cioppa, Superintendent
Maine Bureau of Insurance
34 State House Station
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S. §6708 and in conformity with your instructions, a financial examination has been made of the

BEACONHARBOR MUTUAL RISK RETENTION GROUP

at its home office in Portland, Maine. The following report is respectfully submitted.



PRINTED ON RECYCLED PAPER

OFFICES LOCATED AT: 76 NORTHERN AVENUE, GARDINER, MAINE 04345
WWW.MAINE.GOV/INSURANCE

PHONE: (207) 624-8475

TTY users call Maine Relay 711

Customer Complaint: 1-800-300-5000

FAX: (207) 624-8599

REPORT OF EXAMINATION
BEACONHARBOR MUTUAL RISK RETENTION GROUP
AS OF
DECEMBER 31, 2016


ACCEPTANCE OF REPORT OF EXAMINATION

WHEREAS a verified Report of Examination of BeaconHarbor Mutual Risk Retention Group dated June 29, 2018, was delivered to that insurer on July 10, 2018, and;

WHEREAS no hearing with respect to the Report of Examination has been requested by BeaconHarbor Mutual Risk Retention Group;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated: 7-23-18



Eric A. Cioppa, Superintendent

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	1
PRIOR EXAMINATION	1
CURRENT EXAMINATION	1
THE COMPANY	1
HISTORY	1
CORPORATE OWNERSHIP	2
CORPORATE RECORDS	2
CORPORATE GOVERNANCE	2
TRANSACTIONS WITH AFFILIATES	3
TERRITORY & PLAN OF OPERATION	3
REINSURANCE	3
FINANCIAL STATEMENTS	3
STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS	4
STATEMENT OF OPERATIONS	5
STATEMENT OF CAPITAL AND SURPLUS	6
COMMENTS ON THE FINANCIAL STATEMENTS	7
SUBSEQUENT EVENTS	7
SUMMARY OF RECOMMENDATIONS	7
APPENDIX A – STATEMENT OF ACTUARIAL OPINION	9

SCOPE OF EXAMINATION

This is the first examination of BeaconHarbor Mutual Risk Retention Group (BHMRRG or “Company”) by the State of Maine Bureau of Insurance (MBOI). This examination covered the period from August 9, 2012, to December 31, 2016.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with statutory accounting practices, NAIC guidelines, the 2017 Financial Condition Examiners Handbook and the laws, rules, and regulations prescribed or permitted by the State of Maine. The examination consisted of a review of the Company's operations, controls, and corporate governance, valuation of assets, and determination of liabilities at December 31, 2016. The examination also included the identification and evaluation of significant risks that could cause the Company’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. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various balance sheet items, for purposes of this report, may be limited to matters involving clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

PRIOR EXAMINATION

This examination as of December 31, 2016, represented the first examination of the Company.

CURRENT EXAMINATION

The Company reports a receivable from their affiliate that is over ninety days past due and for which the settlement date is not explicitly provided in the agreement. The MBOI granted a permitted practice allowing the Company to admit this asset on May 21, 2018. No further action is required.

THE COMPANY

HISTORY

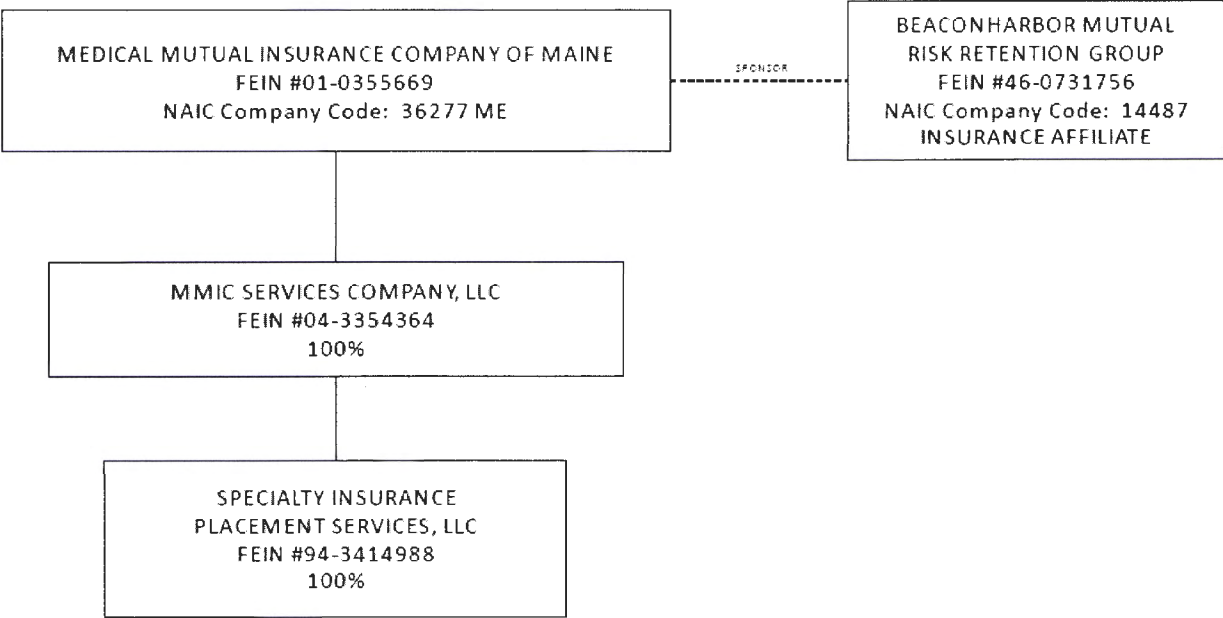
The Company was organized as an industrial insured captive insurance company on July, 25, 2012. BHMRRG is domiciled in the State of Maine and acts as a non-assessable, mutual captive insurance company. The Company was granted authority to write medical malpractice insurance

on August 9, 2012, and commenced business on July 1, 2014. On November 25, 2014, the Company was also licensed to write other liability.

BHMRRG was created through the sponsorship of Medical Mutual Insurance Company of Maine (MMIC), primarily for the purpose of providing cross-border coverage for insureds in states in which MMIC is not admitted. BHMRRG issued a surplus note to MMIC for an amount up to \$5 million. The surplus note is funded based on the operating needs of the Company. As of December 31, 2016, the Company has been capitalized by MMIC for \$1,050,000.

CORPORATE OWNERSHIP

The Company is an affiliate of MMIC. BHMRRG’s corporate ownership structure follows:



CORPORATE RECORDS

BHMRRG’s articles of incorporation, bylaws, and minutes of the board of directors meetings held during the period under examination were reviewed.

CORPORATE GOVERNANCE

The Company is governed and overseen by its board of directors and the management team of MMIC.

As of December 31, 2016, the board of directors of the Company consisted of the following members:

<u>Name</u>	<u>Title</u>
Peter W. Bates, M.D.	Director
William F. D'Angelo, M.D.	Director
Robert S. Frank, Esq.	Director
Frank W. Lavoie, M.D.	Director
William L. Medd, M.D.	Director
Barbara T. Sinclair	Director
O. Robert Stevens, M.D.	Director

As of December 31, 2016, the officers of the Company consisted of the following individuals:

<u>Name</u>	<u>Title</u>
Frank W. Lavoie, M.D.	President
Barbara T. Sinclair	Treasurer
O. Robert Stevens, M.D.	Secretary

TRANSACTIONS WITH AFFILIATES

The Company purchases certain management and administration services from its affiliate, MMIC, under the terms of a written management services agreement.

TERRITORY & PLAN OF OPERATION

BHMRRG is domiciled in the state of Maine and authorized to write coverage in Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island, and Vermont. As of December 31, 2016, the Company writes claims-made coverage only in Massachusetts.

REINSURANCE

The Company has quota share reinsurance agreement in place with its affiliate, MMIC, whereby the Company cedes 95% of the first \$1 million of net liability for each claim or occurrence, for each insured, and 100% of net liability in excess of \$1 million.

The Company provides cyber liability insurance on a claims-made basis to its policyholders. This business is 100% ceded to various reinsurers.

FINANCIAL STATEMENTS

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Operations, and the Statement of Capital and Surplus are as presented by management. It should be noted that these financial statements have not been audited by the Maine Bureau of Insurance and thus the Maine Bureau of Insurance does not express an opinion on the financial statements as a whole.

**STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS
AS OF DECEMBER 31, 2016**

<u>Assets</u>	
Cash	\$ 52,778
Receivables from affiliates	1,000,000
Total assets	<u>\$ 1,052,778</u>
 <u>Liabilities</u>	
Taxes, licenses and fees	\$ 482
Unearned premiums	88
Ceded reinsurance premiums payable	6,829
Payable to affiliates	6,744
Total liabilities	<u>14,143</u>
 <u>Capital and Surplus</u>	
Surplus notes	1,050,000
Unassigned funds	(11,365)
Surplus as regards policyholders	<u>1,038,635</u>
Total liabilities, capital and surplus	<u>\$ 1,052,778</u>

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016

Premiums earned	\$ 97
Underwriting deductions	5,286
Total underwriting loss	<u>(5,189)</u>
Net investment loss	(785)
Net loss	<u><u>\$ (5,974)</u></u>

**STATEMENT OF CAPITAL AND SURPLUS
YEARS ENDED DECEMBER 31, 2016**

Surplus, December 31, 2015	\$ 1,044,609
Net loss	<u>(5,974)</u>
Surplus, December 31, 2016	<u><u>\$ 1,038,635</u></u>

COMMENTS ON THE FINANCIAL STATEMENTS

NOTE 1 – RESERVES

Lewis & Ellis, Inc. (“Consulting Actuary”) was engaged to provide actuarial assistance with the financial examination of the Company as of December 31, 2016. The Company did not report loss or loss adjustment expense reserves as of December 31, 2016. This was determined to be reasonable based on the review performed by the Consulting Actuary.

NOTE 2 – CAPITAL AND SURPLUS

The following table describes the capital and surplus changes for the three-year period beginning January 1, 2014. The Company was granted an exemption by the MBOI for the filing Quarterly and Annual Statements until premium was written.

Capital and surplus, January 1, 2014	\$	0
Net loss		(11,365)
Change in surplus notes		1,050,000
Net change in capital and surplus		<u>1,038,635</u>
Capital and surplus, December 31, 2016	\$	<u><u>1,038,635</u></u>

NOTE 3 – PERMITTED PRACTICES

The Company was granted a permitted practice allowing them to admit a receivable from MMIC that is over ninety days past due and for which the settlement date is not explicitly provided in the agreement. This permitted practice was approved by the MBOI on May 21, 2018.

SUBSEQUENT EVENTS

Subsequent to December 31, 2016, there were no significant material items that came to our attention for inclusion in the report of examination.

SUMMARY OF RECOMMENDATIONS

There are no report level recommendations.

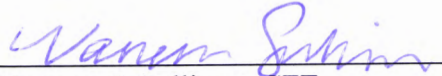
**STATE OF MAINE
COUNTY OF KENNEBEC, SS**

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Eric A. Cioppa, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

BEACONHARBOR MUTUAL RISK RETENTION GROUP

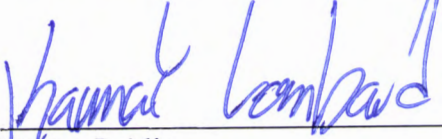
located in Portland, Maine as of December 31, 2016, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. The following examiners from the Bureau of Insurance assisted:

Arias Wan, CPA, CFE
Audrey L. Wade, CFE, CISA
Ebrahim Fazeli
Erin L. Gaddis
Sarah A. Hyde



Vanessa J. Sullivan, CFE

Subscribed and sworn to before me
This 23 day of July, 2018



Notary Public
My Commission Expires:

KARMA LOMBARD
Notary Public, Maine
My Commission Expires June 12, 2023

APPENDIX A – STATEMENT OF ACTUARIAL OPINION

APPENDIX

BEACONHARBOR MUTUAL RISK RETENTION GROUP Statement of Actuarial Opinion as of December 31, 2016

I, Patrick Glenn am Vice President of the firm of Lewis & Ellis, Inc. ("L&E"). I am a Member of the American Academy of Actuaries and meet its qualification standards and I am an Associate of the Casualty Actuarial Society. I was retained by the Maine Bureau of Insurance ("MBOI") to render this Opinion on the liabilities of BeaconHarbor Mutual Risk Retention Group ("Company").

In forming my opinion on the loss and loss adjustment expense reserves, I relied upon data prepared by the Company and the data contained in the actuarial report prepared by Chad Karls, FCAS, MAAA, of Milliman, Inc. He is a consulting actuary. I conclude that the aforementioned reserves carried by the Company make a reasonable provision for the associated liabilities through December 31, 2016.

I believe the calculations were performed in accordance with commonly accepted reserving methods and are based on appropriate actuarial factors given the risk exposures under the policy provisions. My estimates of the reserves make no provision for the extraordinary future emergence of either new classes of losses or post-contractual expansions of policy coverages.

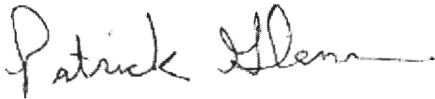
With respect to ceded losses and loss adjustment expenses and unearned premiums, I have relied on the Company's assertion that all ceded reinsurance is valid and collectible.

I have examined the reserves listed in Exhibit A, as shown in the Company's Annual Statement as prepared for filing with state regulatory officials as of December 31, 2016. The items in the SCOPE, on which I am issuing an opinion, reflect the Loss Reserve Disclosure items (8 thru 13) in Exhibit B.

In my opinion, the amounts carried in Exhibit A on account of the items identified:

- (i) are consistent with reserves amounts computed in accordance with generally accepted actuarial standards and principles;
- (ii) meet the requirements of the insurance laws of Maine; and,
- (iii) make a reasonable provision for all unpaid loss and loss adjustment expense obligations of the Company, in the aggregate, under the terms of its policies and agreements.

LEWIS & ELLIS, INC.



Patrick Glenn, A.C.A.S., A.S.A., M.A.A.A.
Vice President & Consulting Actuary

June 1, 2018

Appendix (continued)

STATEMENT OF ACTUARIAL OPINION

BeaconHarbor Mutual Risk Retention Group

Exhibit A: SCOPE

<u>Loss and Loss Adjustment Expense Reserves:</u>	<u>Amount:</u>
(1) Reserve for Unpaid Losses (Liabilities, Surplus, and Other Funds page, Line 1)	\$ 0
(2) Reserve for Unpaid Loss Adjustment Expenses (Liabilities, Surplus, and Other Funds page, Line 3)	\$ 0
(3) Reserve for Unpaid Losses - Direct and Assumed (Schedule P, Part 1, Totals from Cols. 13 and 15)	\$ 0
(4) Reserve for Unpaid Loss Adjustment Expenses - Direct & Assumed (Schedule P, Part 1, Totals from Cols. 17, 19, and 21)	\$ 0
(5) The Page 3 write-in item reserve, "Retroactive Reinsurance Reserve Assumed"	\$ 0
(6) Other Loss Reserve items on which the Appointed Actuary is expressing an Opinion (list separately)	\$ 0
 <u>Premium Reserves:</u>	
(7) Reserve for Direct and Assumed Unearned Premiums for Long Duration Contracts	\$ 0
(8) Reserve for Net Unearned Premiums for Long Duration Contracts	\$ 0
(9) Other Premium Reserve items on which the Appointed Actuary is expressing an Opinion	\$ 0

Appendix (continued)

BeaconHarbor Mutual Risk Retention Group

Exhibit B: DISCLOSURES

	Column 1	Column 2	Column 3	Column 4
1. Name of the Appointed Actuary		Glenn	Patrick	D.
2. The Appointed Actuary's Relationship to the Company. Enter E or C based upon the following: E if an Employee C if a Consultant			<u> C </u>	
3. The Appointed Actuary is a Qualified Actuary based upon what qualification? Enter F, A, M, or O based upon the following: F if a Fellow of the Casualty Actuarial Society (FCAS) A if an Associate of the Casualty Actuarial Society (ACAS) M if not a member of the Casualty Actuarial Society, but a Member of the American Academy of Actuaries (MAAA) approved by the Casualty Practice Council, as documented with the attached approval letter. O for Other			<u> A </u>	
4. Type of Opinion, as identified in the OPINION paragraph. Enter R, I, E, Q, or N based upon the following: R if Reasonable I if Inadequate or Deficient Provision E if Excessive or Redundant Provision Q if Qualified. Use Q when part of the OPINION is qualified. N if No Opinion			<u> R </u>	
5. Materiality Standard expressed in US dollars (Used to answer question #6)	\$ 155,795			
6. Is there a Significant Risk of Material Adverse Deviation?			Yes []	No [X]
7. Statutory Surplus	\$ 1,038,635			
8. Anticipated net salvage and subrogation included as a reduction to loss reserves as reported in Schedule P	\$ 0			
9. Discount included as a reduction to loss reserves and loss expense reserves as reported in Schedule P				
9.1 Nontabular Discount	\$ 0			
9.2 Tabular Discount	\$ 0			
10. The net reserves for losses and expenses for the company's share of voluntary and involuntary underwriting pools' and associations' unpaid losses and expenses that are included in reserves shown on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines	\$ 0			
11. The net reserves for losses and loss adjustment expenses that the company carries for the following liabilities included on the Liabilities, Surplus and Other Funds page, Losses and Loss Adjustment Expenses lines. *				
11.1 Asbestos, as disclosed in the Notes to Financial Statements	\$.0			
11.2 Environmental, as disclosed in the Notes to Financial Statements	\$ 0			
12. The total claims made extended loss and expense reserve (Schedule P Interrogatories)				
12.1 Amount reported as loss reserves	\$ 0			
12.2 Amount reported as unearned premium reserves	\$ 0			
13. Other items on which the Appointed Actuary is providing Relevant Comment (list separately)	\$ 0			