

REPORT ON EXAMINATION AS TO THE CONDITION OF

PRINCETON INSURANCE COMPANY

PRINCETON, NEW JERSEY 08540

AS OF DECEMBER 31, 2023

NAIC GROUP CODE 0031

NAIC COMPANY CODE 42226

FILED

June 23, 2025

Commissioner

New Jersey Department

Of

Banking and Insurance

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May 22, 2025

Honorable Justin Zimmerman
Commissioner Banking and Insurance
State of New Jersey
20 West State Street
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 08540
NAIC GROUP CODE 0031
NAIC COMPANY CODE 42226

a domestic insurer duly authorized to transact the business of insurance in the state of New Jersey. Hereinafter, 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 (“NJDOBI”) conducted a risk-focused financial condition examination (the “Examination”) of PIC, for the period of January 1, 2019, through December 31, 2023, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The Examination was conducted pursuant to N.J.S.A. 17:23-22 and was last examined as of December 31, 2018.

The Examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “Handbook”). The Handbook requires NJDOBI to plan and perform the Examination in order to evaluate the financial condition and identify prospective risks of the Company. 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 the Company’s system of internal controls and procedures used to mitigate identified risks. The Examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation, and management’s compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

The Examination was performed under the holding company group approach and on a coordinated basis with the state of Indiana serving as the NAIC facilitating state for the Medical Protective (“MedPro”) Subgroup. The MedPro Subgroup examination was directed through the coordinated efforts of the Nebraska Department of Insurance, serving as the lead state of the Berkshire Hathaway Group, and the Indiana Department of Insurance serving as the facilitating state of the MedPro Subgroup. NJDOBI participated in the coordinated examination of the Company and its insurance affiliates. Other MedPro Group affiliated insurance company examinations conducted concurrently with this examination were as follows:

<u>Company</u>	<u>Domiciliary State</u>
The Medical Protective Company (“TMPC”)	Indiana
Wellfleet Insurance Company	Indiana
AttPro RRG Reciprocal Risk Retention Group	District of Columbia
MedPro RRG Risk Retention Group	District of Columbia
Wellfleet New York Insurance Company	New York
PLICO, Inc.	Oklahoma

The insurance companies examined under this approach benefit to a large degree from common Board management members, governance policies, information systems, internal controls, insurance products, and risk management processes, which are generally administered at the consolidated holding company or ultimate parent level. As a result, the NJDOBI exam team was able to participate in the Examination and rely on work performed by the state of Indiana. The NJDOBI exam team relied on the state of Indiana for the Examination planning assessments, identification of risks and risk assessments, risk mitigation testing, and substantive testing.

The Certified Public Accounting (“CPA”) firm of Crowe Horwath, LLP provided an unqualified audit opinion on the fair presentation of the Company’s year-end financial statement based on statutory accounting principles for the reporting period ending December 31, 2023. 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 whenever feasible to facilitate efficiencies.

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 Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

Accounts and Records

2018 Examination Recommendation: It is recommended the Company completely automate its policy administration system with the conversion of its ECHOS system to MPGX-P.

The Company has continued to take steps to comply with this recommendation.

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 NJDOBI 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 ("NHC"), 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 NHC, a non-insurer downstream holding company. NHC was a wholly-owned subsidiary of the Health Care Insurance Company ("HCIC"), Princeton's former ultimate parent.

HCIC, originally known as the Health Care Insurance Exchange ("HCIE"), 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. HCIC offered medical malpractice insurance to New Jersey hospitals and other health care institutions.

On January 1, 1991, HCIE 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 HCIC. The recapitalization plan involved the formation of the Princeton Insurance Company Merger Corporation ("PICMC") and the Princeton Insurance Holdings, Inc. ("PIHI"), a new holding company. PIHI 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 types of insurance authorized by paragraph "e" of N.J.S.A. 17:17-1. Ultimately, PICMC merged into HCIC under an Agreement and Plan of Merger, and PIHI became the ultimate parent.

On February 15, 2000, in accordance with the provisions of N.J.S.A. 17:27A-2, the Medical Liability Mutual

Insurance Company (“MLMIC”), a New York domiciled medical professional liability writer, filed an application with the NJDOBI to acquire control of HCIC and PIC, which was approved by the NJDOBI on September 12, 2000. 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. (“PHI”). Under the merger, PHI emerged as the surviving corporation, but was renamed MLMIC Holding Company, Inc. In accordance with the merger agreement, all Class A common stock of PHI was canceled, retired and terminated.

The Board of Directors (“Board”) and sole shareholders of HCIC and PIC approved a merger agreement on November 13, 2001, and on December 31, 2001, HCIC merged with and into PIC. PIC continued as the surviving corporation under its current name and governed by the laws of New Jersey. The merger agreement was submitted to the NJDOBI, and a certificate of approval was issued on November 8, 2001, and the merger was effectuated on December 31, 2001.

Upon completion of the merger, shares of common stock in PIC issued to NHC, shares of common stock in NHC issued to HCIC, and shares of common stock in HCIC issued to MLMIC Holding Company, Inc. were all cancelled. Shares of common stock of HCIC owned by MLMIC Holding Company, Inc. immediately prior to the merger were converted automatically upon the merger into four and two-tenths (4.2) fully paid and non-assessable shares of common stock in PIC, which constituted all the issued and outstanding shares of the common stock of PIC immediately following the merger.

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 amended Certificate of Incorporation, the Company’s principal office was changed to 746 Alexander Road, Princeton, New Jersey, 08540, and the agent upon whom process may be served was updated. The Company had \$4,200,000 of common capital stock, consisting of 42,000 shares at a par value of \$100 per share, which remains accurate as of the date of this report.

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 updated. The amendment was approved by the NJDOBI Deputy Attorney General on March 15, 2006, and filed with the NJDOBI on April 21, 2006.

The Company amended their Certificate of Incorporation to the Second Amended and Restated Certificate of Incorporation of PIC. Per the amended and restated Certificate of Incorporation, the name of the agent upon whom process may be served was updated. 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 N.J.S.A. 17:27A-2, MedPro Group Inc. (“MPG”) filed a Form A with the NJDOBI seeking to acquire control of PIC. On December 20, 2011, the acquisition was approved by signed Order No. A11-112.

As a result of the acquisition of control, on December 31, 2011, PIC’s 42,000 shares of \$100 par value common stock are owned 100% by MPG, whose indirect ultimate parent company is Berkshire Hathaway Inc., a Delaware Corporation. As of December 31, 2024, Warren E. Buffet holds 14.35% of the economic interest and 30.30% of the aggregate voting power of Berkshire Hathaway Inc. (“BHI”).

The Company amended their Certificate of Incorporation on March 30, 2021, to change the main administrative and statutory home office to 21 Roszel Road, Suite 100, Princeton, New Jersey 08540, and the registered agent upon whom process may be served to CT Corporation. The amendment was filed with the NJDOBI on August 17, 2021.

TERRITORY AND PLAN OF OPERATION

The Company is predominately a medical malpractice writer with gross premium writings in 2023 comprised of the lines of business as indicated below:

Medical Malpractice - Occurrence	\$ 107,976,780
Medical Malpractice - Claims Made	34,730,481
Other Liability - Occurrence	1,494,677
All Other	<u>449,311</u>
Total	\$ 144,651,249

The Company offers medical malpractice insurance to both hospitals and individual practitioners. The Company offers three (3) types of policies; claims made, occurrence, and occurrence plus. 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. Occurrence coverage provides protection during the period the policy is in-force irrespective as to when a claim is reported. The occurrence plus policy form provides for claims made coverage while the policy is in-force 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 is licensed to transact business in 11 states and reflected direct unpaid losses in over 10 states during the exam period; however, all of the Company's premiums during the exam period were written in the state of New Jersey. The Company uses independent agents to market its business and 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, as follows:

Third Party Claims Administration Agreement – A third-party claims administration agreement with Crawford and Company effective May 12, 1999, related to policies with inception dates between May 12, 1999 and May 11, 2000, wherein PIC agreed to pay a flat rate service fee that varied based on the type of loss exposure claim, per claimant, along with related time and expenses for servicing the claim.

Risk Management Services Agreement – A third-party administration agreement with ESIS, Inc., effective June 1, 2020, wherein ESIS agrees to perform all facets of workers' compensation claims servicing and handling. This agreement grants the Company with limited license access to ESIS' risk management information service, Global RiskAdvantage, which is the TPA's proprietary claims administration system. PIC agreed to pay an annual general account management and administrative fee of \$1,500, and a claim file review and audit fee of \$500 per telephonic claim review and \$1,500 per onsite claim review. The agreement had a term of one (1) year and expired May 31, 2021. The agreement was renewed for another one (1) year term effective May 1, 2022, and expired April 30, 2023. Under the terms of the agreement, ESIS will continue to manage all of the open claims, and any claims that may re-open, under the expired agreement.

Risk Management Analytical System Agreement with the Risk Management Foundation of the Harvard Medical Institutions, Inc. ("RMFS") – Under the agreement, RMFS provides data and reports from its data warehouse to PIC, which will be utilized in the implementation of risk management strategies, which included initial setup and data development for PIC's claims data, initial data analysis of the Company's hospital claims and ongoing data services. For the services, PIC paid an annual fee of \$180,000 in quarterly installments.

The agreement is renewed triennially with the most recent amended agreement effective June 1, 2021, and expiring May 31, 2024.

CORPORATE RECORDS

The Company's Bylaws stipulate that the annual meeting of the shareholders of the corporation for the election of Directors shall be held on a 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 conducted in compliance with the Company's State Charter and Bylaws. 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, 2023.

The Company's adherence to its Certificate of Incorporation and Bylaws was validated without exception.

MANAGEMENT AND CONTROL

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

Directors

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

A listing of the five (5) Directors serving as of December 31, 2023, with their principal occupation is presented below:

<u>Name</u>	<u>Principal Occupation</u>
Timothy J. Kenesey	President and CEO of MPG
Anthony Bowser	Vice President, Chief Financial Officer& Treasurer MPG
Angela Adams	Secretary of MPG
James Kunce	Chief Actuary of TMPC
Mark Walthour	SVP and Underwriting Lead of TMPC

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 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, BHI, maintains a Board of which eight (8) of the 12 members are considered outside directors.

Committees

As of December 31, 2023, the following affiliated individuals served on the PIC Audit, Executive, and Investment Committees:

Timothy John Kenesey

Anthony Allen Bowser

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 (1) or more committees that substantially meet the requirements of this paragraph. The Company is in compliance with N.J.S.A. 17:27A-4d (4), as the ultimate controlling entity, BHI, maintains an Audit Committee and Corporate Governance committee which perform the designated responsibilities, and these committees are made up of outside directors.

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. Officers of the Company shall include a chairman, a president, a secretary, a treasurer and other officers as may be determined by the Board. More than one (1) 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, 2023, are as follows:

<u>Name</u>	<u>Office</u>
Lois Hogya	President and Chief Executive Officer
Anthony Bowser	Treasurer
Angela Adams	Secretary
Dr. Graham Billingham	Chief Medical Officer
Kimberly Horan	VP of Human Resources
Darby O’Neill	VP of Information Technology
Stephen Pennie	VP of Accounting
Elizabeth Wachenfeld	VP of Claims
Greg Chronis	VP and Designated Licensed Producer

REINSURANCE AND RETENTION

The Company limits its exposure on certain losses through the utilization of reinsurance. Reinsurance placements in effect as of the examination date are described as follows:

The Company entered into a Loss Portfolio Transfer Agreement (“LPT”) with TMPC effective January 1, 2012, that will remain in effect until the obligations have been discharged. Under the Amended Agreement, PIC shall pay, and TMPC will assume, 100% of PIC’s workers’ compensation and 80% of its loss and loss adjustment expenses outstanding, as of December 31, 2012. The aggregate limit under this Agreement was \$1.45 billion or three (3) times the amount of PIC’s ceded payment. Effective January 1, 2020, the Agreement was amended to increase the liability of TMPC to 98% of losses paid after December 19, 2019, on occurrences prior to January 1, 2012, excluding workers’ compensation business. The reinsurers’ liability was increased

to 100% for losses paid after January 1, 2012, on workers' compensation business.

Concurrent with the LPT, the Company entered into an Amended Quota Share Reinsurance Agreement effective January 1, 2012, with TMPC. Under this Agreement, PIC will cede, and TMPC will assume, 80% of all PIC unearned premiums in effect as of December 31, 2011, and 80% of all subsequent premiums written and earned by PIC. In return, PIC will cede, and TMPC will assume, 80% of all loss and loss adjustment expenses incurred after December 31, 2011. Effective January 1, 2020, the Agreement was amended to increase the percentage of business assumed to 98% for losses applicable to occurrences for accident years 2020 and later, not to exceed the aggregate limit for all occurrences in any one (1) calendar year equal to three (3) times net earned premium for that year.

The Company cedes 100% of cyber, privacy and billing errors and omissions coverage for physicians under an Agreement with AXIS Insurance Company (AXIS) for effective periods October 1, 2016, through September 30, 2020. The Company cedes 80% of cyber, privacy and billing errors and omissions coverage for physicians under for effective periods October 1, 2020, through September 30, 2021. The Agreement covers physicians up to an aggregate limit of \$10,000,000 for any one (1) policy. The Company also has an Administrative Services Agreement with AXIS with respect to the reinsurance of cyber liability coverage, whereby, AXIS will perform the following services: Underwriting, Marketing, Claims and Supplemental Benefits.

The Company transitioned to Beazley Syndicates 623 and 2623 and Beazley USA Services, Inc. effective as of October 1, 2021. The Company cedes 100% of cyber, privacy and billing errors and omissions coverage for physicians under an Agreement with Beazley Syndicates for effective the period October 1, 2021, through September 30, 2022. The Company cedes 80% of cyber, privacy and billing errors and omissions coverage effective periods October 1, 2022, through September 30, 2025. The Agreement covers physicians up to an aggregate limit of \$10,000,000 for any one (1) policy. The Company also has an Administrative Services Agreement with Beasley with respect to the reinsurance of cyber liability coverage, whereby, Beasley USA Services will perform the following services: Underwriting, Marketing, Claims and Supplemental Benefits.

The Company participates in and assumes reinsurance from mandatory and voluntary pools and associations, specifically, the National Workers' Compensation Reinsurance Pool and the New Jersey Commercial Auto Insurance Procedure.

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 MPG, an Indiana Company, which acquired PIC as of December 31, 2011. It was determined by this examination that the Company filed holding company registration statements in compliance with N.J.S.A. 17:27A-3.

The Company's partial organizational chart as of December 31, 2023, is as follows:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Berkshire Hathaway Inc.		DE
National Indemnity Company (NICO)	20087	NE
MLMIC Insurance Company	34231	NY
MLMIC Services, Inc.		NY
BH Columbia Inc.		NE
Columbia Insurance Company (CIC)	27812	NE
MedPro Group Inc. (MPG)		IN

AttPro RRG Reciprocal Risk Retention Group	13795	DC
MedPro RRG Risk Retention Group	13589	DC
MedPro Risk Retention Services, Inc.		IN
Medical Protective Finance Corporation		IN
PLICO, Inc.	39594	OK
PIC	42226	NJ
TMPC	11843	IN
General Re Corporation		DE
General Reinsurance Corporation	22039	DE
Genesis Management and Insurance Services Corporation		DE

INTER-COMPANY AGREEMENTS

As of December 31, 2023, the Company participated in various inter-company related agreements. These Agreements included the following:

Revolving Loan Agreement:

Effective January 1, 2012, TMPC and PIC entered into a Revolving Loan Agreement in which PIC could borrow up to \$25,000,000 from TMPC. There was no balance due as of the examination date. The Agreement was amended four (4) times to extend the maturity date and to allow for interest rate flexibility if the 30-day LIBOR rate is not available.

Cost Sharing Agreement:

As amended and restated effective January 1, 2012, MPG, TMPC, and PIC are parties to a Cost Sharing Agreement in which the 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 been incurred for the sole benefit of that party. Effective September 1, 2015, the Amended and Restated Cost Sharing Agreement was amended primarily to add PLICO, Inc. Effective April 1, 2017, the Amended and Restated Cost Sharing Agreement was amended primarily to add additional subsidiaries.

Loss Portfolio Transfer Reinsurance Agreement:

Effective January 1, 2012, the Company entered into a Loss Portfolio Transfer Reinsurance Agreement with its affiliate, TMPC. Under the agreement PIC will cede and MedPro will assume 80% of all loss and loss adjustment expenses (100% of workers compensation losses) paid by PIC after December 31, 2019 on loss occurrences prior to January 1, 2012. Effective January 1, 2020, the Agreement was amended to increase the liability of TMPC to 98% of losses paid after December 31, 2019, on occurrences prior to January 1, 2012, excluding workers' compensation business. TMPC's liability was increased to 100% for losses paid after January 1, 2012, on workers' compensation business.

Quota-Share Reinsurance Agreement:

Effective January 1, 2012, the Company entered into a Quota-Share Reinsurance Agreement with its affiliate, TMPC. Under the agreement, TMPC assumes 50% of PIC's aggregate ultimate net loss on all lines of insurance. The agreement was amended on August 1, 2012, to increase the percentage of business assumed to 80% for business after December 31, 2011. The agreement was further amended on January 1, 2020, to increase the percentage of business assumed to 98% for losses applicable to occurrences for accident years 2020 and later, not to exceed the aggregate limit for all occurrences in any one (1) calendar year equal to three (3) times the net earned premium ceded for that year.

Consolidated Federal Income Tax Allocation Agreement:

Effective September 1, 2015, the Company entered into a Federal Income Tax Allocation Agreement with MPG. Under the agreement, 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 MPG for each taxable period. In the event of a refund, MPG shall pay to PIC its share of the refund. In the case of an increase in tax liability PIC shall pay to MPG its allocable share of such

increased tax liability. There is no accounting basis used in calculating each affiliate's costs, as each affiliate will be responsible for its own expenses and costs under the agreement.

Consulting Services Agreement:

Effective September 18, 2019, the Company entered into a Consulting Services Agreement with MLMIC. Under the agreement, PIC performs loss control surveys specific to clinical/biomedical engineering management and general liability insurance issues for MLMIC-insured facilities. All charges for services and the use of facilities incurred will be billed by PIC on a time and expense basis and invoiced to MLMIC at cost.

Inter-Affiliate Services Agreement:

Effective January 1, 2022, the Company entered into an Inter-Affiliate Services Agreement with Genesis Management and Insurance Services Corporation ("Genesis"), in which Genesis performs monitoring, liaison, and auditing services, regarding claims administered by third-party administrators for PIC's run-off workers' compensation insurance line of business. The annual fee for services is outlined in Schedule 1 of the agreement and paid in quarterly installments.

Affiliate Service Agreement:

Effective September 1, 2022, PIC was added to an existing Affiliate Services Agreement with affiliates, TMPC, MPG, MedPro RRG Risk Retention Group, MedPro Risk Retention Services, Inc., MLMIC Services, Inc., and MLMIC, originally effective February 21, 2020. Under the agreement, the affiliates may each perform certain services for the other in the areas of claims administration, risk management administration, underwriting administration, actuarial services, management services, human resources, legal services, technology and data processing services, and accounting administration, subject to a fee for such services to the servicing affiliate, on an at-cost basis.

POLICY ON CONFLICT OF INTEREST

The Company participates in BHI's Code of Business Conduct and Ethics which addresses all BHI 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.

Officers' and directors' executed Conflict of Interest statements were reviewed for the period under examination noting 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 PIC 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, 2023, through June 30, 2024. This amount of fidelity coverage meets the suggested minimum as measured using the NAIC's formula and exposure index.

The Company, through MPG, maintains other insurance coverage designed to protect its assets from

losses emerging from the various risks of conducting business including the following:

Commercial Auto
Employment Practices Liability Solutions
Workers Compensation and Employers Liability
Fiduciary Liability
General Liability
Foreign Policy Coverage
Umbrella Coverage
Insurance Company Professional Liability Protection

POLICY FORMS AND UNDERWRITING

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. The Company primarily insures New Jersey hospitals and physicians.

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

ACCOUNTS AND RECORDS

The Company's accounting books and records are maintained at their statutory home and administrative office located at 21 Roszel Road, Suite 100, 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 2023 annual statement.

The Company uses the Sun Guard System ("EAS") for its general ledger system and accounts payable related functions. Billing is processed from the I Works System ("Ebenezer") through the utilization of an A/S 400 platform. Policy administration and premiums are processed from ECHOS utilizing an A/S 400 platform. The Company utilizes OASIS for claims processing. The OASIS claim system runs on a Windows/Oracle platform.

ADVERTISING AND SALES MATERIALS

A review of the PIC advertising and sales materials disclosed that the Company is in compliance with N.J.S.A. 17:18-10 as no material inconsistencies between the Company's sales materials and their policies were identified.

TREATMENT OF POLICYHOLDERS AND CLAIMANTS

The Company's complaint handling procedures and 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 can adequately recover from a system failure or business disruption in a timely fashion.

The Company's comprehensive Business Continuity Plan ("Plan") was reviewed by the IT examination team on a Group basis. This review noted the Plan was tested at least annually and no major concerns were noted.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A	Statement of Assets, Liability and Unassigned Funds as of December 31, 2023.....pg. 15
Exhibit B	Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2023.....pg. 16
Exhibit C	Capital and Surplus Account for the Five-Year Period Ending December 31, 2023.....pg. 17

EXHIBIT A

**PRINCETON INSURANCE COMPANY
STATEMENT OF ASSETS, LIABILITIES AND
UNASSIGNED FUNDS AT DECEMBER 31, 2023**

	Current Examination at 12/31/23	Balance Per Company at 12/31/23	Examination Change	Note Number
<u>Assets</u>				
Bonds	2,909,742	2,909,742	0	1
Common Stocks	277,373,550	277,373,550	0	1
Cash, Cash Equivalents and Short-Term Investments	441,486,769	441,486,769	0	1
Investment Income Due and Accrued	374,464	374,464	0	
Premiums In the Course of Collection	27,490,929	27,490,929	0	
Deferred Premiums	24,166,610	24,166,610	0	
Amount Recoverable from Reinsurers	31,044,193	31,044,193	0	
Guaranty Funds Receivable	440,536	440,536	0	
Receivables from Parent, Subsidiaries and Affiliates	10,500	10,500	0	
Other Receivables	610,519	610,519	0	
Total Admitted Assets	<u>\$ 805,907,811</u>	<u>\$ 805,907,811</u>	<u>\$0</u>	
<u>Liabilities</u>				
Losses	11,108,694	11,108,694	0	2
Loss Adjustment Expenses	3,302,878	3,302,878	0	2
Commissions Payable	2,183,675	2,183,675	0	
Other Expenses	4,184,388	4,184,388	0	
Taxes, Licenses and Fees	4,567	4,567	0	
Federal Income Taxes Payable	1,295,718	1,295,718	0	
Net Deferred Tax Liability	35,702,334	35,702,334	0	
Unearned Premiums	1,756,103	1,756,103	0	
Advance Premium	3,296,960	3,296,960	0	
Ceded Reinsurance Premiums Payable	51,063,216	51,063,216	0	
Amounts Withheld or Retained	75,000	75,000	0	
Payable to Parent, Subsidiaries and Affiliates	3,277,970	3,277,970	0	
Return Premiums Due to Insureds	178,161	178,161	0	
Total Liabilities	<u>\$ 117,429,663</u>	<u>\$ 117,429,663</u>	<u>\$0</u>	
<u>Surplus and Other Funds</u>				
Common Capital Stock	4,200,000	4,200,000	0	
Gross Paid in and Contributed Surplus	6,250,708	6,250,708	0	
Unassigned Funds (Surplus)	<u>678,027,440</u>	<u>678,027,440</u>	<u>0</u>	
Surplus as Regards Policyholders	<u>\$ 688,478,148</u>	<u>\$ 688,478,148</u>	<u>\$0</u>	3
Total Liabilities, Surplus and Other Funds	<u>\$ 805,907,811</u>	<u>\$ 805,907,811</u>	<u>\$0</u>	

EXHIBIT B

**PRINCETON INSURANCE COMPANY
SUMMARY OF REVENUE AND EXPENSES
FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<u>Underwriting Income:</u>					
Premiums Earned	<u>26,329,653</u>	<u>(114,503,175)</u>	<u>2,851,100</u>	<u>2,883,084</u>	<u>2,870,581</u>
Total Revenues	\$ 26,329,653	\$ (114,503,175)	\$ 2,851,100	\$ 2,883,084	\$ 2,870,581
<u>Deductions:</u>					
Losses Incurred	17,624,071	(92,718,358)	1,712,763	1,379,004	646,430
Loss Adjustment Expenses Incurred	2,541,469	(21,702,269)	858,640	453,528	291,571
Other Underwriting Expenses Incurred	<u>4,274,161</u>	<u>(1,756,303)</u>	<u>506,145</u>	<u>468,388</u>	<u>474,703</u>
Total Underwriting Deductions	\$ 24,439,701	\$ (116,176,930)	\$ 3,077,548	\$ 2,300,920	\$ 1,412,704
Net Underwriting Gain (Loss)	\$ 1,889,952	\$ 1,673,755	\$ (226,448)	\$ 582,164	\$ 1,457,877
<u>Investment Income:</u>					
Net Investment Income Earned	17,295,986	8,225,646	3,867,225	10,320,033	24,258,621
Net Realized Capital Gains (Losses)	<u>42,100</u>	<u>1,464,192</u>	<u>1,618,383</u>	<u>(1,162,222)</u>	<u>(6,641,923)</u>
Net Investment Gain (Loss)	\$ 17,338,086	\$ 9,689,838	\$ 5,485,608	\$ 9,157,811	\$ 17,616,698
<u>Other Income:</u>					
Net Gain (Loss) from Premium Balances Charge	(3,031)	(319)	(530)	(863)	(688)
Miscellaneous Income	<u>159,770</u>	<u>65,171</u>	<u>31,644</u>	<u>54,391</u>	<u>62,264</u>
Total Other Income	\$ 156,739	\$ 64,852	\$ 31,114	\$ 53,528	\$ 61,576
Net Income Before Federal Income Taxes	\$ 19,384,777	\$ 11,428,445	\$ 5,290,274	\$ 9,793,503	\$ 19,136,151
Federal and Foreign Income Taxes Incurred	3,588,683	(1,021,837)	899,666	1,535,554	4,836,741
Net Income (Loss)	\$ 15,796,094	\$ 12,450,282	\$ 4,390,608	\$ 8,257,949	\$ 14,299,410

EXHIBIT C**PRINCETON INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT
FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2023**

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Surplus as regards policyholders					
December 31, Previous Year	<u>\$ 508,641,483</u>	<u>\$ 572,576,977</u>	<u>\$ 605,600,212</u>	<u>\$ 672,557,874</u>	<u>\$ 610,299,737</u>
Net Income	15,796,094	12,450,282	4,390,608	8,257,949	14,299,410
Change in net unrealized capital gains (losses)	45,883,640	22,331,986	59,509,926	(70,401,450)	64,302,031
Change in net unrealized foreign exchange capital gain (loss)					
Change in net deferred income tax	(244,707)	(2,663,391)	210,777	(51,850)	(262,322)
Change in nonadmitted assets	195,256	(11,192)	73,098	(62,786)	(160,707)
Change in provision for reinsurance	2,305,210	915,551	2,773,253		
Change in surplus as regards policyholders for the year	<u>63,935,493</u>	<u>33,023,236</u>	<u>66,957,662</u>	<u>(62,258,137)</u>	<u>78,178,412</u>
Surplus as regards policyholders					
December 31, Current Year	<u>\$ 572,576,976</u>	<u>\$ 605,600,213</u>	<u>\$ 672,557,874</u>	<u>\$ 610,299,737</u>	<u>\$ 688,478,149</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Investments

At December 31, 2023, the Company reported assets for bonds of \$2,909,742 and cash, cash equivalents and short-term investments of \$441,486,769. The assets were accepted as stated.

Statutory Deposits

At December 31, 2023, the Company reported Special Deposits held on behalf of the State of New Jersey which totaled \$2,501,039 (book value) and \$2,491,016 (fair value).

Note 2 – Losses and Loss Adjustment Expenses

The reserves for claims losses and loss adjustment expenses as reported by the Company as of December 31, 2023, were **\$11,108,694** and **\$3,302,878**, respectively. A review of these reserves by Actuarial Specialists from Davies Group, engaged by the Indiana Department of Insurance, was completed and the review indicated that no reserve adjustment was necessary.

Note 3 – Surplus as Regards Policyholders

This examination determined total surplus as regards policyholders to be \$688,478,148 which agrees with the amount reported by the Company at December 31, 2023, as summarized:

Common Capital Stock	\$ 4,200,000
Gross Paid In and Contributed Surplus	6,250,708
Unassigned Funds (Surplus)	<u>678,027,440</u>
Total	\$ 688,478,148

SUMMARY OF EXAMINATION RECOMMENDATIONS

No examination recommendations

CONCLUSION

A regular statutory financial condition examination was conducted by the undersigned with the assistance of examiners of the New Jersey Department of Banking and Insurance examination staff.

The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,

Carl P. Richard Jr.

Carl Richard, CFE
Examiner-In-Charge
Noble Consulting Services, Inc.
Representing the State of New Jersey

Under the supervision of,



Nancy Lee Chice, CFE
Certified Financial Examiner
New Jersey Department of Banking and Insurance
Office of Solvency Regulation

AFFIDAVIT

The undersigned hereby certifies that an examination has been made of Princeton Insurance Company and the foregoing report is true to the best of my knowledge and belief.

Respectfully Submitted,

Carl P. Richard Jr.

Carl Richard, CFE
Examiner-In-Charge
Noble Consulting Services, Inc.
Representing the State of New Jersey

Under the supervision

Nancy Lee Chice

Nancy Lee Chice, CFE
Supervising Examiner
New Jersey Department of Banking and Insurance
Office of Solvency Regulation

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Sheila M. Tkacs on this 22nd of May 2025.

Sheila M. Tkacs
Notary Public of New Jersey

My commission expires: July 2025