REPORT ON EXAMINATION AS TO THE CONDITION OF

PRINCETON INSURANCE COMPANY

PRINCETON, NEW JERSEY 08540

AS AT DECEMBER 31, 2013

N.A.I.C. GROUP CODE 0031

N.A.I.C. COMPANY CODE 42226

Filed

June 3, 2015

Commissioner
Department of Banking & Insurance

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May 20, 2015

Honorable Kenneth E. Kobylowski, Commissioner
New Jersey Department of Banking and Insurance
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

Princeton Insurance Company
Princeton, New Jersey
N.A.I.C. GROUP CODE 0031
N.A.I.C. COMPANY CODE 42226

A domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, the Princeton Insurance Company will be referred to in this report as the "Company", "Princeton" or “PIC”.

SCOPE OF EXAMINATION

The New Jersey Department of Banking and Insurance, hereinafter referred to as "NJDOBI", has performed a full scope risk focused examination of Princeton Insurance Company. This risk focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by Section 17:23-22 of the New Jersey Revised Statutes.

The examination was made as of December 31, 2013 and addressed the two-year period from December 31, 2011, the date of the last examination. However it must be noted that the current examination was not precipitated by any adverse material findings from the prior examination of December 31, 2011. The current examination was conducted as of December 31, 2013 in order to ensure all future examinations of the Company are concurrent with the examination schedule of the State of Indiana which is the lead state on this group examination, as a result of the December 31, 2011 purchase of Princeton Insurance Company by its new parent, Medical Protective Corporation (MedPro).

During this two-year period under examination the Company's assets decreased from $1,037,354,899 to $628,491,820. Liabilities decreased from $686,934,641 to $189,652,209 and surplus to policyholders increased from $350,420,258 to $438,839,611.

NJDOBI conducted our examination in accordance with the 2013 edition of the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). The NAIC Handbook requires that NJDOBI plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company. In order to meet these objectives, NJDOBI obtained information regarding the Company's corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated its system of internal controls and procedures used to mitigate those risks identified. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

According to the NAIC Handbook, "One of the increased benefits of the enhanced risk focused approach is to include consideration of other than financial risks that could impact the insurer's future solvency. By utilizing the enhanced approach, the examiner reviewed the "financial" and "enterprise" risks that existed at the examination "as of" date and will be positioned to assess "financial" and "enterprise" risks that extend or commence during the time the examination was conducted and "prospective" risks which are anticipated to arise or extend past the point of examination completion. Using this approach, examiners will be better positioned to make recommendations for appropriate future supervisory plans (i.e., earlier statutory exams, limited-scope exams, key areas for

financial analysts to monitor, etc.) for each insurer."

The Company has an informal Enterprise Risk Management ("ERM") framework for proactively addressing and mitigating risks, including prospective business risks. Also, the corporate governance polices of PIC's parent, MedPro and the ultimate parent, Berkshire Hathaway Inc. is being implemented at the Princeton level. The Company's Corporate Governance was found to be effective based on having its ERM along with their ultimate parent's governance policies.

For the year 2011 the Certified Public Accounting (CPA) firm of KPMG, LLP provided an unqualified audit opinion. Commencing in 2012 the Company's CPA was Crowe Horwath LLP. Crowe Horwath provided an unqualified audit opinion on the fair presentation of the Company's year-end financial statements based on statutory accounting principles for 2012 and 2013. Relevant work performed by the CPA firm, during its annual audit of the Company, was reviewed during the examination and incorporated into the examination workpapers as deemed appropriate.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

2011 Examination Recommendation:

It was recommended by the prior examination that the Company age all new policies and endorsements off of the effective date of the policy or endorsement to be in compliance with the requirements of SSAP 6:7a and SSAP 6:7b respectively. The prior examination noted the Company was in the process of implementing MedPro's OASIS System for both premiums and claims. The current examination disclosed that the claims portion of the implementation has been completed.

The premiums are still being implemented into the OASIS System with an expected completion date in approximately two years. The Company anticipates that the aging of all new policies and endorsements, based upon the effective date of the policy or endorsement in accordance with SSAP 6:7a and 6:7b will be attained once the implementation to the OASIS System is completed. In the interim the Company utilizes a stop gap measure in which a review is conducted of all receivable balances to determine if an adjustment is needed to the statutory over 90 day receivable amounts.

Until the conversion is completed the Company is still not in full compliance with the provisions of SSAP 6:7a and SSAP 6:7b. Therefore, it is again recommended that the Company age all new policies and endorsements off of the effective date of the

policy or endorsement to be in accordance with the requirements of SSAP 6:7a and SSAP 6:7. It is also suggested that the Company continue to utilize the manual control as set forth in the prior paragraph until the conversion is completed.

HISTORY AND KIND OF BUSINESS

The Company filed for incorporation on December 3, 1981 under and pursuant to the provisions of Chapter 17 of the Revised Statutes of the State of New Jersey. The Certificate of Incorporation was approved by the Deputy Attorney General of New Jersey on January 12, 1982 and filed with the Department of Insurance on January 16, 1982. The Company was officially incorporated on January 16, 1982.

The Company was originally formed to write non-assessable medical malpractice coverage for physicians, dentists and other health care providers in an effort to combat the medical malpractice crisis in New Jersey.

The Company's former sole shareholder, Nassau Holding Company, approved an amended and restated Certificate of Incorporation on December 22, 1995. This approved amendment was filed and approved by the NJDOBI on March 18, 1996. The amendment revised the "Third", "Fourth" and "Fifth" Articles of the Company's original Certificate of Incorporation.

At the Company's inception, all of the issued and outstanding shares of common capital stock were owned by the Nassau Holding Company, a non-insurer downstream holding company. Nassau Holding Company was a wholly-owned subsidiary of the Health Care Insurance Company, Princeton's former ultimate parent.

The Health Care Insurance Company, originally known as the Health Care Insurance Exchange, was organized as a reciprocal inter-insurance exchange concurrent with the incorporation of its attorney-in-fact, NJHA Underwriters, Inc., a not-for-profit corporation on November 3, 1975. The Certificate of Incorporation was duly filed and recorded by the Secretary of State and the Mercer County Clerk on November 6, 1975. The Health Care Insurance Company would offer medical malpractice insurance to New Jersey hospitals and other health care institutions.

On January 1, 1991, the Health Care Insurance Exchange reorganized from a reciprocal inter-insurance exchange to a stock insurance company. A recapitalization plan was developed and implemented during 1999 and 2000 in an effort to simplify the capital structure of the Health Care Insurance Company. The recapitalization plan involved the formation of the Princeton Insurance Company Merger Corporation (PICMC) and the Princeton Insurance Holdings, Inc., a new holding company. Princeton Insurance Holdings, Inc. was formed under the laws of the State of Delaware on December 10, 1999 and became the sole owner (shareholder) of PICMC. PICMC filed a Certificate of Incorporation with the New Jersey Commissioner of Banking and Insurance on December 29, 1999. The recapitalization plan was authorized by the Commissioner on January 21, 2000 and a

Certificate of Authority was issued to PICMC to write the kinds of insurance authorized by paragraph "e" of N.J.S.A. 17:17-1. Ultimately, PICMC merged into the Health Care Insurance Company under an Agreement and Plan of Merger, and Princeton Insurance Holdings, Inc. became the ultimate parent. Per the Company's amended Certificate of Authority dated August 25, 1997, the Princeton Insurance Company is authorized to engage in the kinds of insurance as specified in paragraphs "a", "b", "e", "f", "g", "j", "k", "l", "o-1" and "o-3" of N.J.S.A. 17:17-1 et seq.

On February 15, 2000, in accordance with the provisions of N.J.S.A. 17:27A-2, the Medical Liability Mutual Insurance Company ("MLMIC") filed an application with the New Jersey Department of Banking and Insurance to acquire control of the Health Care and Princeton Insurance Companies. On September 12, 2000 the then New Jersey Commissioner of Banking and Insurance, Karen L. Suter, signed an Administrative Decision and Order approving the acquisition of Health Care and Princeton Insurance Companies by MLMIC. The acquisition was completed with the merger of the MLMIC Holding Company (a corporation established for the purposes of completing this merger transaction) and Princeton Holdings, Inc. Under the merger, Princeton Holdings, Inc. emerged as the surviving corporation, but was renamed MLMIC Holding Company, Inc. In accordance with the merger agreement, all Class A common stock of Princeton Holdings, Inc. was canceled, retired and terminated.

The Board of Directors and sole shareholders of the Princeton and Health Care Insurance Companies approved an Agreement of Merger (Merger) on November 13, 2001 and on December 31, 2001 the Health Care Insurance Company (HCIC) merged with and into Princeton with Princeton continuing as the surviving corporation under the name Princeton Insurance Company and governed by the laws of New Jersey. This Agreement of Merger was submitted to the NJDOBI for approval, and a certificate of approval was issued by Donald Bryan, then Acting Commissioner of Banking and Insurance, on November 8, 2001 and the merger was effectuated on December 31, 2001.

At the completion of the merger, the cancellation and conversion of securities shall be as follows: "The shares of common stock in Princeton issued to Nassau Holding Company, the shares of common stock in Nassau Holding Company issued to HCIC and the shares of common stock in HCIC issued to MLMIC Holding Company, Inc. shall all be cancelled. Each share of common stock of HCIC owned by MLMIC Holding Company, Inc. immediately prior to the merger shall be converted automatically upon the merger into four and two-tenths (4.2) fully paid and non-assessable shares of common stock in Princeton, which shares shall constitute all the issued and outstanding shares of the common stock of Princeton immediately following the merger, and thereafter."

As a result of the merger, the Company filed a Second Amended and Restated Certificate of Incorporation on November 13, 2001 with the NJDOBI. This amended Certificate of Incorporation was approved by the Attorney General of New Jersey

on December 20, 2001 and filed with the NJDOBI on December 26, 2001. Under the revised Certificate of Incorporation, the Company's principal office is located at 746 Alexander Road, P.O. Box 5322, Princeton, New Jersey and the agent upon whom process may be served is Donald E. Smith. The Company has $4,200,000 of common capital stock, consisting of 42,000 shares at a par value of $100 per share.

On March 28, 2002 the NJDOBI approved and the Company received a cash infusion of $40,000,000 from its ultimate parent, MLMIC in the form of a surplus note pursuant to a Form D filing in accordance with N.J.S.A. 17:27A-4a(2). The note will mature on March 29, 2012 and will earn 6% interest annually. All interest payments are subject to approval by the NJDOBI.

The Company made a decision in calendar year 2002 to exit its small risk workers' compensation program that was administered by one of its wholly-owned subsidiaries, The Princeton Agency, Inc. On December 30, 2002 Princeton Insurance Company entered into an agreement to sell The Princeton Agency and the renewal rights for its Small Risk Workers' Compensation business to Am Trust Financial Services. Effective January 1, 2003, for a period of five years, Princeton received 2 percent of the gross premium relating to new and renewal business of Am Trust.

On March 4, 2003 the Princeton Insurance Company filed a request with the NJDOBI to withdraw from writing Business Owner Protection insurance in New Jersey, citing a reduction in its business capacity due to the overall deterioration in the Company's financial condition, among other reasons. On May 20, 2003, the NJDOBI issued Consent Order No. C03-105 approving this withdrawal.

On March 3, 2004, pursuant to N.J.S.A 17:27A-3b(3)(f), the Company received approval from the NJDOBI to proceed after April 1, 2003 with an amendment to the inter-company reinsurance agreement between Princeton Insurance and Medical Liability Mutual Insurance Company originally approved by the Department on January 3, 2003. On or about December 8, 2004 Princeton Insurance Company submitted a Form D filing stating the Company's intention to enter into a reinsurance trust agreement between the parties. The NJDOBI granted permission for the Company to proceed with the transaction in a letter dated January 28, 2005. This agreement is currently still in effect and is detailed under the report section "Reinsurance and Retention".

The Company submitted an amendment to the Second Amended Certificate of Incorporation to the NJDOBI on February 24, 2006. Under the revised Certificate of Incorporation, the name of the agent upon whom process may be served was changed to William J. McDonough. The amendment was approved by the NJDOBI Deputy Attorney General on March 15, 2006 and filed with the NJDOBI on April 21, 2006.

A Form D filing dated November 30, 2007 was filed with the NJDOBI requesting an amendment to the reinsurance trust agreement with the Company's Parent, MLMIC and Citibank. Under the Form D filing the 2000 Quota Share Reinsurance

Agreement between MLMIC and the Company was added to the trust agreement to ensure full collateralization of this reinsurance contract. On December 12, 2007 the Company received approval from the NJDOBI to proceed with an amendment to the 2005 trust agreement between the Company, Medical Liability Mutual Insurance Company and Citibank.

On November 3, 2009, the Company filed a Form D filing with the NJDOBI, between Princeton and MLMIC to commute the 100% Quota Share Reinsurance Agreement (QS Reinsurance Agreement), dated November 29, 2000. This "Commutation Agreement", effective December 31, 2009, commutes the physician tail 100% QS Reinsurance Agreement covering all December 31, 1998 in-force insured's was still in-force as of January 1, 2001. This filing was approved by NJDOBI on December 16, 2009.

The Company amended their Certificate of Incorporation to the Second Amended and Restated Certificate of Incorporation of Princeton Insurance Company. Per the amended and restated Certificate of Incorporation, the name of the agent upon whom process may be served is President and Chief Executive Officer, Charles W. Lefevre. The amendment was approved by the NJDOBI Deputy Attorney General on August 11, 2010 and filed with the NJDOBI on August 27, 2010.

On October 27, 2011 in accordance with the provisions of <u>N.J.S.A.</u> 17:27A-2, the Medical Protective Corporation (Med Pro) filed a Form A filing with the New Jersey Department of Banking and Insurance to acquire control of Princeton Insurance Company (the Proposed Acquisition of Control). On December 20, 2011, the Department of Banking and Insurance and the hearing panel recommended the approval for the Proposed Acquisition. Also on December 20, 2011, the Commissioner of Banking and Insurance, Thomas B. Considine, signed Order No. A11-112, in the matter of the acquisition of control of Princeton Insurance Company by Medical Protective Corporation.

Upon Princeton's Acquisition of Control closing date, December 31, 2011, the following documents were executed:

> **<u>Stock Purchase Agreement</u> is made between Medical Liability Mutual Insurance Company, MLMIC Holding Company, Inc. (sellers) and Medical Protective Corporation (buyer). Whereas, Medical Protective Corporation will purchase the issued and outstanding shares of Princeton Insurance Company which MLMIC Holdings owns.**
>
> **<u>Administrative Service Agreement</u> between Princeton Insurance Company and Medical Liability Mutual Insurance Company (MLMIC) for the provision of certain claims handling services by Princeton to MLMIC.**
>
> **<u>Repayment of the Surplus Note</u> for the principal amount of $40,000,000 which was received by Princeton Insurance Company from MLMIC on March 28, 2002. On December 16, 2011, NJDOBI approved the repayment of**

the Surplus Note subject to and contingent upon the closing of the sale of Princeton Insurance Company to Medical Protective Corporation. The Surplus Note has been repaid to MLMIC on December 29, 2011.

As a result of the Acquisition of Control, on December 31, 2011, Princeton Insurance Company's stock certificate records that their 42,000 shares, with a par value of $100 per share, is owned 100% by Medical Protective Corporation whose indirect ultimate parent company is Berkshire Hathaway, Inc., a Delaware Corporation. As of December 31, 2014 Warren E. Buffett is the only principle shareholder of Berkshire Hathaway Inc. with approximately 19.6% of the economic interest and 33.54% of the aggregate voting power of Berkshire Hathaway, Inc. The Company's new N.A.I.C. Group Code is 0031.

Per the Acquisition of Control, the following agreements were approved by NJDOBI on February 14, 2012. All Agreements took effect on January 1, 2012 and each is described fully in the Reinsurance & Retention, and Intercompany Agreements sections of this Report:

- **Cost Sharing Agreement**
- **Tax Allocation Agreement**
- **Quota Share Agreement of Reinsurance**
- **Loss Portfolio Agreement of Reinsurance**

The Company's main administrative office is located at 746 Alexander Road, Princeton, New Jersey 08540 and the registered agent upon whom process may be served shall be the President and Chief Executive Officer, Charles W. Lefevre.

TERRITORY AND PLAN OF OPERATION

The Company is predominately a medical malpractice writer with over 98% of the 2013 direct premium writings within that line of business as indicated below:

Medical Malpractice-Occurrence	$112,775,521
Medical Malpractice-Claims Made	62,141,138
Other Liability-Occurrence	2,385,337
All Other	285,751
Total	$177,587,747

The Company offers medical malpractice insurance to both hospitals and individual practitioners. The Company offers three types of policies; claims made, occurrence plus, and occurrence. The claims made policy covers all claims occurring and reported within the policy period. Any new insured who had

previous claims made coverage from another carrier is eligible to purchase prior acts coverage contingent upon underwriting approval. This coverage would provide protection for unreported medical incidents which occurred during prior claims made coverage periods. The occurrence plus policy form provides for claims made coverage while the policy is inforce and a pre-funded automatic extended reporting endorsement which is applied to the insured's final policy when the insured non-renews or cancels for any reason. The occurrence policy covers all incidents occurring within the policy period.

Currently the Company is licensed to transact business in 16 states and the District of Columbia. However, all of the Company's premiums have been written in the State of New Jersey.

As previously stated, due to the Company's exit of its small risk workers' compensation program, administration servicing on these claims are performed by Cologne Re. under its reinsurance agreements, some of which is outsourced to third parties. (See claims servicing agreements as indicated below).

On August 21, 2003 the Company ceased writing new business (allowing for exceptions those physicians who were joining an already existing Princeton group) based upon corrective action of its revised Company Action Level RBC plan dated June 12, 2003. The Company resumed writing new business on December 1, 2004 (with the exception of occurrence plus policies) in accordance with improvements derived from the implementation of the Company Action Level RBC plan. Effective January 1, 2007, the Company resumed writing new occurrence plus policies. The Company uses independent agents to market its business. The Company utilizes an agency contract for individual risks and a broker's contract for institutional risks.

The Company maintains various service agreements with vendors who are not affiliated with the Company. Among these agreements are the following:

<u>Claims Servicing Agreement</u> with Sedgwick Claims Management Services, Inc. (successor to the Agreement between Integrated Claim Strategies, Inc. (ICS) and the Company) under this Third Party Administration Agreement, Sedgwick Claims Management Services, Inc. agrees to perform all facets of workers compensation claims servicing and handling. The Agreement shall cover all workers' compensation claims as outlined in Addendum A of the Agreement which were reported during the 24 month period commencing March 1, 2002 and ending February 28, 2004 and shall automatically renew unless it is terminated by either party with 90 days written notice.

<u>Claims Servicing Agreement</u> with Crawford & Company (C&C) under the Agreement C&C agrees to provide certain services with respect to the investigation and payment of workers compensation insurance claims. Under the terms of the Agreement C&C agrees to provide all services as outlined within the Agreement to the insurer in connection with the insurer's claims occurring under policies in the

States of Connecticut, Delaware, Georgia, Illinois, Indiana, Maryland, North Carolina and Virginia during the period commencing May 12, 1999 and ending May 11, 2000.

Risk Management Analytical System with the Risk Management Foundation of the Harvard Medical Institutions, Inc. (RMFS) under the Agreement RMFS will provide the Company data and reports from its data warehouse which will be utilized in the implementation of risk management strategies.

CORPORATE RECORDS

The Company's By-laws stipulate that the annual meeting of the shareholders of the corporation, for the election of Directors, shall be held on the second Tuesday of May or at such other date and time as shall be designated by the Board. The review of the Board minutes did not disclose any materially adverse findings. The examiners noted that the proceedings at each meeting were done in compliance with the Company's State Charter and By-Laws. The Board minutes also indicated that the Company's overall transactions and events were adequately supported and approved including the review and approval of the prior statutory final examination report as of December 31, 2011.

The Company's adherence to its Certificate of Incorporation and Bylaws was validated without exception. The registered agent upon whom process may be served is Charles W. Lefevre, the Chief Executive Officer.

The Company maintains both audit and investment committees consisting of Board Members. Both of the Committees revealed adequate disclosure of relevant events and transactions to the Board of Directors.

MANAGEMENT AND CONTROL

The business, property and affairs of the Princeton Insurance Company shall be conducted and managed under the guidance of the Company's Board of Directors.

Directors

In accordance with the Company's corporate bylaws each Director is elected by the Shareholders at its annual meeting. The By-laws also indicate the number of Directors of the Corporation shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by the a majority of the whole Board but shall be at least three (3).

On December 31, 2011, the closing date, Princeton Insurance Company (PIC) was acquired 100% by Medical Protective Corporation (MedPro). As of the closing date, all nine (9) Directors resigned from Princeton Insurance Company (PIC) and were replaced with three (3) Directors, all of whom are MedPro Executive Officers.

A listing of the five Directors serving at December 31, 2013 with their principal occupation is presented below:

Name	**Principal Occupation**
Timothy J. Kenesey	**Medical Protective Corporation President and CEO**
Daniel J. Landrigan	**Medical Protective Corporation Chief Financial Officer**
Trent C. Heinemeyer	**Medical Protective Corporation Secretary**
Charles W. Lefevre	**Princeton President & CEO**
Graham T. Billingham, MD	**Princeton Chief Medical Officer**

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d (3) which states, "not less than one-third of the directors of a domestic insurer shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity".

However, in accordance with N.J.S.A. 17:27A-4d (5), the provisions of paragraph (3) shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors that substantially meet the requirements of this paragraph. The Company is in compliance with N.J.S.A. 17:27A-4d(5), as the ultimate controlling entity, Berkshire Hathaway, Inc., maintains a Board of Directors of which eight of the twelve members are considered outside directors.

Committees

As of December 31, 2013, the following affiliated individuals served on the Princeton Audit Committee:

Timothy J. Kenesey
Daniel J. Landrigan
Trent C. Heinemeyer
Garrett Davenport
Timothy Wiggins
Charles W. Lefevre

The Company is required to comply with the provisions of N.J.S.A. 17:27A-4d (4) which states that, "the Board of Directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under

common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer or any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation of the principal officers".

However, in accordance with N.J.S.A. 17:27A-4d (5), the provisions of paragraph (4) shall not apply to a domestic insurer if the person controlling the insurer is an entity having one or more committees that substantially meet the requirements of this paragraph. The Company is in compliance with N.J.S.A. 17:27A-4d(5), as the ultimate controlling entity, Berkshire Hathaway, Inc., maintains an Audit Committee and Corporate Governance Committee which perform the designated responsibilities and these committees are made up of outside directors.

In accordance with the Corporate By-laws, the Company maintains Audit and Investment Committees. The Investment Committee meets at least quarterly and is involved in the Company's investment of assets. The Company's investment portfolio is managed by Warren Buffett, Marc Hamburg, and Mark Millard.

At all meetings of the Board including committee meetings a quorum of members must be met for any transaction of business. A majority of members of the Board or committee shall constitute a quorum.

Officers:

In accordance with the Corporate Bylaws, Officers of the Company shall perform the duties as prescribed within the Bylaws or as determined by the Board of Directors. Officers of the Company shall include a Chairman, a President, a Secretary, a Treasurer and other Officers as may be determined by the Board of Directors. More than one person may hold an office of the same title, but the person serving as President may not serve simultaneously as secretary.

Officers serving the Company as of December 31, 2013 are as follows:

Name	Office
Timothy J. Kenesey	Corporate Chairman
Daniel J. Landrigan	Vice Chairman
Charles W. Lefevre	President & CEO
Trent C. Heinemeyer	Secretary
Angela Adams	Asst. Secretary
Mark Millard	Asst. Secretary
JoEllen Rieck	Asst. Secretary

Anthony A. Bowser	**Treasurer & CFO**
Elizabeth Wachenfeld	**VP Claims**
Tom Snyder	**VP Healthcare Risk Services**
Lois Hogya	**VP Underwriting & Marketing**
Stephen Pennie	**VP Accounting**
Kimberly Horan	**VP Human Resources**
Darby O'Neill	**VP Information Technologies**
Graham T. Billingham M.D.	**Chief Medical Officer**

CORPORATE GOVERNANCE

The Company has adopted an informal Enterprise Risk Management (ERM) framework for proactively addressing and mitigating risks, including prospective business risks.

Exhibit M of the NAIC Handbook was utilized as guidance for assessing corporate governance.

Management has an effective approach to identifying and mitigating risks across the Company, including prospective business risks. The Company deals proactively with its areas of risk and is knowledgeable about mitigation strategies. Management discusses the significant issues and reacts to changes in the environment with a clear commitment to address risk factors and manage the business accordingly. The overall risk management process is well-defined and takes a proactive approach to identifying, tracking, and dealing with current significant and emerging risk factors. The examination determined that the Company's corporate governance structure is effective.

REINSURANCE AND RETENTION

The Company limits its exposure on certain losses through the utilization of reinsurance. Reinsurance placements entered into since the prior examination is described as follows:

The Company entered into a Loss Portfolio Agreement of Reinsurance with The Medical Protective Company effective January 1, 2012 that will remain in effect until the obligations have been discharged. Under the amended Agreement Princeton shall pay and The Medical Protective Company will assume 100% of Princeton's workers compensation and 80% of its loss and loss adjustment expenses outstanding as of December 31, 2012. The aggregate limit on this Agreement is $1.45 billion or three times the amount of Princeton's ceded payment.

Concurrent with the Loss Portfolio Agreement of Reinsurance the Company entered into an amended Quota Share Agreement of Reinsurance effective January 1, 2012 with The Medical Protective Company. Under this agreement PIC will cede and The Medical Protective Company will assume 80% of all PIC unearned premium in effect as of December 31, 2011 and 80% of all subsequent premiums written and earned by PIC. In return PIC will cede and The Medical Protective Company will assume 80% of

all loss and loss adjustment expenses incurred after December 31, 2011. The agreement shall remain in effect until either party agrees to terminate the contract with 365 day notice but not before December 31, 2015. There is an annual aggregate ceiling on the contract equal to three times the amount of earned premium on any applicable calendar accident year.

In addition, the Company has a 100% quota share contract with Raritan Insurance Limited a captive for the Raritan Bay Medical Center. Under the Agreement PIC agrees to cede and Raritan agrees to assume 100% of the first $500,000 of losses and $1,000,000 in the aggregate on two participating policies. Any loss adjustment expenses attributed to these contracts shall be paid and allocated based upon any losses exceeding the reinsurer's limits.

The Company also maintains a 100% quota share agreement with Lloyd syndicates covering physician cyber-liability. The agreement covers physicians up to $2,000,000. The Company participates and assumes reinsurance from mandatory and voluntary pools and associations specifically the National Council of Compensation Insurance (NCCI) and the Health Care Insurance Facility (HCIF) Excess Liability Pool.

The Company also assumes reinsurance losses from the Hospital Trust for Workers Compensation. The Hospital Trust for Workers Compensation (The Trust) was created in cooperation with the Company to self-insure participating workers compensation insurance and employer's liability insurance under the authority of N.J.A.C. 11:15. The contract to reinsure "The Trust" was not renewed effective January 1, 2001 and as of January 1, 2002 there is no business in force on this contract.

However, the Company is still assuming workers compensation and employer's liability insurance losses to the extent indicated below:

- **Per Accident: Amount in excess of the Trust's retention of $100,000 on loss indemnity payments. Loss adjustment expenses shall be shared in the proportion that the loss incurred by the reinsurer bears to the total amount of loss incurred by the Trust.**
- **In Aggregate: The Company shall pay to the Trust the amount of losses and loss adjustment expense payments not reimbursed by the Company which exceed the participating hospital's percentage retention level (40% or 80%) of its Trust contributions for the applicable agreement year and the amount of the Trust's investment income accrued on the applicable participating hospitals' trust contributions.**

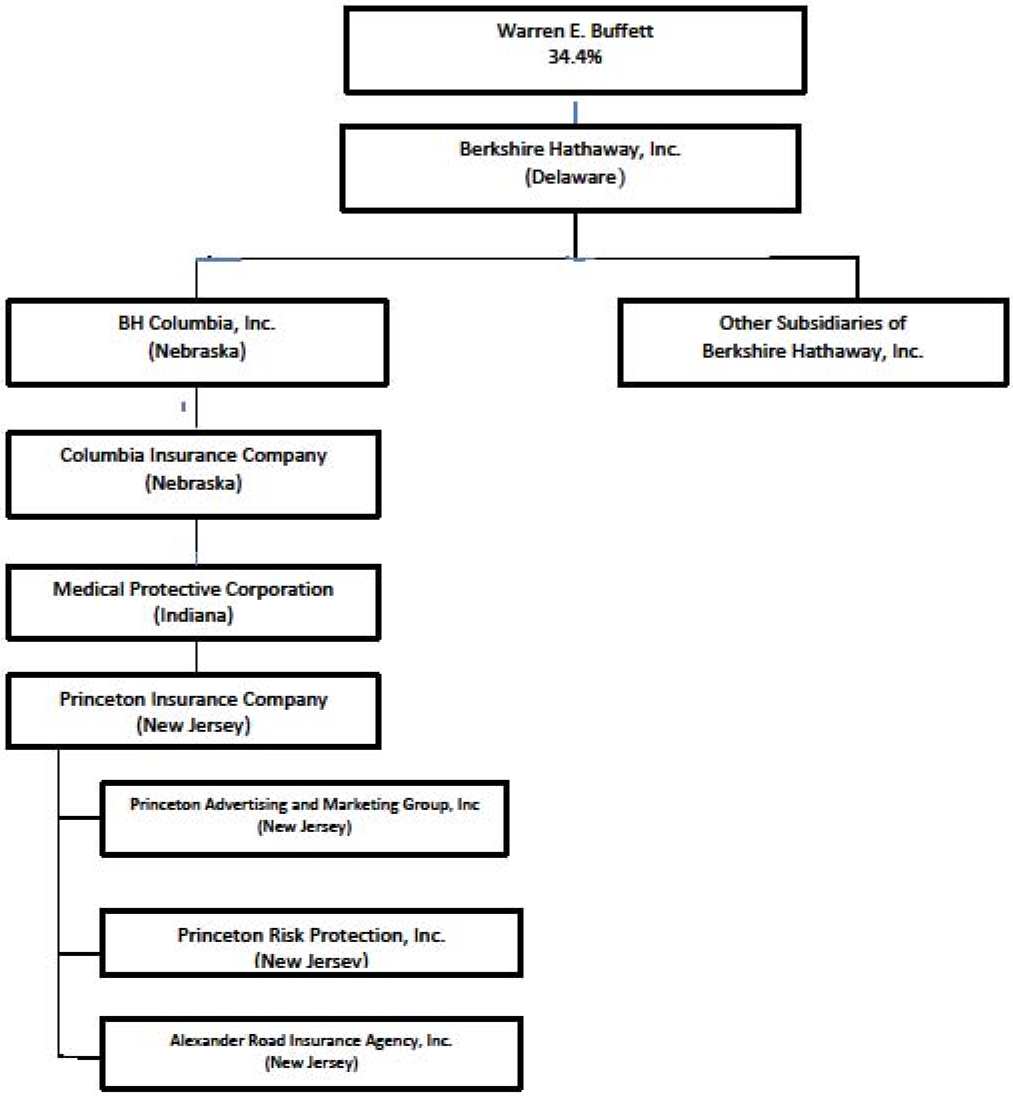
All of the above mentioned assumed reinsurance is subject to the Quota Share Agreement of Reinsurance with The Medical Protective Company as described above.

Any reinsurance agreements entered into subsequent to the last examination were reviewed to ensure the contracts had acceptable clauses and conditions. These contracts were also reviewed to ensure there was adequate risk transfer on those contracts.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company is a member of an insurance holding company system as defined in N.J.S.A. 17:27A-1 and is subject to the registration requirements of N.J.S.A. 17:27A-3. The Company is owned 100% by Medical Protective Corporation, an Indiana company which acquired Princeton as of December 31, 2011. It was determined by this examination that the Company did file the holding company registration statements in compliance with N.J.S.A. 17:27A-3.

The Company's partial organizational chart as of December 31, 2013 is as follows:



INTER-COMPANY AGREEMENTS

At December 31, 2013 Princeton Insurance Company participated in various inter-company related agreements. These Agreements included the following:

Tax-Sharing Allocation Agreement: Effective January 1, 2012 Berkshire Hathaway and Princeton entered into a Tax Allocation Agreement in which the full amount of the income tax due and payable, any foreign, state, or local tax and related estimated tax payments upon consolidated return shall be filed and paid by Berkshire Hathaway for each taxable period. In the case of refund Berkshire Hathaway shall pay to Princeton its share of the refund. In the case of an increase in tax liability Princeton shall pay to Berkshire Hathaway its allocable share of such increased tax liability.

Cost Sharing Agreement: As amended and restated effective January 1, 2012 MedPro and Princeton are parties to a Cost Sharing Agreement in which parent and its subsidiaries agree to share certain expenses related to management, administration, payroll, investments, taxes, data processing, personnel, and other shared expenses not specifically listed. Each party shall be responsible for and pay the charges, costs and expenses of each service that can be reasonably identified as having been incurred for the sole benefit of that party.

Loss Portfolio Agreement of Reinsurance: Effective January 1, 2012 MedPro entered into a Loss Portfolio Agreement of Reinsurance with its affiliate Princeton. Under the Agreement MedPro assumes 80% of Princeton's aggregate ultimate net loss except for workers' compensation, which is 100% under the Company's policies.

POLICY ON CONFLICT OF INTEREST

The Company participates in Berkshire Hathaway, Inc.'s Code of Business Conduct and Ethics which addresses all Berkshire Hathaway directors, officers and employees, corporate opportunities, fair dealing, insider trading, confidentiality, protection and proper use of company assets, compliance with laws, rules and regulations, timely and truthful public disclosure, and significant accounting deficiencies. The policy stipulates the various conditions and actions that are and or may be deemed to be inappropriate, potential conflicts of interest and/or violations of said policy statement.

The examination reviewed all officers and directors executed Conflict of Interest statements for the period under examination, noting that there were no apparent or potential conflicts of interest.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Company is a named insured on a financial institution bond which is underwritten by the Continental Insurance Company. The fidelity bond provides the Princeton Insurance Company with fidelity coverage up to an aggregate limit of liability of $5,000,000 per the underwriters single loss limit with respect to each

insuring clause, for the bond period of June 30, 2013 through June 30, 2014. The amount of fidelity coverage carried on this policy meets the suggested minimum amount of fidelity coverage as measured on the Company using the NAIC's formula and exposure index.

Princeton Insurance Company also maintains other insurance coverage designed to protect its assets from losses emerging from the various risks of conducting business including Commercial Package, Employee Benefit Liability, Umbrella, Workers' Compensation, and Crime Fidelity.

POLICY FORMS AND UNDERWRITING PRACTICES

The Company primarily provides medical malpractice insurance to qualifying New Jersey health care providers and hospitals. Policies offered include a claims-made policy, an occurrence policy and an occurrence plus policy which includes pre-paid tail coverage.

Claims made policies are available to qualifying individual healthcare providers with coverages up to $2,000,000 per incident and $4,000,000 on an annual aggregate basis. Increased limits may also be provided through the Company's excess liability program. Claims made hospital coverage is available with primary coverage of $1,000,000 per incident and $3,000,000 on an annual aggregate basis. Increased hospital limits may also be provided up to a maximum of $20,000,000 through the Company's umbrella and excess liability programs.

When a claims made policy is terminated for any reason, the insured is offered an Extended Reporting Period (Tail) endorsement to ensure coverage for claims-made policies after the termination date. An Extended Reporting Period Endorsement is provided at no cost if a claims-made policy is cancelled due to death, disability or retirement for those insured's having one year with Princeton and a retro date that is at least 48 months prior to death, disability, or complete retirement. Any new claims-made insured who previously maintained claims-made coverage with another insurance provider can also obtain prior acts coverage to cover losses on prior occurrences that are unknown at the inception of coverage.

Occurrence policies are also available with coverage available up to $2,000,000 per incident and $4,000,000 on an annual aggregate basis. Occurrence Plus policies are available to qualifying individual healthcare providers with coverages up to $2,000,000 per incident and $4,000,000 on an annual aggregate basis and in some cases additional increased limits are available through the Company's excess liability program.

The occurrence plus policy form provides for claims-made coverage while the policy is inforce and a pre-funded automatic extended reporting endorsement which is applied to the insured's final policy when the insured non-renews or cancels for any reason.

The Company maintains underwriting guidelines which identify the risks acceptable to the Company. The Company rates insured's in accordance with qualifying standards as outlined in the underwriting manual.

Policy form and rate changes were inspected and verified for the period under examination with appropriate approvals obtained from the NJDOBI.

ACCOUNTS AND RECORDS

The Company's accounting books and records are maintained at their statutory home and administrative office located at 746 Alexander Road, Princeton, New Jersey 08540. Financial information needed in conjunction with the controls established for certain risks and the verification of assets and the determination of liabilities were made available in detail and summary form. The Company's general ledger was reviewed, tested, and reconciled to the 2013 annual statement.

As of January 1, 2013 the Company completed a conversion from the Platinum software vendor package, to the Sun Guard System (EAS) for its general ledger system. The accounts payable related functions were also converted to EAS during the first quarter of 2014. Billing is processed from the I Works System (Ebenezer) through the utilization of an A/S 400 platform. Policy Administration is processed from ECHOS utilizing an A/S 400 platform.

The Company is in the process of converting its Policy Administration and Billing Systems to OASIS with full conversion expected by the fourth quarter of 2017. The Company converted its claim system from ECHOS to OASIS in October 2014. The OASIS claim system runs off of a WINTEL platform.

TREATMENT OF POLICYHOLDERS AND CLAIMANTS

The Company's complaint handling procedures as well as its complaint logs were reviewed for the period under examination. It was determined that the Company was in compliance with the provisions of N.J.S.A. 17:29B-4(10) which states, "This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints, and the time it took to process each complaint."

CONTINUITY OF OPERATIONS

A business continuity plan is necessary to help ensure the Company can adequately recover from a system failure or business interruption in a timely fashion and without the loss of significant data. Management should assess how the Company's reputation and financial status would be impacted in the event of a major processing disruption and, based on this assessment, develop an appropriate continuity plan that would help to ensure the Company.
The Company's comprehensive Business Continuity Plan was reviewed by the Information Technology Specialists from both the Indiana and New Jersey

Departments of Insurance. There were no exceptions noted or recommendations made.

FINANCIAL STATEMENTS AND EXHIBITS

Exhibit A Balance Sheet as at December 31, 2013

Exhibit B Summary of Operations for the Three-Year Period Ending December 31, 2013

Exhibit C Capital and Surplus Account for the Three-Year Period Ending December 31, 2013

PRINCETON INSURANCE COMPANY
BALANCE SHEET AT DECEMBER 31,2013

	Current Examination at 12/31/13	Balance Per Company at 12/31/13	Examination Change Number	Note
Bonds and Stocks	$447,105,077	$447,105,077	$0	1
Real Estate: Properties Occupied by the Company	5.026,409	5.026,409	0	
Common Stocks	85,226,210	85,226,210		
Cash on Hand and Short-Term Investments	33,865,867	33,865,867	0	
Investment Income Due and Accrued	3,443,608	3,443,608	0	
Premiums and Considerations:				
In Course of Collection	2,941,956	2,941,956	0	
Booked but Deferred and not Yet Due	23,257,773	23,257,773	0	
Reinsurance:				
Amounts Recoverable from Reinsurer	20,903,725	20,903,725	0	
Funds Held by or Deposited with Reinsured Companies	61,857	61,857	0	
Current Federal & Foreign Income Tax Recoverable	1,223,209	1,223,209		
Net Deferred Tax Asset	1,362,481	1,362,481	0	
Electronic Data Processing Equipment	150,149	150,149	0	
Aggregate Write-Ins for Other Than Invested Assets	3,923,499	3,923,499	0	
Total Admitted Assets	$ 628,491,820	$ 628,491,820	$0	
Liabilities				
Loss and Loss Adjustment Expenses	$127,620,934	$127,620,934	$0	2
Reinsurance Payable on Paid Losses / Loss Adjustment	219,388	219,388	0	
Commissions Payable, Contingent Commissions /Other Similar	1,104,543	1,104,543	0	
Other Expenses	5,392,131	5,392,131	0	
Taxes, Licenses and Fees	46,214	46,214	0	
Unearned Premiums	18,705,927	18,705,927	0	
Advance Premiums	8,756,206	8,756,206	0	
Ceded Reinsurance Premiums Payable	26,144,561	26,144,561	0	
Amounts Withheld or Retained by Company for Account of Others	410,543	410,543	0	
Provision for Reinsurance	28,435	28,435	0	
Payable to Parent, Subsidiaries and Affiliates	379,278	379,278	0	
Aggregate Write-Ins for Liabilities	844,049	844,049	0	
Total Liabilities	$189,652,209	$189,652,209	$0	
Surplus and Other Funds				
Common Capital Stock	4,200,000	4,200,000	0	3
Gross Paid In and Contributed Surplus	6,250,708	6,250,708	0	
Unassigned Funds (Surplus)	428,388,903	428,388,903	0	
Surplus as Regards Policyholders	$ 438,839,611	$ 438,839,611		
Total Liabilities, Surplus and Other Funds	$ 628,491,820	$ 628,491,820		

EXHIBIT B

PRINCETON INSURANCE COMPANY
SUMMARY OF OPERATIONS FOR THE
THREE YEAR PERIOD ENDING DECEMBER 31, 2013

UNDERWRITING INCOME	2013	2012	2011
Premiums Earned	$32,330,097	($455,838,123)	$136,780,689
Deductions:			
Losses Incurred	26,369,293	(353,182,145)	59,433,719
Loss Adjustment Expenses Incurred	7,401,776	(99,944,591)	42,824,230
Other Underwriting Expenses Incurred	5,379,810	(3,469,160)	32,072,852
Aggregate Write-ins for Underwriting Deductions	0	0	0
Total Underwritng Deductions	39,150,879	(456,595,896)	134,330,801
Net Underwriting Gain/Loss	(6,820,782)	757,773	2,449,888
INVESTMENT INCOME			
Net Investment Income Earned	$18,630,169	$21,553,665	$24,126,552
Net Realized Capital Gains/Losses	63,709	35,749,551	18,984,174
Net Investment Gains/Losses	18,693,878	57,303,216	43,110,726
OTHER INCOME			
Net Gain/loss from Agents' Balances charged off	(31,443)	(37,446)	(28,732)
Finance and Service Charges not included in Premium	20,560	174,781	185,827
Miscellaneous Income	336,966	4,787,865	206,042
Total Other Income	326,083	4,925,200	363,137
Net Income/ Loss before Federal Income Taxes	12,199,179	62,986,189	45,923,751
Federal & Foreign Income Taxes	(422,672)	(16,610,886)	7,997,543
Net Income (Loss)	$12,621,851	$79,597,075	$37,926,208

EXHIBIT C
PRINCETON INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT FOR
THE THREE YEAR PERIOD ENDING DECEMBER 31, 2013

	2013	2012	2011
Net Income	$12,621,851	$79,597,075	$37,926,208
OTHER SURPLUS GAINS/LOSSES:			
Change in Net Unrealized Capital Gains/Losses	10,353,466	(2,759,663)	(1,807,075)
Change in Net Deferred Income Tax	(4,308,432)	(31,744,748)	(752,708)
Change in Non Admitted Assets	7,526,865	15,897,769	1,952,244
Change in Provision for Reinsurance	178	1,620	540,849
Surplus Note			(40,000,000)
Net Change in Capital & Surplus	0	0	0
Aggregate Write-ins for Gains & Losses in Surplus	0	1,233,372	(1,145,539)
Change in Surplus	26,193,928	62,225,425	(3,286,021)
Surplus as Regards Policyholders December 31, Previous Year	$412,645,683	$350,420,258	$353,706,279
Surplus as Regards Policyholders December 31, Current Year	$438,839,611	$412,645,683	$350,420,258

NOTE 1 - BONDS, STOCKS, CASH AND SHORT-TERM INVESTMENTS

The following securities were held on special deposit by states on behalf of the Company as at December 31, 2013:

State	Deposit Description	Statement Value	Market Value
Arizona	High-Mark Treasury	4,670,245	4,672,060
Delaware	Wilmington Trust	180,104	180,104
Georgia	Wells Fargo Advantage Money Market Fund	125,050	125,050
New Jersey	U.S. Treasury Note 1.25% due 2/15/2014	2,514,448	2,517,559
North Carolina	First American Treasury Obligation Fund	303,827	303,827
Virginia	Federated Treasury Money Market Fund	565,673	565,673

NOTE 2 - LOSS AND LOSS ADJUSTMENT EXPENSES

The Company reported loss and loss adjustment expenses of $98,826,016 and $28,794,918 respectively which are accepted for examination report purposes.

A review of the reserves for losses and loss adjustment expenses was completed by Merlinos & Associates, actuarial consultants engaged by New Jersey to perform the actuarial analysis. The analysis also included a review of the DD&R (death, disability and retirement), unearned premium reserves, and a risk transfer analysis on Reinsurance Contracts.

Merlinos' actuarial opinion found Princeton Insurance Company's appointed actuary's analysis, with respects to the carried reserves to have been reasonable as of December 31, 2013. The Actuarial Unit, Office of Solvency Regulation, New Jersey Department of Banking and Insurance, reviewed Merlinos' opinion and had no concerns with its findings.

RECOMMENDATIONS

UNCOLLECTED PREMIUMS RECEIVABLE

It is recommended the Company age all new policies and endorsements off of the effective date of the policy or endorsement to be in accordance with the requirements of SSAP 6:7a and SSAP 6:7b and ensure this will occur with the completion of the conversion to the Parent's OASIS System.

SUBSEQUENT EVENTS:

On Dec. 19, 2013 the Company purchased a $100,000,000 bond issued by an affiliate "MidAmerican Energy Holdings" (which changed its name to Berkshire Hathaway Energy Company on 6/27/2014). A subsequent purchase of an additional bond of $90,000,000 issued by the Berkshire Hathaway Energy Company was made on Nov. 12, 2014. Both of these transactions have been guaranteed by the National Indemnity Company which is an affiliate of the Company. The Company submitted a Form D for these purchases and the New Jersey Department of Insurance non-disapproved each purchase.

CONCLUSION

The examination of the Princeton Insurance Company was conducted by the undersigned at the Company's main administrative office located at 746 Alexander Road, Princeton, New Jersey. The courteous cooperation extended to the examination staff by the officers and employees of the Company is acknowledged and appreciated.

Respectfully submitted,

/S/

Aaron Wesley Hillman
Insurance Examiner

PRINCETON INSURANCE COMPANY

I, Aaron Wesley Hillman do solemnly swear that the foregoing report of examination hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2013 to the best of my information, knowledge and belief.

Respectfully Submitted,

/S/

____
Aaron Wesley Hillman
Insurance Examiner 1
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me,
on this 26th day of May, 2015.

/S/

____
Sheila M. Tkacs
Notary Public of New Jersey

My commission expires: July, 2015