ATTACHMENT 24

NEW HAMPSHIRE MEDICAL MALPRACTICE JOINT UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS
(STATUTORY BASIS)
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

NEW HAMPSHIRE MEDICAL MALPRACTICE JOINT UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS (STATUTORY BASIS) FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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Leone,
McDonnell
& Roberts
PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS
WOLFEBORO • NORTH CONWAY
DOVER • PEMBROKE
STRATHAM

To the Board of Directors
New Hampshire Medical Malpractice
Joint Underwriting Association
Concord, New Hampshire

We have audited the accompanying statutory statements of admitted assets, liabilities and surplus of New Hampshire Medical Malpractice Joint Underwriting Association (the Association) as of December 31, 2008 and 2007, and the related statutory statements of income and changes in surplus, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 2 to the financial statements, the Association prepared these financial statements using accounting practices prescribed or permitted by the Insurance Department of the State of New Hampshire, whose practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of New Hampshire Medical Malpractice Joint Underwriting Association as of December 31, 2008 and 2007, or the results of its operations or its cash flows for the years then ended.

As more fully described in Note 11, subsequent to year end the New Hampshire legislature enacted HB 2 directing the Association to transfer $110,000,000 of its surplus from the post -1985 Account to the New Hampshire general fund over a three year period beginning in July 2009.

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In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of New Hampshire Medical Malpractice Joint Underwriting Association as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Leone, McDonnell & Roberts,
Professional Association

June 29, 2009
Dover, New Hampshire

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS (STATUTORY BASIS)
DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
ADMITTED ASSETS		
Cash	$ 1,221,144	$ 588,657
Investments held by trustee at amortized cost (market values of $194,714,741 and $189,606,463 at December 31, 2008 and 2007, respectively)	192,715,682	187,591,263
Premiums and finance charges receivable	971,508	891,060
Accrued interest receivable	1,877,659	1,847,774
Receivable from Stabilization Reserve Fund Trust	846,852	-
Total	$ 197,632,845	$ 190,918,754

LIABILITIES AND SURPLUS

	2008	2007
LIABILITIES		
Insurance claims and reserves:		
Unpaid losses and loss adjustment expenses		
Reported cases	$ 7,567,904	$ 11,979,722
Estimated unreported cases	34,713,227	30,417,247
	42,281,131	42,396,969
Unearned premiums	4,390,132	4,038,769
Unearned finance charges	24,938	23,062
Vested retirement reserve	6,900,593	7,043,546
Annuity reserve	815,000	-
Customer deposits	591,408	1,331,250
Accrued expenses	234,124	205,880
Total liabilities	55,237,326	55,039,476
SURPLUS	142,395,519	135,879,278
Total	$ 197,632,845	$ 190,918,754

See Notes to Financial Statements

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

STATEMENTS OF INCOME AND CHANGES IN SURPLUS (STATUTORY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
UNDERWRITING INCOME		
Premiums written	$ 9,549,184	$ 8,511,183
(Increase) decrease in unearned premium	(351,363)	10,217
Decrease in vested retirement reserve	142,953	634,774
Total underwriting income	9,340,774	9,156,174
UNDERWRITING LOSSES AND EXPENSES		
Losses and loss adjustment expenses	15,067,751	14,734,418
Reduction of prior year estimates of ultimate losses and loss adjustment expenses	(5,825,386)	(10,351,069)
Increase in contingent liability related to annuity failure	815,000	-
Servicing carrier fees	1,348,392	1,273,498
Commissions	564,812	502,877
Other expenses	213,676	221,219
Total underwriting losses and expenses	12,184,245	6,380,943
(LOSS) INCOME FROM UNDERWRITING ACTIVITIES	(2,843,471)	2,775,231
OTHER INCOME (EXPENSES)		
Investment income - including net loss on sales of investments of $99,719 in 2008 and $269,860 in 2007	8,735,890	9,186,718
Investment expenses	(245,454)	(239,713)
Finance charges	54,276	70,621
Total other income	8,544,712	9,017,626
NET INCOME	5,701,241	11,792,857
SURPLUS, BEGINNING OF YEAR	135,879,278	124,086,421
Reimbursement from Stabilization Reserve Fund Trust	815,000	-
SURPLUS, END OF YEAR	$ 142,395,519	$ 135,879,278

See Notes to Financial Statements

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

STATEMENTS OF CASH FLOWS (STATUTORY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM UNDERWRITING OPERATIONS		
(Loss) income from underwriting operations	$ (2,843,471)	$ 2,775,231
Non cash items included in (loss) income from underwriting operations:		
Increase (decrease) in unearned premiums	351,363	(10,217)
Decrease in vested retirement reserve	(142,953)	(634,774)
Changes in admitted assets and liabilities:		
(Increase) decrease in premiums and finance charges receivable	(80,448)	333,083
(Increase) decrease in receivable from Stabilization Reserve Fund	(31,852)	297,909
Increase in reserves for unpaid losses	(115,838)	262,699
Increase in annuity reserves	815,000	-
(Decrease) increase in customer deposits	(739,842)	602,910
Increase in accrued expenses	28,244	15,859
NET CASH (USED IN) PROVIDED BY UNDERWRITING ACTIVITIES	(2,759,797)	3,642,700
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in investments	(5,124,419)	(12,364,824)
Investment income	8,735,890	9,186,718
Investment expenses	(245,454)	(239,713)
Finance charges	54,276	70,621
Increase in accrued interest receivable	(29,885)	(120,518)
Increase (decrease) in unearned finance charges	1,876	(7,865)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,392,284	(3,475,581)
NET INCREASE IN CASH	632,487	167,119
CASH, BEGINNING OF YEAR	588,657	421,538
CASH, END OF YEAR	$ 1,221,144	$ 588,657

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (STATUTORY BASIS) FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1. ORGANIZATION AND OPERATIONS

Organization

The New Hampshire Medical Malpractice Joint Underwriting Association was established pursuant to Regulation No. 1700 (as amended) which was adopted by the Insurance Department of the State of New Hampshire, effective September 30, 1975. The Association was created as a result of the Insurance Commissioner's determination that professional medical liability insurance was not readily available in the voluntary market. The purpose of the Association is to make available medical malpractice insurance for eligible risks. The Association is authorized to write medical malpractice insurance and general liability coverage for physicians, hospitals, and all other providers of health care in the State of New Hampshire. Every insurer, as a condition of its authority to write liability insurance, including every insurer covering such perils in multiple peril package policies, on a direct basis within the State of New Hampshire, is required to be a member of the Association.

Board of Directors

The Association is governed by a seven (7) member board of directors approved by the Commissioner. Five of the members are nominated by and represent, respectively, the member insurance companies, the domestic insurance companies, the Medical Society, the Hospital Association and other health care providers. Two members represent the general public.

Policy Terms, Limits and Deficiencies

The Association provides coverage to hospitals, physicians, and other health care providers. Insurance policies are effective for one year subject to minimum limits of $25,000 for each claimant and $75,000 for all claimants in any one policy year, and subject to maximum limits of $1,000,000 for each claimant and $3,000,000 for all claimants in any one policy year. Additional separate coverage for the general liability of the insured for property damage is also made available by the Association. Such coverage is effective for one year and is subject to a minimum limit of $25,000 per occurrence and a maximum limit of $100,000 per occurrence.

Policies are issued on either an occurrence or claims - made basis. Under an occurrence basis policy, coverage is provided to the policyholder for claims incurred during the policy year. Under a claims - made policy, coverage is provided to the policyholder for claims made during the policy year. The Association provides "tail" coverage for qualifying claims - made policyholders who request it. **(See Note 6).**

The Association may recover deficiencies incurred as a result of policies issued on or after January 1, 1986 through the assessment of members and insureds and, subject to certain limitations, surcharges against insureds or surcharges on all liability premiums written in New Hampshire. If premiums written exceed the amount necessary to pay losses and expenses, the surplus may be distributed to insureds after repaying any assessments against members. **(See Note 7 for deficiencies incurred as a result of policies issued prior to January 1, 1986.)**

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association's financial statements are prepared in accordance with practices prescribed or permitted by the Insurance Department of the State of New Hampshire. Such practices vary in some respects from generally accepted accounting principles. The principal variations reflected in the accompanying financial statements are the treatment of investments and commissions.

Investments

Investments are comprised of U.S. Government obligations, high credit quality asset (mortgage) backed securities and corporate bonds which meet specified rating standards of quality. The investment portfolio, which is held by an independent Trustee, is subject to periodic review by the Board of Directors and is monitored by an independent advisor.

Under US Generally Accepted Accounting Principles (US GAAP), investments in bonds and other fixed maturity investments are designated as held to maturity, trading or available for sale investments when they are purchased. Investments that are designated trading would be valued at fair market value, with unrealized gains and losses reported in the statements of income. Available for sale investments would be reported at fair market value with unrealized gains and losses reported as a separate component of surplus and held to maturity investments would be reported at amortized cost. The Association does not follow US GAAP for fixed maturity investments. Rather, it records all of its fixed maturity investments at cost adjusted for amortization of premiums and discounts (amortized cost) whether or not it will hold investments to maturity, in accordance with statutory requirements prescribed by the Insurance Department.

Under US GAAP investments in high credit quality asset backed securities are adjusted using a retrospective method when there is a change in estimated future cash flows. And, if it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the discounted fair market value. The Association does not follow US GAAP for asset backed securities. Rather, it records all of its asset backed securities at cost adjusted for amortization of premiums and discounts (amortized cost), in accordance with statutory requirements prescribed by the Insurance Department. If it is determined that a decline in fair market value is other than temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows.

Reserves for Unpaid Losses and Loss Adjustment Expenses

The reserves for unpaid losses and loss adjustment expenses for occurrence basis policies include a reserve for estimated losses on claims reported, a reserve for estimated ultimate losses incurred but not yet reported, and a reserve for estimated allocated and unallocated loss adjustment expenses related to both the reported and the incurred but not reported losses. For claims - made policies, the reserves represent estimated losses on claims reported during the covered period and a reserve for estimated allocated and unallocated loss adjustment expenses. Management believes these reserves are adequate to cover the ultimate settlement costs of losses incurred. These estimates are continually reviewed and adjusted as necessary. Adjustments are reflected as changes in accounting estimates and are reflected in current operations. As prescribed by the Insurance Department of the State of New Hampshire for statutory reporting purposes, the reserves for unpaid loss and loss adjustment expenses are not discounted. **(See Note 5).**

Commissions

The costs of acquiring new business, such as commissions, are charged to current operations as incurred, whereas related premium income is recognized over the periods covered by the policies.

Other significant accounting policies followed by the Association, which are in conformity with generally accepted accounting principles, are as follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all cash in bank, not yet transferred to its investment account trustee, and all other highly liquid investments with an original maturity of less than three months to be cash and cash equivalents for purposes of the statement of cash flows. At present, the Association has no cash equivalents.

Premiums

Premiums are recorded as earned on a pro rata basis over the terms of the individual policies. Unearned premiums represent that portion of premiums written which is applicable to the unexpired term of the policies in force. Premiums receivable represent outstanding balances for policies whose effective dates have passed. Payments received in advance of the policy's effective date are recorded as customer deposits and amounted to $591,408 and $1,331,250 at December 31, 2008 and 2007, respectively.

NOTE 3. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash and cash equivalents and premiums receivable. The Association places its cash and cash equivalents with a high quality financial institution insured by the Federal Deposit Insurance Corporation (FDIC). Deposits in such institutions are insured up to the FDIC limit ($250,000 at December 31, 2008). At December 31, 2008, the Association had approximately $979,000 on deposit in excess of the insured limits. Credit risk with respect to receivables is limited because the Association collects deposits in advance of the policy effective dates, and reviews the credit worthiness of the insured.

NOTE 4. INVESTMENTS

In accordance with legislative directives the Association has consistently invested in extremely high grade government and corporate investments. However, due to the severe economic downturn in 2008, one of its corporate bond investments was forced into bankruptcy and the likelihood of recovery was remote. Therefore, the investment was sold at a significant loss in 2009. Accordingly, the Association reduced the value of this investment by $979,000 at December 31, 2008 to recognize its market value.

The aggregate amortized cost, gross unrealized gains, gross unrealized losses and fair value of investments at December 31, 2008 and 2007 are as follows:

December 31, 2008:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency:				
Treasury Notes	$ 8,690,674	$ 992,844	$ -	$ 9,683,518
Treasury Bonds	11,899,129	3,331,729	-	15,230,858
Mortgage Backed Securities	46,938,101	1,367,098	24,821	48,280,378
Other	13,031,447	1,535,055	-	14,566,502
	80,559,351	7,226,726	24,821	87,761,256
Corporate:				
Bonds	60,759,028	939,291	920,444	60,777,875
Mortgage Backed Securities	29,867,578	31,993	4,445,793	25,453,778
Other fixed income	14,100,270	187,049	1,045,361	13,241,958
Foreign Bonds	5,677,701	163,328	112,909	5,728,120
	110,404,577	1,321,661	6,524,507	105,201,731
Short term investments:	1,751,754	-	-	1,751,754
Totals	$192,715,682	$8,548,387	$6,549,328	$194,714,741

December 31, 2007:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency:				
Treasury Notes	$ 9,990,791	$ 227,163	$ 5,745	$ 10,212,209
Treasury Bonds	11,940,311	1,485,654	-	13,425,965
Mortgage Backed Securities	46,422,178	238,087	548,838	46,111,427
Other	16,103,672	624,313	-	16,727,985
	84,456,952	2,575,217	554,583	86,477,586
Corporate:				
Bonds	53,396,799	891,452	358,513	53,929,738
Mortgage Backed Securities	25,046,553	110,106	715,266	24,441,393
Other Fixed Income	16,181,948	209,499	237,338	16,154,109
Foreign Bonds	4,677,551	104,566	9,940	4,772,177
	99,302,851	1,315,623	1,321,057	99,297,417
Short term investments	3,831,460	-	-	3,831,460
Totals	$187,591,263	$3,890,840	$1,875,640	$189,606,463

NOTE 5. RESERVES FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves for unpaid losses and related loss adjustment expenses at December 31, 2008 and 2007 were estimated by a consulting actuary who reviewed premiums and loss experience to date and recommended certain reserve levels. These recommendations were adopted by the Association in the accompanying financial statements by adjusting all current and previous reserves. Claims in the medical malpractice line of insurance have traditionally been characterized by delayed discovery and reporting, and high severity of losses. Accordingly, the ultimate liability for unpaid losses and loss adjustment expenses can only be determined with the passage of time.

Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	2008	2007
Balances at beginning of year	$ 42,396,969	$ 42,134,270
Provision for losses and loss adjustment expenses related to current year earned premiums	15,067,751	14,734,418

Change in prior estimates of losses and allocated expenses	(5,825,386)	(10,351,069)
Payments of losses and allocated loss adjustment expenses	(9,358,203)	(4,120,650)
Balances at end of year	$ 42,281,131	$ 42,396,969

The loss and loss adjustment expenses of $15,067,751 in 2008 and $14,734,418 in 2007 represent estimates of the ultimate losses to be incurred based on premiums earned during the year. Adjustments to estimates of ultimate losses made in prior years had the effect of decreasing the reserves previously reported and losses from underwriting operations by approximately $5.8 million in 2008 and $10.3 million in 2007.

The consulting actuary calculated that the discounted loss reserves and surplus for policies written after December 31, 1985 would be reduced, and increased respectively, by approximately $3,810,000, using a rate of return of 5.0% (the Association's average rate of return on its investment portfolio as of December 31, 2008).

NOTE 6. VESTED RETIREMENT RESERVE

The Association provides tail coverage to retiring claims-made policyholders who meet certain minimum age requirements, at reduced cost or no cost to the policyholder, depending on the years of continuous claims-made coverage they have acquired through the Association. Premiums charged for claims-made policy coverage include a factor for the cost of providing this coverage. A vested retirement reserve account has been established to recognize the premiums collected in advance to provide for this coverage. Increases and decreases in this vested retirement reserve are reflected as an adjustment to premium revenue.

The National Association of Insurance Commissioners (NAIC) recommends that reserves for such benefits consider factors such as morbidity, lapse rates retirement and age distribution of policyholders. This information was not previously available to the Association accordingly such factors were not taken into account to establish the retirement reserve. However the Association believed the difference was not material. The required information has been generated and is currently under review. The Association will consider these factors when determining future reserve amounts.

NOTE 7. DEFICITS INCURRED AS A RESULT OF POLICIES ISSUED PRIOR TO JANUARY 1, 1986

Assessments of Members for Deficits Incurred as a Result of Policies Issued Prior to January 1, 1986

Effective January 1, 1986, Regulation No. 1700 was amended to provide that in the event liabilities for losses, loss adjustment expenses and other defined expenses incurred as a result of policies issued prior to January 1, 1986 exceed the amount collected from premiums and any amount earned from the investment of such premiums, the deficits will be recovered from a Stabilization Reserve Fund Trust (The Trust) established January 1, 1986.

Stabilization Reserve Fund Trust

The Trust, which is distinct from the Association, maintains a Stabilization Reserve Fund (the Reserve Fund) that was funded by a surcharge on the annual gross premiums charged for primary medical liability coverage written in the State of New Hampshire from January 1, 1986 to December 31, 1994, when the New Hampshire Insurance Commissioner deemed the surcharge was no longer necessary to provide for estimated losses resulting from pre January 1, 1986 policies.

Regulation 1700 further provides that in the event the deficits for policies issued prior to January 1, 1986 exceeded the assets of the Reserve Fund, the deficit may be recovered through the assessment of members, who will then surcharge all liability premiums written in New Hampshire. However, in the event the Reserve Fund exceeds the amount necessary to pay losses, loss adjustment expenses and operating expenses incurred as a result of policies issued prior to January 1, 1986, the surplus may be distributed to insureds after repaying any assessments against members.

The cumulative amount paid for losses and loss adjustment expenses for policies issued prior to January 1, 1986 has exceeded the assets available from premiums written, by approximately $26.3 million as of December 31, 2008. As provided under Regulation 1700, this excess has been recovered from the Trust.

NOTE 8. OBLIGATION UNDER STRUCTURED SETTLEMENT AGREEMENTS

Prior to January 1986 the Association settled several indemnity cases using certain structured settlement agreements for which the Association remains contingently liable in the event the annuity carrier should default. In the event a default by an annuity carrier created an obligation to the Association, the Association would seek reimbursement from the Stabilization Reserve Fund Trust (SRFT) as provided for losses incurred on policies written before January 1, 1986. **(See Note 7.)** Prior to 2008 the Association purchased shortfall annuities for the Executive Life of California default. There have been no other defaults related to these settlement agreements and therefore no claims had been made against the Association.

It is important to note, all annuities purchased after 1985 include a Uniform Qualified Assignment (UQA). The UQA is designed to eliminate the future contingent liability to the Association.

During 2008 the Association was informed that one annuity carrier, Executive Life of New York, (ELNY) responsible for six structured settlement agreements is under rehabilitation and will not have sufficient assets to cover its obligations to the annuitants without a viable restructuring plan. The New York Liquidation Bureau (NYLB) overseeing the rehabilitation informed the Association that it has proposed such a plan (the Plan) and is seeking funding commitments from the proposed participants in the Plan, for which it will seek Court approval in the near term. Under the Plan a new company will be formed to accept and administer the remaining assets and liabilities of ELNY and to receive funding from participating State Life & Health Insurance Guarantee Associations (PGAs) and owners of ELNY structured settlement annuity contracts (SSAs) including the Association. The Plan will also seek a favorable tax ruling allowing the newly formed entity to utilize the loss carry-forwards of ELNY. Once the Plan has been approved and the funding is received the NYLB believes the assets and future earnings will be sufficient to meet the annuity obligations as they become due.

The NYLB has informed the Association that, based on its proportional share of annuity contracts, its funding contribution to the Plan would approximate $815,000. The NYLB has also indicated that it will extend other options to the at risk parties, including a "cash out" option under which the Association would maintain the risk of the contracts in return for a cash out payment of approximately $800,000 to the Association.

As of December 31, 2008 the Association has calculated that the future payments due over the life expectancy of the annuitants, covered by ELNY, under these obligations amounts to approximately $16 million, which when discounted at 5.25%, yields a present value of approximately $5 million. Although the proposed Plan has not been finalized nor approved by the Court, and the Association has not made a final determination of its ultimate course of action, the Association believes that it will likely participate in the Plan and accordingly has recorded a liability of $815,000 in the financial statements at December 31, 2008. The Association has also recorded an $815,000 receivable from the SRFT because the liability relates to policies written prior to 1986 and the SFRT has sufficient assets to reimburse the Association for this loss.

At December 31, 2008, the Association remains contingently liable under additional structure settlements entered into prior to January 1, 1986 with other annuity carriers as follows:

Annuity Carrier	Expected Benefits	Estimated Replacement Cost	AM Best Rating
Carrier A	$12,310,000	$ 6,228,000	A
Carrier B	2,308,000	988,000	Rehabilitation
Carrier C	5,107,000	1,884,000	Not rated
Carrier D	522,000	333,000	A
Carrier E	21,191,000	7,252,000	A++
Carrier F	5,368,000	1,410,000	A
Total	$46,806,000	$18,095,000	

Based on a review of available financial information for the major annuity carriers involved, the AM Best ratings of the carriers, the general availability of insurance funds from State Life & Health Guarantee Associations, and that the carriers are making the required payments to annuitants as they become due, the Association believes the likelihood of additional material losses arising from a default of an annuity carrier is remote at this time.

NOTE 9. TAXES

The Association is exempt from taxation under Section 115 of the Internal Revenue Code.

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Premiums and finance charges receivable – The carrying value of these receivables approximates fair value due to their short-term nature and historical collectability.

Investments – The fair values of investments are estimated based on quoted market prices, however, the Association carries its investments at amortized cost.

Accounts payable - The carrying value of accounts payable approximates fair value due to the short-term nature of the obligations.

NOTE 11. SUBSEQUENT EVENT

Subsequent to year end the New Hampshire legislature enacted HB 2 finding that the funds held in surplus by the Association in the Post-1985 Account are significantly in excess of the amount reasonably required to support its obligations as determined by the Insurance Commissioner and authorizing and directing the Association to transfer by July 31, 2009 the sum of $65,000,000, by June 30, 2010 the additional sum of $22,500,000 and by June 30, 2011 the additional sum of $22,500,000 from the Post-1985 Account to the general fund.

This sum shall be used for the purpose of supporting programs that promote access to needed health care for underserved persons.

Several interested parties have initiated legal actions challenging the constitutionality of HB 2. In the event that a court approves the transfer, however the Association has identified investments that it can strategically liquidate to comply with the legislative mandate.

Leone, McDonnell & Roberts

PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS

NEW HAMPSHIRE MEDICAL MALPRACTICE JOINT UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS
(STATUTORY BASIS)
FOR THE YEARS ENDED
DECEMBER 31, 2012, 2011, 2010 AND 2009

NEW HAMPSHIRE MEDICAL MALPRACTICE
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To the Board of Directors
New Hampshire Medical Malpractice
Joint Underwriting Association
Concord, New Hampshire

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statutory-basis financial statements of New Hampshire Medical Malpractice Joint Underwriting Association (the Association), which comprise the statements of admitted assets, liabilities and surplus as of December 31, 2012, 2011, 2010 and 2009, and the related statements of income and changes in surplus, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting practices prescribed or permitted by the New Hampshire Department of Insurance. Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 2 to the financial statements, to meet the requirements of New Hampshire, the financial statements have been prepared in conformity with accounting practices prescribed or permitted by the New Hampshire Department of Insurance, which practices differ from accounting principles generally accepted in the United States of America. The variance between such practices and accounting principles generally accepted in the United States of America and the effects on the accompanying financial statements are also described in Note 2.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the effects of the matters described in the preceding paragraph, the statutory-basis financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Association at December 31, 2012, 2011, 2010, and 2009, or the results of its operations or its cash flow for the years then ended.

Opinion on Statutory Basis of Accounting

However, in our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of the Association at December 31, 2012, 2011, 2010, and 2009, and the results of its operations and its cash flow for the years then ended in conformity with accounting practices prescribed or permitted by the New Hampshire Department of Insurance.

Leone, McDonnell & Roberts,
Professional Association

February 28, 2014
Dover, New Hampshire

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS (STATUTORY BASIS)
DECEMBER 31, 2012, 2011, 2010 AND 2009

ASSETS

	2012	2011	2010	2009
ADMITTED ASSETS				
Cash and invested assets:				
Cash	$ 242,347	$ 252,903	$ 217,948	$ 258,963
Cash - money market held by custodian	2,105,853	2,025,146	4,859,510	37,910,099
Cash reserved for distribution	25,000,000	-	-	-
Fiduciary Fund assets (see note 12)	7,898,820	7,838,902	7,746,193	7,590,824
Investments held by custodian at amortized cost	105,796,642	126,205,835	206,646,641	165,944,391
Total cash and invested assets	141,043,662	136,322,786	219,470,292	211,704,277
Premiums and finance charges receivable	229,397	390,130	658,352	674,161
Accrued interest receivable	924,893	1,196,352	1,931,753	1,634,267
Deferred tax asset	504,000	-	-	-
Receivable from Fiduciary Fund	403,105	411,585	387,055	387,055
Total admitted assets	$ 143,105,057	$ 138,320,853	$ 222,447,452	$ 214,399,760

LIABILITIES AND SURPLUS

	2012	2011	2010	2009
LIABILITIES				
Insurance claims and reserves:				
Unpaid losses and loss adjustment expenses				
Reported cases	$ 6,919,582	$ 10,527,242	$ 12,815,327	$ 9,112,903
Estimated unreported cases	19,912,700	24,695,418	27,061,671	31,715,922
	26,832,282	35,222,660	39,876,998	40,828,825
Reserve for return of premiums	25,000,000	25,000,000	-	-
Reserve for premium deficiency	600,000	-	-	-
Fiduciary Fund for pre-1986 claims (see note 12)	7,898,820	7,838,902	7,746,193	7,590,824
Unearned premiums	1,348,647	1,620,233	2,620,725	2,932,928
Unearned finance charges	6,182	9,933	5,827	15,666
Vested retirement reserve	4,485,692	5,008,546	6,382,527	6,744,480
Annuity reserve	387,055	387,055	387,055	387,055
Premiums paid in advance	115,505	744,354	581,644	910,585
Accrued expenses	198,952	410,970	293,083	78,518
Total liabilities	66,873,135	76,242,653	57,894,052	59,488,881
SURPLUS	76,231,922	62,078,200	164,553,400	154,910,879
Total	$ 143,105,057	$ 138,320,853	$ 222,447,452	$ 214,399,760

See Notes to Financial Statements

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

STATEMENTS OF INCOME AND CHANGES IN SURPLUS (STATUTORY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011, 2010 AND 2009

	2012	2011	2010	2009
UNDERWRITING INCOME				
Premiums written	$ 3,562,387	$ 3,206,977	$ 6,636,695	$ 6,380,185
Decrease in unearned premium	271,586	1,000,492	312,203	1,457,204
Decrease in vested retirement reserve	522,854	1,373,981	361,953	156,113
Total underwriting income	4,356,827	5,581,450	7,310,851	7,993,502
UNDERWRITING LOSSES AND EXPENSES				
Losses and loss adjustment expenses	6,547,414	8,254,741	11,504,362	15,182,546
Reduction of prior year estimates of ultimate losses and loss adjustment expenses	(10,804,835)	(3,878,258)	(7,066,728)	(12,223,886)
Increase in premium deficiency reserve	600,000	-	-	-
Servicing carrier fees	1,300,000	1,574,200	1,498,400	1,423,392
Commissions	200,408	154,117	388,524	357,087
Other expenses	236,580	241,700	252,278	374,768
Total underwriting losses and expenses	(1,920,433)	6,346,500	6,576,836	5,113,907
INCOME (LOSS) FROM UNDERWRITING ACTIVITIES	6,277,260	(765,050)	734,015	2,879,595
OTHER INCOME (EXPENSES)				
Investment income	8,265,965	9,352,378	9,631,906	9,982,177
Investment expenses	(228,136)	(249,563)	(255,854)	(253,245)
Professional fees	(739,456)	(871,412)	(508,294)	-
Finance charges	28,895	33,917	40,748	54,959
Total other income	7,327,268	8,265,320	8,908,506	9,783,891
INCOME BEFORE TAXES	13,604,528	7,500,270	9,642,521	12,663,486
DEFERRED INCOME TAX BENEFIT	504,000	-	-	-
NET INCOME	14,108,528	7,500,270	9,642,521	12,663,486
SURPLUS, BEGINNING OF YEAR	62,078,200	164,553,400	154,910,879	142,395,519
Return of Premiums	-	(110,000,000)		-
Reimbursement from Fiduciary Fund	45,194	24,530	-	(148,126)
SURPLUS, END OF YEAR	$ 76,231,922	$ 62,078,200	$ 164,553,400	$ 154,910,879

See Notes to Financial Statements

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

STATEMENTS OF CASH FLOWS (STATUTORY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011, 2010 AND 2009

	2012	2011	2010	2009
OPERATING ACTIVITIES:				
Premiums collected	$ 3,094,271	$ 3,637,909	$ 6,323,563	$ 6,996,709
Finance charges collected	25,144	38,023	30,909	45,687
Investment income received	5,880,873	8,923,332	8,334,570	9,162,899
Losses and loss adjustment expenses paid	(4,132,957)	(9,030,821)	(5,389,461)	(4,410,966)
Underwriting expenses paid	(2,688,462)	(2,723,542)	(2,432,931)	(2,310,853)
Investment expenses paid	(228,136)	(249,563)	(255,854)	(253,245)
Excess premiums paid	-	(85,000,000)	-	-
Reimbursements from Fiduciary Fund	53,674	-	-	(116,274)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,004,407	(84,404,662)	6,610,796	9,113,957
INVESTING ACTIVITIES:				
Proceeds from sales, maturities, or repayments of investments	44,536,242	116,094,503	383,891,913	666,969,971
Purchase of investments	(21,470,498)	(34,489,250)	(423,594,313)	(640,887,764)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	23,065,744	81,605,253	(39,702,400)	26,082,207
NET INCREASE (DECREASE) IN CASH	25,070,151	(2,799,409)	(33,091,604)	35,196,164
CASH, BEGINNING OF YEAR	2,278,049	5,077,458	38,169,062	2,972,898
CASH, END OF YEAR	$ 27,348,200	$ 2,278,049	$ 5,077,458	$ 38,169,062

See Notes to Financial Statements

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS (STATUTORY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2012, 2011, 2010, AND 2009

NOTE 1. ORGANIZATION AND OPERATIONS

Organization

The New Hampshire Medical Malpractice Joint Underwriting Association was established pursuant to Regulation No. 1700 (as amended) which was adopted by the Insurance Department of the State of New Hampshire, effective September 30, 1975. The Association was created as a result of the Insurance Commissioner's determination that professional medical liability insurance was not readily available in the voluntary market. The purpose of the Association is to make available medical malpractice insurance for eligible risks. The Association is authorized to write medical malpractice insurance and general liability coverage for physicians, hospitals, and all other providers of health care in the State of New Hampshire. Every insurer, as a condition of its authority to write liability insurance, including every insurer covering such perils in multiple peril package policies, on a direct basis within the State of New Hampshire, is required to be a member of the Association.

Board of Directors

The Association is governed by a seven (7) member board of directors approved by the Commissioner. Five of the members are nominated by and represent, respectively, the member insurance companies, the domestic insurance companies, the Medical Society, the Hospital Association and other health care providers. Two members represent the general public.

Policy Terms, Limits and Deficiencies

The Association provides coverage to hospitals, physicians, and other health care providers. Insurance policies are effective for one year subject to minimum limits of $25,000 for each claimant and $75,000 for all claimants in any one policy year and subject to maximum limits of $1,000,000 for each claimant and $3,000,000 for all claimants in any one policy year. Additional separate coverage for the general liability of the insured for property damage is also made available by the Association. Such coverage is effective for one year and is subject to a minimum limit of $25,000 per occurrence and a maximum limit of $100,000 per occurrence.

Policies are issued on either an occurrence or claims - made basis. Under an occurrence basis policy, coverage is provided to the policyholder for claims incurred during the policy year. Under a claims - made policy, coverage is provided to the policyholder for claims made during the policy year. The Association provides "tail" coverage for qualifying claims - made policyholders who request it **(see Note 6)**.

Prior to 2011, the Association could recover deficiencies incurred as a result of policies issued on or after January 1, 1986 through the assessment of members and insureds and, subject to certain limitations, surcharges against insureds or surcharges on all liability premiums written in New Hampshire. Also, if premiums written exceeded the amount necessary to pay losses and expenses, the surplus could be distributed to insureds after repaying any assessments against members **(see Notes 7 and 9)**.

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association's financial statements are prepared in accordance with practices prescribed or permitted by the Insurance Department of the State of New Hampshire. Such practices vary in some respects from generally accepted accounting principles. The principal variations reflected in the accompanying financial statements are the treatment of investments, reserves, and commissions.

Investments

Investments are comprised of U.S. Government obligations, high credit quality asset (mortgage) backed securities and corporate bonds which meet specified rating standards of quality. The investment portfolio, which is held by an independent custodian, is subject to periodic review by the Board of Directors and is monitored by an independent advisor.

Under accounting principles generally accepted in the United States of America (US GAAP), investments in bonds and other fixed maturity investments are designated as held to maturity, trading or available for sale investments when they are purchased. Investments that are designated trading would be valued at fair market value, with unrealized gains and losses reported in the statements of income. Available for sale investments would be reported at fair market value with unrealized gains and losses reported as a separate component of surplus and held to maturity investments would be reported at amortized cost. The Association does not follow US GAAP for fixed maturity investments. Rather, it records all of its fixed maturity investments at cost adjusted for amortization of premiums and discounts (amortized cost) whether or not it will hold investments to maturity, in accordance with statutory requirements prescribed by the Insurance Department.

Under US GAAP investments in high credit quality asset backed securities are adjusted using a retrospective method when there is a change in estimated future cash flows. And, if it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the discounted fair market value. The Association does not follow US GAAP for asset backed securities. Rather, it records its entire asset backed securities at cost adjusted for amortization of premiums and discounts (amortized cost), in accordance with statutory requirements prescribed by the Insurance Department. If it is determined that a decline in fair market value is other than temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows.

Reserves for Unpaid Losses and Loss Adjustment Expenses

The reserves for unpaid losses and loss adjustment expenses for occurrence basis policies include a reserve for estimated losses on claims reported, a reserve for estimated ultimate losses incurred but not yet reported, and a reserve for estimated allocated and unallocated loss adjustment expenses related to both the reported and the incurred but not reported losses. For claims - made policies, the reserves represent estimated losses on claims reported during the covered period and a reserve for estimated allocated and unallocated loss adjustment expenses. Management believes these reserves are adequate to cover the ultimate settlement costs of losses incurred. These estimates are continually reviewed and adjusted as necessary. Adjustments are reflected as changes in accounting estimates and are reflected in current operations. As prescribed by the Insurance Department of the State of New Hampshire for statutory reporting purposes, the reserves for unpaid loss and loss adjustment expenses are not discounted **(see Note 5).**

Commissions

The costs of acquiring new business, such as commissions, are charged to current operations as incurred, whereas related premium income is recognized over the periods covered by the policies.

Other significant accounting policies followed by the Association, which are in conformity with generally accepted accounting principles, are as follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all cash in bank, not yet transferred to its investment account custodian, and all other highly liquid investments with an original maturity of less than three months to be cash and cash equivalents for purposes of the statement of cash flows. At present, the Association has no cash equivalents.

Cash Restricted for Distribution

Cash restricted for distribution represents assets transferred from portfolio accounts and are invested in readily available money market accounts. These funds have been segregated in the Association's general investment portfolio as required by the Courts and are to be used to pay income taxes or for distributions to policyholders **(see Note 8)**.

Premiums

Premiums are recorded as earned on a pro rata basis over the terms of the individual policies. Unearned premiums represent that portion of premiums written which is applicable to the unexpired term of the policies in force. Premiums receivable represent outstanding balances for policies whose effective dates have passed. Payments received in advance of the policy's effective date are recorded as customer deposits and amounted to $115,505, $744,354, $581,644, and $910,585 at December 31, 2012, 2011, 2010, and 2009 respectively.

Premium Deficiency Reserve

Premium deficiency reserves are established for the amount of the anticipated losses, LAE, commissions, and other acquisition and maintenance costs that have not previously been expensed in excess of the recorded unearned premium reserve and future installment premiums on existing policies. The Association expects anticipated losses and loss adjustment expenses will exceed the recorded unearned premium at December 31, 2012 because the latest premium rate filing was below the recommended actuarially indicated rate increase. Accordingly, the Association has elected to record a premium deficiency reserve in the amount of $600,000 as of December 31, 2012.

Subsequent events

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after that date. Management has evaluated subsequent events through February 28, 2014, the date that the financial statements were available to be issued.

NOTE 3. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash and premiums receivable. The Association places its cash with a high quality financial institution insured by the Federal Deposit Insurance Corporation (FDIC). Deposits in such institutions are insured up to the FDIC limit ($250,000 at December 31, 2012). At December 31, 2012, the Association had approximately $9,000 on deposit in excess of the insured limits. Credit risk with respect to receivables is limited because the Association collects deposits in advance of the policy effective dates, and reviews the credit worthiness of the insured.

NOTE 4. INVESTMENTS

The aggregate amortized cost, gross unrealized gains, gross unrealized losses and fair value of investments at December 31, 2012, 2011, 2010 and 2009 are as follows:

December 31, 2012:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency:				
Treasury Notes	$ 951,212	$ 11,033	$ -	$ 962,245
Treasury Bonds	1,740,581	579,619	-	2,320,200
Mortgage Backed Securities	23,033,834	1,586,366	138,815	24,481,385
Other	7,241,791	483,412	-	7,725,203
	32,967,418	2,660,430	138,815	35,489,033
Corporate:				
Bonds	41,269,228	3,955,266	4,902	45,219,592
Mortgage Backed Securities	10,899,509	887,415	36,836	11,750,088
Other fixed income	6,623,709	598,220	21,962	7,199,967
Foreign Bonds	14,036,778	970,203	-	15,006,981
	72,829,224	6,411,104	63,700	79,176,628
Short term investments:	27,105,853	-	-	27,105,853
Totals	$132,902,495	$9,071,534	$ 202,515	$141,771,514

December 31, 2011:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency:				
Treasury Notes	$ 2,756,587	$ 131,110	$ -	$ 2,887,697
Treasury Bonds	3,707,538	1,187,483	-	4,895,021
Mortgage Backed Securities	31,257,031	2,013,607	3,704	33,266,934
Other	10,611,205	1,058,374	-	11,669,579
	48,332,361	4,390,574	3,704	52,719,231
Corporate:				
Bonds	49,956,977	3,798,233	236,385	53,518,825
Mortgage Backed Securities	12,202,277	588,653	226,368	12,564,562
Other Fixed Income	6,270,800	546,097	73,723	6,743,174
Foreign Bonds	9,443,420	490,612	52,388	9,881,644
	77,873,474	5,423,595	588,864	82,708,205
Short term investments	2,025,146	-	-	2,025,146
Totals	$128,230,981	$9,814,169	$ 592,568	$137,452,582

December 31, 2010:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency:				
Treasury Notes	$ 6,345,953	$ 214,053	$ 199,181	$ 6,360,825
Treasury Bonds	10,795,042	593,890	469,001	10,919,931
Mortgage Backed Securities	51,737,620	1,984,717	229,686	53,492,651
Other	10,589,539	1,090,663	-	11,680,202
	79,468,154	3,883,323	897,868	82,453,609
Corporate:				
Bonds	82,450,035	3,357,701	234,903	85,572,833
Mortgage Backed Securities	22,171,084	767,354	302,850	22,635,588
Other Fixed Income	7,732,354	538,829	39,437	8,231,746
Foreign Bonds	14,825,014	318,518	115,367	15,028,165
	127,178,487	4,982,402	692,557	131,468,332
Short term investments	4,859,510	-	-	4,859,510
Totals	$211,506,151	$8,865,725	$1,590,425	$218,781,451

December 31, 2009:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency:				
Treasury Notes	$ 5,679,240	$ 256,356	$ -	$ 5,935,596
Treasury Bonds	10,090,502	884,044	-	10,974,546
Mortgage Backed Securities	35,313,994	1,666,658	-	36,980,652
Other	18,067,477	949,464	21	19,016,920
	69,151,213	3,756,522	21	72,907,714
Corporate:				
Bonds	54,776,666	2,890,615	163,523	57,503,758
Mortgage Backed Securities	24,816,834	288,405	1,315,605	23,789,634
Other Fixed Income	11,521,178	373,239	225,572	11,668,845
Foreign Bonds	5,678,500	271,826	14,300	5,936,026
	96,793,178	3,824,085	1,719,000	98,898,263
Short term investments	37,910,099	-	-	37,910,099
Totals	$203,854,490	$7,580,607	$1,719,021	$209,716,076

National Association of Insurance Commissioners (NAIC) SAP 100 establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The Association does not have any investments that are measured at fair value as all investments meet NAIC requirements for measurement at amortized cost. Fair value presented above (for disclosure purposes only) was provided by the custodians of the investment accounts.

The amortized cost and fair value of the investments at December 31, 2012, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 8,836,227	$ 9,026,005
Due between 1 - 5 years	41,325,571	43,599,236
Due between 5 - 10 years	22,678.735	25,763,106
Due after 10 years	32,956,109	36,277,314
	$ 105,796,642	$ 114,665,661

NOTE 5. RESERVES FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves for unpaid losses and related loss adjustment expenses at December 31, 2012, 2011, 2010 and 2009 were estimated by a consulting actuary who reviewed premiums and loss experience to date and recommended certain reserve levels. These recommendations were adopted by the Association in the accompanying financial statements by adjusting all current and previous reserves. Claims in the medical malpractice line of insurance have traditionally been characterized by delayed discovery and reporting, and high severity of losses. Accordingly, the ultimate liability for unpaid losses and loss adjustment expenses can only be determined with the passage of time. Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	2012	2011
Balances at beginning of year	$ 35,222,660	$ 39,876,998
Provision for losses and loss adjustment expenses related to current year earned premiums	6,547,414	8,254,741
Change in prior estimates of losses and allocated expenses	(10,804,835)	(3,878,258)
Payments of losses and allocated loss adjustment expenses	(4,132,957)	(9,030,821)
Balances at end of year	$ 26,832,282	$ 35,222,660

	2010	2009
Balances at beginning of year	$ 40,828,825	$ 42,281,131
Provision for losses and loss adjustment expenses related to current year earned premiums	11,504,362	15,182,546
Change in prior estimates of losses and allocated expenses	(7,066,728)	(12,223,886)
Payments of losses and allocated loss adjustment expenses	(5,389,461)	(4,410,966)
Balances at end of year	$ 39,876,998	$ 40,828,825

The loss and loss adjustment expenses of $6,547,414 in 2012, $8,254,741 in 2011, $11,504,362 in 2010, and $15,182,546 in 2009 represent estimates of the ultimate losses to be incurred based on premiums earned during the year. Adjustments to estimates of ultimate losses made in prior years had the effect of decreasing the reserves previously reported and losses from underwriting operations by approximately $10.8 million in 2012, $3.9 million in 2011, $7.1million in 2010, and $12.2 million in 2009.

NOTE 6. VESTED RETIREMENT RESERVE

The Association provides tail coverage to retiring claims-made policyholders who meet certain minimum age requirements, at reduced cost or no cost to the policyholder, depending on the years of continuous claims-made coverage they have acquired through the Association. Premiums charged for claims-made policy coverage include a factor for the cost of providing this coverage. A vested retirement reserve account has been established to recognize the premiums collected in advance to provide for this coverage. Increases and decreases in this vested retirement reserve are reflected as an adjustment to premium revenue.

The NAIC recommends that reserves for such benefits consider factors such as loss trends, time value of money, morbidity, lapse rates, retirement and age distribution of policyholders. Such factors are taken into account to establish the retirement reserve.

The model used by the Association's actuary develops an estimate of the expected losses and allocated loss adjustment expense (ALAE) associated with the future utilization of the death, disability and retirement premium waiver benefit of current Association insureds. The loss and ALAE estimates relate only to current in-force insureds and their anticipated utilization of this benefit. No new insureds are assumed to enter the existing population.

NOTE 7. DEFICITS INCURRED AS A RESULT OF POLICIES ISSUED PRIOR TO JANUARY 1, 1986

Assessments of Members for Deficits Incurred as a Result of Policies Issued Prior to January 1, 1986

Effective January 1, 1986, Regulation No. 1700 was amended to provide that in the event liabilities for losses, loss adjustment expenses and other defined expenses incurred as a result of policies issued prior to January 1, 1986 exceed the amount collected from premiums and any amount earned from the investment of such premiums, the deficits will be recovered from a Stabilization Reserve Fund (the SRF) established January 1, 1986.

The SRF which is distinct from the Association, maintains a Fiduciary Fund that was funded by a surcharge on the annual gross premiums charged for primary medical liability coverage written in the State of New Hampshire from January 1, 1986 to December 31, 1994.

Regulation 1700 further provides that in the event the deficits for policies issued prior to January 1, 1986 exceed the assets of the Fiduciary Fund and the Association, the deficit may be recovered through the assessment of members, who will then surcharge all liability premiums written in New Hampshire. However, in the event the Fiduciary Fund exceeds the amount necessary to pay losses, loss adjustment expenses and operating expenses incurred as a result of policies issued prior to January 1, 1986, the surplus may be distributed to insureds after repaying any assessments against members.

The cumulative amount paid for losses and loss adjustment expenses for policies issued prior to January 1, 1986 has exceeded the assets available from premiums written, by approximately $26.3 million as of December 31, 2012. As provided under Regulation 1700, this excess has been recovered from the SRF. See **Note 12**.

NOTE 8. OBLIGATION UNDER STRUCTURED SETTLEMENT AGREEMENTS

Prior to January 1986 the Association settled several indemnity cases using certain structured settlement agreements for which the Association, as the owner, remains contingently liable if an annuity carrier should default. In the event of a default, the Association would seek reimbursement from the Fiduciary Fund for losses incurred on policies written before January 1, 1986 **(see Note 7.)** It is important to note, all annuities purchased after 1985 include a Uniform Qualified Assignment (UQA). The UQA is designed to eliminate the future contingent liability to the Association.

During 2008 the Association was informed that one annuity carrier, Executive Life of New York, (ELNY) which is responsible for six structured pre-1986 Association settlement agreements was under rehabilitation and would not have sufficient assets to cover its obligations to the annuitants without a viable restructuring plan. The New York Liquidation Bureau (NYLB) overseeing the rehabilitation informed the Association that it had proposed such a plan (the Plan) and was seeking funding commitments from the proposed participants in the Plan. Under the proposed plan the Association was informed that its obligation would be $815,000. Accordingly, the Association recorded a liability of that amount in its December 2008 financial statements and also recorded a similar amount receivable for the Fiduciary Fund because the liability related to policies written prior to 1986 and the Fiduciary Fund had sufficient assets to reimburse the Association for this loss.

During 2013 Executive Life of New York was liquidated and four of the six annuity contracts owned by the JUA received 100% coverage from the successor entity Guarantee Benefits Company (GABC). One contract received 47.72% coverage from GABC. The JUA purchased a replacement annuity to provide the remaining 52.28% of the annuity obligation and did receive a Uniform Qualified Assignment from the annuity issuer and the annuitant. Costs related to this annuity amounted to $387,055 including a premium of $329,221 and related costs of $57,834. As noted above, the JUA received reimbursement from the Fiduciary Fund for this amount. The final ELNY contract received 38.73% coverage from GABC. The JUA purchased a rated age variable premium annuity for its 61.27% obligation. This contract was issued on a variable basis with the JUA retaining the right, in the event of the death of the annuitant, to receive a return of any premium paid less actual benefits paid by the issuer to the annuitant. The premium for this policy was $2,912,000. As noted above, the JUA received reimbursement from the Fiduciary Fund for this amount. In late December 2013, the JUA was notified of the death of this annuitant and expects to receive, in the first quarter of 2014, a return premium of $2,900,000. Once received, this money will be returned to the Fiduciary Fund.

The liquidation of ELNY and the subsequent action of the JUA has reduced the JUA's exposure to these contracts and as such it has reduced the $815,000 reserve related to the ELNY liquidation. There are four Monarch Life annuities with and expected payout of $2.6 million under rehabilitation with the State of Massachusetts. As of the report date there was no indication that Monarch would actually default on its obligations. Accordingly, no reserve was provided.

At December 31, 2012, the Association remains contingently liable under additional structure settlements entered into prior to January 1, 1986 with other annuity carriers as follows:

Annuity Carrier	Expected Benefits	AM Best Rating
Carrier A	$ 26,229,000	A+
Carrier B	9,252,000	A
Carrier C	4,949,000	NR
Carrier D	2,534,000	Rehabilitation
Carrier E	201,000	A
Total	$ 43,165,000	

Based on a review of available financial information for the major annuity carriers involved, the AM Best ratings of the carriers, the general availability of insurance funds from State Life & Health Guarantee Associations, and that the carriers are making the required payments to annuitants as they become due, the Association believes the likelihood of additional material losses arising from a default of an annuity carrier is remote at this time.

NOTE 9. RETURN OF EXCESS PREMIUMS

On June 24, 2009 the New Hampshire Legislature, finding that the surplus funds held by the Association in the Post-1985 Account were significantly in excess of the amount reasonably required to support its obligations passed House Bill 2 (HB 2) which was signed by the Governor on June 30, 2009. The Bill authorized and directed the Association to transfer the sum of $65 million, by July 31, 2009, $22.5 million by June 30, 2010 and $22.5 million by June 30, 2011 from the Post 1985 Account to the New Hampshire general fund, to be used for the purpose of supporting programs that promote access to needed health care for underserved persons.

Several interested parties then initiated legal actions challenging the constitutionality of HB 2 in Superior Court, which concluded the Association was a "quasi-public/private entity" and "not part of the executive branch of State government" and also declared the Act unconstitutional.

The matter was appealed in the NH Supreme Court which in part upheld the lower court decision that HB 2 was unconstitutional by concluding the law would impact the contract rights of current policyholders in violation of the NH Constitution.

As a result of the Superior and Supreme Court rulings, SB 170 was enacted in 2011 to implement the findings of the Courts. The bill declared that the State shall not take or transfer through taxation or otherwise any funds then held by the Association. It further directed the Association to transfer $85 million of the $110 million excess surplus to a Court Trustee to be distributed to the policyholders who paid the related premiums. The remaining $25 million was to be held for potential federal income taxes. It also eliminated the Association's ability to assess member insurers for any deficit resulting from the distribution of the excess surplus. Further, the plaintiffs released the Association from any further obligation to return excess funds and the Association removed the distribution of surplus language from all policies issued after that date.

SB 170 further directed the Association, the Insurance Department and a representative of the policyholders to approach the Internal Revenue Service to resolve any federal tax liability arising from the distribution of the excess surplus **(see Note 10)**.

The $85 million was transferred to an independent Trustee in 2011 for distribution to the policyholders. The remaining $25 million was held by the Association in reserve for possible tax liabilities that could arise as a result of the Courts' rulings, as required by SB 170. Subsequent to December 31, 2012, it was determined that no tax liability would be incurred **(see Note 10)**. As a result, the $25 million was reclassified as return of premiums in the year SB 170 was enacted and released to the appropriate policy holders in 2013.

NOTE 10. <u>INCOME TAXES</u>

The Association believed it was exempt from taxation under Section 115 of the Internal Revenue Code based on a 1976 letter (the Determination Letter) received from the Internal Revenue Service relating to the Association's tax exempt status, upon which it relied. In the letter, the IRS stated that the Association was operated under the Insurance Department of the State of New Hampshire and was therefore "an integral part of the State of New Hampshire" and was "exempt from taxation".

As a result of the actions taken with regard to the refund of excess premiums discussed in **Note 9**, the Association was required to seek an updated determination of its tax status. The Supreme Court did not rule on whether the Association was a state or private entity. However, the Lower Court's determination that the Association was not a part of the state government raised the question as to the Association's long held tax exempt status. Accordingly, as noted above, SB 170 directed the affected to obtain confirmation from the IRS that the Association continued to be tax-exempt.

During 2013, the Association and the IRS negotiated a closing agreement (the Agreement) regarding the Association's past and future tax status. Under the Agreement the IRS and the Association agreed that the 1976 Determination Letter is retroactively revoked and the Association had been taxable since its inception. The parties further agreed that the Association had no filing requirement or tax liability prior to or for the year ended December 31, 2012. It also determined that it was taxable for all years beginning on or after January 1, 2013. The Association and tax Counsel believe the Agreement allows the Association to recognize a tax basis in its assets and liabilities at December 31, 2012 equal to that which it would have if it had filed returns in the prior years. The Department of Revenue of the State of New Hampshire has agreed to follow the IRS's determination and its agreement that the Association would have no filing requirement or tax liability prior to or for the year ended December 31, 2012.

As a result of the Agreement, the Association will be required to file income tax returns both federally and for the state of New Hampshire commencing in 2013. The Agreement also makes it necessary to record deferred tax assets and/or liabilities as of December 31, 2012. The components of the deferred tax asset at December 31, 2012 are as follows:

	2012
Change in unearned premiums	$ 92,000
Change in reserves for losses:	
Occurrence based policies	547,000
Claims made based policies	303,000
Amortized cost versus fair value of investments	84,000
Total gross deferred tax assets	1,026,000
Less: valuation allowance for recoverable period limitation	522,000
	$ 504,000

Based on the Agreement, the Association believes it has no uncertain tax positions and, therefore, has not recorded a contingent liability. There were no tax positions for which management believes it is reasonably possible that the total amount of tax contingencies will significantly increase or decrease within twelve months of the reporting date. As described above, there have been no previous tax filings with any jurisdiction as of and prior to December 31, 2012; therefore, there are no periods subject to examination.

However, the Association has yet to determine if the $85 million returned to the policyholders as a result of the Agreement created a tax deductible return of premiums in the year the funds were transferred to the Trustee, 2011. Although this would not create an immediate tax refund because no taxes had been paid in previous years, the return of premiums, if deducted, could create a significant tax net operating loss carryforward that could be used to reduce future taxable income through 2031 for federal purposes and through 2021 for State purposes. Additionally, the Association believes that under the Agreement the remaining $25 million that had been held by the Association in reserve for possible tax liabilities that subsequently was reclassified as return of premiums and released to the appropriate policy holders could create a deductible return of premiums when released in 2013 which in turn would create an additional net operating loss carryforward. This net operating loss carryforward would be available to reduce future taxable income through 2033 for federal purposes and through 2023 for State purposes and also would not create an immediate tax refund because no taxes had been paid in previous years.

The Association has not recorded a deferred tax benefit for either of the carryforward losses because it has yet to determine the position it will take regarding the deduction.

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Premiums and finance charges receivable – The carrying value of these receivables approximates fair value due to their short-term nature and historical collectability.

Investments – The fair values of investments are estimated based on quoted market prices, however, the Association carries its investments at amortized cost.

Accounts payable and accrued expenses – The carrying value of accounts payable and accrued expenses approximates fair value due to the short-term nature of the obligations.

NOTE 12. STABILIZATION RESERVE FUND

The New Hampshire Medical Malpractice Stabilization Reserve Fund (the SRF) was originally established pursuant to a 1985 amendment to Regulation No. 1700 which was adopted by the Department of Insurance of the State of New Hampshire. The purpose of the SRF was to collect and maintain a pool of assets (the Fiduciary Fund) to be used to offset policy deficits which may arise in the event that liabilities for losses, loss adjustment expenses and certain defined operating expenses, incurred as a result of policies issued by the Association, prior to January 1, 1986, exceed the premiums collected from such policies, including any amounts earned from the investment of such premiums. The Fiduciary Fund was funded by a surcharge assessed on the annual gross premiums charged for primary medical liability coverage written in the State of New Hampshire. The assessment applied to all New Hampshire health care providers except those who were never insured by the Association. The surcharge was eliminated effective January 1, 1995.

The statements of admitted assets, liabilities and surplus of the Association include the balance in the Fiduciary Fund net of any amounts owed to the Association for expenses related to policies issued prior to January 1, 1986. Additionally, these assets are available to meet any obligation that may arise under the structured settlement agreements discussed in **Note 8**.

Because these assets are not to be utilized by the Association for obligations other than those discussed in the proceeding paragraphs, an offsetting liability has been recorded on the statements of admitted assets, liabilities and surplus.

NEW HAMPSHIRE MEDICAL MALPRACTICE JOINT UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS
(STATUTORY BASIS)
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

FINANCIAL STATEMENTS
(STATUTORY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

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Leone, McDonnell & Roberts
PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS
WOLFEBORO • NORTH CONWAY
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To the Board of Directors
New Hampshire Medical Malpractice
Joint Underwriting Association
Concord, New Hampshire

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statutory-basis financial statements of New Hampshire Medical Malpractice Joint Underwriting Association (the Association), which comprise the statements of admitted assets, liabilities and surplus as of December 31, 2013 and 2012, and the related statements of income and changes in surplus, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with accounting practices prescribed or permitted by the New Hampshire Department of Insurance. Management also is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

As described in Note 2 to the financial statements, to meet the requirements of New Hampshire, the financial statements have been prepared in conformity with accounting practices prescribed or permitted by the New Hampshire Department of Insurance, which practices differ from accounting principles generally accepted in the United States of America. The variance between such practices and accounting principles generally accepted in the United States of America and the effects on the accompanying financial statements are also described in Note 2.

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America

In our opinion, because of the effects of the matters described in the preceding paragraph, the statutory-basis financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Association at December 31, 2013 and 2012, or the results of its operations or its cash flow for the years then ended.

Opinion on Statutory Basis of Accounting

However, in our opinion, the statutory-basis financial statements referred to above present fairly, in all material respects, the financial position of the Association at December 31, 2013 and 2012, and the results of its operations and its cash flow for the years then ended in conformity with accounting practices prescribed or permitted by the New Hampshire Department of Insurance.

Leone, McDonnell & Roberts,
Professional Association

January 23, 2015
Dover, New Hampshire

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

STATEMENTS OF ADMITTED ASSETS, LIABILITIES AND SURPLUS (STATUTORY BASIS)
DECEMBER 31, 2013 AND 2012

ASSETS

	2013	2012
ADMITTED ASSETS		
Cash and invested assets:		
Cash	$ 259,015	$ 242,347
Cash - money market held by custodian	2,997,700	2,105,853
Cash reserved for distribution	-	25,000,000
Investments held in trust (see notes 7 and 12)	7,994,037	7,898,820
Investments held by custodian at amortized cost	103,955,809	105,796,642
Total cash and invested assets	115,206,561	141,043,662
Premiums and finance charges receivable	246,613	229,397
Accrued interest receivable	807,437	924,893
Deferred tax asset	504,000	504,000
Prepaid income taxes	1,445,000	-
Receivable from Stabilization Reserve Fund Trust	17,678	403,105
Total admitted assets	$ 118,227,289	$ 143,105,057

LIABILITIES AND SURPLUS

	2013	2012
LIABILITIES		
Insurance claims and reserves:		
Unpaid losses and loss adjustment expenses		
Reported cases	$ 6,238,547	$ 6,919,582
Estimated unreported cases	14,929,361	19,912,700
	21,167,908	26,832,282
Reserve for return of premiums	4,622	25,000,000
Reserve for premium deficiency	600,000	600,000
Trust net assets available for pre-1986 claims	7,994,037	7,898,820
Unearned premiums	1,467,841	1,348,647
Unearned finance charges	4,126	6,182
Vested retirement reserve	3,427,270	4,485,692
Annuity reserve	-	387,055
Premiums paid in advance	91,331	115,505
Accrued expenses	132,967	198,952
Total liabilities	34,890,102	66,873,135
SURPLUS	83,337,187	76,231,922
Total	$ 118,227,289	$ 143,105,057

See Notes to Financial Statements

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

STATEMENTS OF INCOME AND CHANGES IN SURPLUS (STATUTORY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
UNDERWRITING INCOME		
Premiums written	$ 2,971,053	$ 3,562,387
(Increase) decrease in unearned premium	(119,194)	271,586
Decrease in vested retirement reserve	1,058,422	522,854
Total underwriting income	3,910,281	4,356,827
UNDERWRITING LOSSES AND EXPENSES		
Losses and loss adjustment expenses	6,423,349	6,547,414
Reduction of prior year estimates of ultimate losses and loss adjustment expenses	(8,290,041)	(10,804,835)
Increase in premium deficiency reserve	-	600,000
Servicing carrier fees	1,430,000	1,300,000
Commissions	169,738	200,408
Other expenses	276,679	236,580
Total underwriting losses and expenses	9,725	(1,920,433)
INCOME FROM UNDERWRITING ACTIVITIES	3,900,556	6,277,260
OTHER INCOME (EXPENSES)		
Investment income	4,165,400	8,265,965
Investment expenses	(224,570)	(228,136)
Professional fees	(757,439)	(739,456)
Finance charges	21,318	28,895
Total other income	3,204,709	7,327,268
INCOME BEFORE TAXES	7,105,265	13,604,528
DEFERRED INCOME TAX BENEFIT	-	504,000
NET INCOME	7,105,265	14,108,528
SURPLUS, BEGINNING OF YEAR	76,231,922	62,078,200
Reimbursement from Stabilization Reserve Fund Trust	-	45,194
SURPLUS, END OF YEAR	$ 83,337,187	$ 76,231,922

See Notes to Financial Statements

NEW HAMPSHIRE MEDICAL MALPRACTICE
JOINT UNDERWRITING ASSOCIATION

STATEMENTS OF CASH FLOWS (STATUTORY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
OPERATING ACTIVITIES:		
Premiums collected	$ 2,929,663	$ 3,094,271
Finance charges collected	19,262	25,144
Investment income received	4,235,684	5,880,873
Losses and loss adjustment expenses paid	(3,797,682)	(4,132,957)
Underwriting expenses paid	(2,669,842)	(2,688,462)
Investment expenses paid	(224,570)	(228,136)
Excess premiums paid	(25,000,000)	-
Income tax deposits paid	(1,445,000)	-
Reimbursements from Stabilization Reserve Fund Trust	-	53,674
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(25,952,485)	2,004,407
INVESTING ACTIVITIES:		
Proceeds from sales, maturities, or repayments of investments	19,610,991	44,536,242
Purchase of investments	(17,749,991)	(21,470,498)
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,861,000	23,065,744
NET (DECREASE) INCREASE IN CASH	(24,091,485)	25,070,151
CASH, BEGINNING OF YEAR	27,348,200	2,278,049
CASH, END OF YEAR	$ 3,256,715	$ 27,348,200

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS (STATUTORY BASIS)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE 1. ORGANIZATION AND OPERATIONS

Organization

The New Hampshire Medical Malpractice Joint Underwriting Association was established pursuant to Regulation No. 1700 (as amended) which was adopted by the Insurance Department of the State of New Hampshire, effective September 30, 1975. The Association was created as a result of the Insurance Commissioner's determination that professional medical liability insurance was not readily available in the voluntary market. The purpose of the Association is to make available medical malpractice insurance for eligible risks. The Association is authorized to write medical malpractice insurance and general liability coverage for physicians, hospitals, and all other providers of health care in the State of New Hampshire. Every insurer, as a condition of its authority to write liability insurance, including every insurer covering such perils in multiple peril package policies, on a direct basis within the State of New Hampshire, is required to be a member of the Association.

Board of Directors

The Association is governed by a seven (7) member board of directors approved by the Commissioner. Five of the members are nominated by and represent, respectively, the member insurance companies, the domestic insurance companies, the Medical Society, the Hospital Association and other health care providers. Two members represent the general public.

Policy Terms, Limits and Deficiencies

The Association provides coverage to hospitals, physicians, and other health care providers. Insurance policies are effective for one year subject to minimum limits of $25,000 for each claimant and $75,000 for all claimants in any one policy year and subject to maximum limits of $1,000,000 for each claimant and $3,000,000 for all claimants in any one policy year. Additional separate coverage for the general liability of the insured for property damage is also made available by the Association. Such coverage is effective for one year and is subject to a minimum limit of $25,000 per occurrence and a maximum limit of $100,000 per occurrence.

Policies are issued on either an occurrence or claims-made basis. Under an occurrence basis policy, coverage is provided to the policyholder for claims incurred during the policy year. Under a claims-made policy, coverage is provided to the policyholder for claims made during the policy year. The Association provides "tail" coverage for qualifying claims-made policyholders who request it **(see Note 6)**.

NOTE 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Association's financial statements are prepared in accordance with practices prescribed or permitted by the Insurance Department of the State of New Hampshire. Such practices vary in some respects from generally accepted accounting principles. The principal variations reflected in the accompanying financial statements are the treatment of investments, reserves, and commissions.

Investments

Investments are comprised of U.S. Government obligations, high credit quality asset (mortgage) backed securities and corporate bonds which meet specified rating standards of quality. The investment portfolio, which is held by an independent custodian, is subject to periodic review by the Board of Directors and is monitored by an independent advisor.

Under accounting principles generally accepted in the United States of America (US GAAP), investments in bonds and other fixed maturity investments are designated as held to maturity, trading or available for sale investments when they are purchased. Investments that are designated trading would be valued at fair market value, with unrealized gains and losses reported in the statements of income. Available for sale investments would be reported at fair market value with unrealized gains and losses reported as a separate component of surplus and held to maturity investments would be reported at amortized cost. The Association does not follow US GAAP for fixed maturity investments. Rather, it records all of its fixed maturity investments at cost adjusted for amortization of premiums and discounts (amortized cost) whether or not it will hold investments to maturity, in accordance with statutory requirements prescribed by the Insurance Department.

Under US GAAP investments in high credit quality asset backed securities are adjusted using a retrospective method when there is a change in estimated future cash flows. And, if it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the discounted fair market value. The Association does not follow US GAAP for asset backed securities. Rather, it records its entire asset backed securities at cost adjusted for amortization of premiums and discounts (amortized cost), in accordance with statutory requirements prescribed by the Insurance Department. If it is determined that a decline in fair value is other than temporary, the cost basis of the security is written down to the undiscounted estimated future cash flows.

Reserves for Unpaid Losses and Loss Adjustment Expenses

The reserves for unpaid losses and loss adjustment expenses for occurrence basis policies include a reserve for estimated losses on claims reported, a reserve for estimated ultimate losses incurred but not yet reported, and a reserve for estimated allocated and unallocated loss adjustment expenses related to both the reported and the incurred but not reported losses. For claims - made policies, the reserves represent estimated losses on claims reported during the covered period and a reserve for estimated allocated and unallocated loss adjustment expenses. Management believes these reserves are adequate to cover the ultimate settlement costs of losses incurred. These estimates are continually reviewed and adjusted as necessary. Adjustments are reflected as changes in accounting estimates and are reflected in current operations. As prescribed by the Insurance Department of the State of New Hampshire for statutory reporting purposes, the reserves for unpaid loss and loss adjustment expenses are not discounted **(see Note 5).**

Commissions

The costs of acquiring new business, such as commissions, are charged to current operations as incurred, whereas related premium income is recognized over the periods covered by the policies.

Other significant accounting policies followed by the Association, which are in conformity with generally accepted accounting principles, are as follows:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Association considers all cash in bank, not yet transferred to its investment account custodian, and all other highly liquid investments with an original maturity of less than three months to be cash and cash equivalents for purposes of the statement of cash flows. At present, the Association has no cash equivalents.

Cash Restricted for Distribution

Cash restricted for distribution represented assets transferred from portfolio accounts and were invested in readily available money market accounts. These funds were segregated in the Association's general investment portfolio as required by the Courts and were to be used to pay income taxes or for distributions to policyholders, as directed **(see Note 8)**. The entire amount was distributed to policy holders in 2013.

Premiums
Premiums are recorded as earned on a pro rata basis over the terms of the individual policies. Unearned premiums represent that portion of premiums written which is applicable to the unexpired term of the policies in force. Premiums receivable represent outstanding balances for policies whose effective dates have passed. Payments received in advance of the policy's effective date are recorded as customer deposits and amounted to $91,331 and $115,505 at December 31, 2013 and 2012, respectively.

Premium Deficiency Reserve
Premium deficiency reserves are established for the amount of the anticipated losses, LAE, commissions, and other acquisition and maintenance costs that have not previously been expensed in excess of the recorded unearned premium reserve and future installment premiums on existing policies. A reserve of $600,000 was recorded as of December 31, 2012 due to the loss likely to occur in future periods as a result of the continuing decline in the number of insureds. There was no change in the reserve as of December 31, 2013 because the unearned premiums for each were not significantly different.

Subsequent events
Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are available to be issued. Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after that date. Management has evaluated subsequent events through January 23, 2015, the date that the financial statements were available to be issued.

NOTE 3. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Association to concentrations of credit risk consist primarily of cash and cash equivalents and premiums receivable. The Association places its cash and cash equivalents with a high quality financial institution insured by the Federal Deposit Insurance Corporation (FDIC). Deposits in such institutions are insured up to the FDIC limit of $250,000. At December 31, 2013, the Association had approximately $17,000 on deposit in excess of the insured limits. Credit risk with respect to receivables is limited because the Association collects deposits in advance of the policy effective dates, and reviews the credit worthiness of the insured.

NOTE 4. INVESTMENTS

The aggregate amortized cost, gross unrealized gains, gross unrealized losses and fair value of investments at December 31, 2013, and 2012 are as follows:

December 31, 2013

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency:				
Treasury Bonds	$ 1,710,131	$ 387,839	$ -	$ 2,097,970
Mortgage Backed Securities	20,685,363	744,935	190,588	21,239,710
Other	6,266,705	177,207	-	6,443,912
	28,662,199	1,309,981	190,588	29,781,592
Corporate:				
Bonds	47,688,734	2,427,265	274,520	49,841,479
Mortgage Backed Securities	8,803,895	562,906	85,292	9,281,509
Other fixed income	7,127,626	426,856	32,122	7,522,360
Foreign Bonds	11,673,355	532,946	70,270	12,136,031
	75,293,610	3,949,973	462,204	78,781,379
Short term investments	2,997,700	-	-	2,997,700
Totals	$106,953,509	$5,259,954	$ 652,792	$111,560,671

December 31, 2012

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Government and Agency:				
Treasury Notes	$ 951,212	$ 11,033	$ -	$ 962,245
Treasury Bonds	1,740,581	579,619	-	2,320,200
Mortgage Backed Securities	23,033,834	1,586,366	138,815	24,481,385
Other	7,241,791	483,412	-	7,725,203
	32,967,418	2,660,430	138,815	35,489,033
Corporate:				
Bonds	41,269,228	3,955,266	4,902	45,219,592
Mortgage Backed Securities	10,899,509	887,415	36,836	11,750,088
Other fixed income	6,623,709	598,220	21,962	7,199,967
Foreign Bonds	14,036,778	970,203	-	15,006,981
	72,829,224	6,411,104	63,700	79,176,628
Short term investments	27,105,853	-	-	27,105,853
Totals	$132,902,495	$9,071,534	$ 202,515	$141,771,514

NAIC SAP 100 establishes a single authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The Association does not have any investments that are measured at fair value as all investments meet NAIC requirements for measurement at amortized cost. Fair value presented above (for disclosure purposes only) was provided by the custodians of the investment accounts.

The amortized cost and fair value of the investments at December 31, 2013, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties:

	Amortized Cost	Estimated Fair Value
Due in one year or less	$ 9,252,303	$ 9,363,276
Due between 2 - 5 years	43,786,210	45,207,211
Due between 5 - 10 years	20,118,142	21,510,858
Due after 10 years	30,799,154	32,481,626
	$ 103,955,809	$ 108,562,971

NOTE 5. RESERVES FOR UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves for unpaid losses and related loss adjustment expenses at December 31, 2013 and 2012 were estimated by a consulting actuary who reviewed premiums and loss experience to date and recommended certain reserve levels. These recommendations were adopted by the Association in the accompanying financial statements by adjusting all current and previous reserves. Claims in the medical malpractice line of insurance have traditionally been characterized by delayed discovery and reporting, and high severity of losses. Accordingly, the ultimate liability for unpaid losses and loss adjustment expenses can only be determined with the passage of time. Activity in the liability for unpaid losses and loss adjustment expenses is summarized as follows:

	2013	2012
Balances at beginning of year	$ 26,832,282	$ 35,222,660
Provision for losses and loss adjustment expenses related to current year earned premiums	6,423,349	6,547,414
Change in prior estimates of losses and allocated expenses	(8,290,041)	(10,804,835)
Payments of losses and allocated loss adjustment expenses	(3,797,682)	(4,132,957)
Balances at end of year	$ 21,167,908	$ 26,832,282

The loss and loss adjustment expenses of $6,423,349 in 2013 and $6,547,414 in 2012 represent estimates of the ultimate losses to be incurred based on premiums earned during the year. Adjustments to estimates of ultimate losses made in prior years had the effect of decreasing the reserves previously reported and losses from underwriting operations by approximately $8.3 million in 2013 and $10.8 million in 2012.

The consulting actuary calculated that the discounted loss reserves and surplus for policies written after December 31, 1985 would be reduced, and increased respectively, by approximately $3,000,000, using a rate of return of 5.0% (the Association's average rate of return on its investment portfolio as of December 31, 2013).

NOTE 6. VESTED RETIREMENT RESERVE

The Association provides tail coverage to retiring claims-made policyholders who meet certain minimum age requirements, at reduced cost or no cost to the policyholder, depending on the years of continuous claims-made coverage they have acquired through the Association. Premiums charged for claims-made policy coverage include a factor for the cost of providing this coverage. A vested retirement reserve account has been established to recognize the premiums collected in advance to provide for this coverage. Increases and decreases in this vested retirement reserve are reflected as an adjustment to premium revenue.

The National Association of Insurance Commissioners (NAIC) recommends that reserves for such benefits consider factors such as loss trends, time value of money, morbidity, lapse rates, retirement and age distribution of policyholders. Such factors are taken into account to establish the retirement reserve.

The model used by the Association's actuary develops an estimate of the expected losses and ALAE associated with the future utilization of the death, disability and retirement premium waiver benefit of current NHMMJUA insureds. The loss and ALAE estimates relate only to current in-force insureds and their anticipated utilization of this benefit.

NOTE 7. DEFICITS INCURRED AS A RESULT OF POLICIES ISSUED PRIOR TO JANUARY 1, 1986

Assessments of Members for Deficits Incurred as a Result of Policies Issued Prior to January 1, 1986

Effective January 1, 1986, Regulation No. 1700 was amended to provide that in the event liabilities for losses, loss adjustment expenses and other defined expenses incurred as a result of policies issued prior to January 1, 1986 exceed the amount collected from premiums and any amount earned from the investment of such premiums, the deficits will be recovered from a Stabilization Reserve Fund Trust (The Trust) established January 1, 1986.

Stabilization Reserve Fund Trust

The Trust, which is distinct from the Association, maintains a Stabilization Reserve Fund (the Reserve Fund) that was funded by a surcharge on the annual gross premiums charged for primary medical liability coverage written in the State of New Hampshire from January 1, 1986 to December 31, 1994.

Regulation 1700 further provides that in the event the deficits for policies issued prior to January 1, 1986 exceed the assets of the Reserve Fund and the Association, the deficit may be recovered through the assessment of members, who will then surcharge all liability premiums written in New Hampshire. However, in the event the Reserve Fund exceeds the amount necessary to pay losses, loss adjustment expenses and operating expenses incurred as a result of policies issued prior to January 1, 1986, the surplus may be distributed to insureds after repaying any assessments against members. The amount of investments held in trust was $7,994,037 and $7,898,820 at December 31, 2013 and 2012, respectively.

The cumulative amount paid for losses and loss adjustment expenses for policies issued prior to January 1, 1986 has exceeded the assets available from premiums written, by approximately $26.6 million as of December 31, 2013. As provided under Regulation 1700, this excess has been recovered from the Reserve Fund. (See **Note 12**).

NOTE 8. OBLIGATION UNDER STRUCTURED SETTLEMENT AGREEMENTS

Prior to January 1986 the Association settled several indemnity cases using certain structured settlement agreements for which the Association, as the owner, remains contingently liable if an annuity carrier should default. In the event of a default, the Association would seek reimbursement from the Reserve Fund as provided for losses incurred on policies written before January 1, 1986 **(see Note 7.)** It is important to note, all annuities purchased after 1985 include a Uniform Qualified Assignment (UQA). The UQA is designed to eliminate the future contingent liability to the Association.

During 2008 the Association was informed that one annuity carrier, Executive Life of New York, (ELNY) which is responsible for six structured pre 1986 Association settlement agreements was under rehabilitation and would not have sufficient assets to cover its obligations to the annuitants without a viable restructuring plan. The New York Liquidation Bureau (NYLB) overseeing the rehabilitation informed the Association that it had proposed such a plan (the Plan) and was seeking funding commitments from the proposed participants in the Plan. Under the proposed plan the Association was informed that its obligation would be $815,000. Accordingly, the Association recorded a liability of that amount in its December 2008 financial statements and also recorded a similar amount receivable from the Reserve Fund because the liability related to policies written prior to 1986 and the Reserve Fund had sufficient assets to reimburse the Association for this loss.

During 2013 Executive Life of New York was liquidated and four of the six annuity contracts owned by the JUA received 100% coverage from the successor entity Guarantee Benefits Company (GABC). One contract received 47.72% coverage from GABC.

The JUA purchased a replacement annuity to provide the remaining 52.28% of the annuity obligation and did receive a Uniform Qualified Assignment from the annuity issuer and the annuitant. The premium for this annuity was $329,221. As noted above, the JUA received reimbursement from the Reserve Fund for this amount. The final ELNY contract received 38.73% coverage from GABC. The JUA purchased a rated age variable premium annuity for its 61.27% obligation. This contract was issued on a variable basis with the JUA retaining the right, in the event of the death of the annuitant, to receive a return of any premium paid less actual benefits paid by the issuer to the annuitant. The premium for this policy was $2,912,000. As noted above, the JUA received reimbursement from the Reserve Fund for this amount. In late December 2013, the JUA was notified of the death of this annuitant and expected to receive, in the first quarter of 2014, a return premium of $2,900,000. When received, this money was returned to the Reserve Fund.

The liquidation of ELNY and the subsequent action of the JUA has reduced the JUA's exposure to these contracts and as such it has reduced the $815,000 reserve related to the ELNY liquidation. There are four Monarch Life annuities with an expected payout of $2.6 million under rehabilitation with the State of Massachusetts. As of the report date there was no indication that Monarch would actually default on its obligations. Accordingly, no reserve was provided.

At December 31, 2013, the Association remains contingently liable under additional structure settlements entered into prior to January 1, 1986 with other annuity carriers as follows:

Annuity Carrier	Expected Benefits	AM Best Rating
Carrier A	$ 26,229,000	A+
Carrier B	9,252,000	A
Carrier C	4,949,000	NR
Carrier D	2,534,000	Rehabilitation
Carrier E	201,000	A
Total	$ 43,165,000	

Based on a review of available financial information for the major annuity carriers involved, the AM Best ratings of the carriers, the general availability of insurance funds from State Life & Health Guarantee Associations, and that the carriers are making the required payments to annuitants as they become due, the Association believes the likelihood of additional material losses arising from a default of an annuity carrier is remote at this time.

NOTE 9. RETURN OF EXCESS PREMIUMS

On June 24, 2009 the New Hampshire Legislature, finding that the surplus funds held by the Association in the Post-1985 Account were significantly in excess of the amount reasonably required to support its obligations passed House Bill 2 (HB 2) which was signed by the Governor on June 30, 2009. The Bill authorized and directed the Association to transfer the sum of $65 million, by July 31, 2009, $22.5 million by June 30, 2010 and $22.5 million by June 30, 2011 from the Post 1985 Account to the New Hampshire general fund, to be used for the purpose of supporting programs that promote access to needed health care for underserved persons.

Several interested parties then initiated legal actions challenging the constitutionality of HB 2 in Superior Court, which concluded the Association was a "quasi-public/private entity" and "not part of the executive branch of State government" and also declared the Act unconstitutional.

The matter was appealed in the NH Supreme Court which in part upheld the lower court decision that HB 2 was unconstitutional by concluding the law would impact the contract rights of current policyholders in violation of the NH Constitution. Further, the Supreme Court noted that its decision would be different if HB 2 had applied only to policyholders who purchased policies after HB 2 was enacted.

As a result of the Superior and Supreme Court rulings, Senate Bill (SB) 170 was enacted in 2011. The bill declared that the State shall not take or transfer through taxation or otherwise any funds then held by the Association. It further directed the Association to transfer $85 million of the $110 million excess surplus to a Court Trustee to be distributed to the policyholders who paid the related premiums. The remaining $25 million was to be held for potential federal income taxes. It also eliminated the Association's ability to assess member insurers for any deficit resulting from the distribution of the excess surplus. Further, the plaintiffs released the Association from any further obligation to return excess funds and the Association removed the distribution of surplus language from all policies issued after that date, though Regulation 1700 continued to allow for policyholder distribution or assessment.

SB 170 further directed the Association, the Insurance Department and a representative of the policyholders to approach the Internal Revenue Service to resolve any federal tax liability arising from the distribution of the excess surplus **(see Note 10)**.

The $85 million was transferred to an independent Trustee in 2011 for distribution to the policyholders. The remaining $25 million was held by the Association in reserve for possible tax liabilities that could arise as a result of the Courts' rulings, as required by SB 170. Subsequent to December 31, 2012, it was determined that no tax liability would be incurred **(see Note 10)**. As a result, the $25 million was reclassified as return of premiums in the year SB 170 was enacted and the funds were released to the appropriate policy holders in 2013.

NOTE 10. INCOME TAXES

The Association believed it was exempt from taxation under Section 115 of the Internal Revenue Code based on a 1976 letter (the Determination Letter) received from the Internal Revenue Service relating to the Association's tax exempt status, upon which it relied. In the letter, the IRS stated that the Association was operated under the Insurance Department of the State of New Hampshire and was therefore "an integral part of the State of New Hampshire" and was "exempt from taxation".

As a result of the actions taken with regard to the refund of excess premiums discussed in **Note 9**, the Association was required to seek an updated determination of its tax status. The Supreme Court did not rule on whether the Association was a state or private entity. However, the Lower Court's determination that the Association was not a part of the state government raised the question as to the Association's long held tax exempt status. Accordingly, as noted above, SB 170 directed the affected to get confirmation from the IRS that the Association continued to be tax-exempt.

During 2013, the Association and the IRS negotiated a closing agreement (the Agreement) regarding the Association's past and future tax status. Under the Agreement the IRS and the Association agreed that the 1976 Determination Letter is retroactively revoked and the Association had been taxable since its inception. The parties further agreed that the Association had no filing requirement or tax liability prior to or for the year ended December 31, 2012. It also determined that it was taxable for all years beginning on or after January 1, 2013. The Association and tax Counsel believe the Agreement allows the Association to recognize a tax basis in its assets and liabilities at December 31, 2012 equal to that which it would have if it had filed returns in the prior years. The Department of Revenue of the State of New Hampshire has agreed to follow the IRS's determination and its agreement that the Association would have no filing requirement or tax liability prior to or for the year ended December 31, 2012.

As a result of the Agreement, the Association will be required to file income tax returns both federally and for the state of New Hampshire commencing in 2013. The Agreement also makes it necessary to record deferred tax assets and/or liabilities as of December 31, 2012. There were no net changes to the deferred tax asset during 2013 due to the statutory limitations on the recognition of the asset. The components of the deferred tax asset at December 31, 2013 and 2102 are as follows:

	2013	2012
Change in unearned premiums	$ 100,000	$ 92,000
Change in reserves for losses:		
Occurrence based policies	405,500	547,000
Claims made based policies	144,000	303,000
Amortized cost versus fair value of investments	(39,000)	84,000
Total gross deferred tax assets	610,500	1,026,000
Less: valuation allowance for recoverable period limitation	(106,500)	(522,000)
	$ 504,000	$ 504,000

Based on the Agreement the Association believes it has no uncertain tax positions and, therefore, has not recorded a contingent liability. There were no tax positions for which management believes it is reasonably possible that the total amount of tax contingencies will significantly increase or decrease within twelve months of the reporting date. As described above, there have been no previous tax filings with any jurisdiction as of and prior to December 31, 2012 therefore there are no periods subject to examination. The tax return will remain open to audit by the IRS through 2017.

However, the Association believes that under the Agreement, the $85 million return to the policyholders created a deductible return of premiums in the year the funds were transferred to the Trustee, 2011. Although this would not create an immediate tax refund because no taxes had been paid in previous years the return of premiums has created a significant tax net operating loss carryforward that can be used to reduce future taxable income through 2031 for federal purposes and through 2021 for State purposes. Additionally, the Association believes that under the Agreement the remaining $25 million that had been held by the Association in reserve for possible tax liabilities that subsequently was reclassified as return of premiums and released to the appropriate policy holders created a deductible return of premiums when released in 2013 which in turn created an additional net operating loss carryforward. This net operating loss carryforward can be used to reduce future taxable income through 2033 for federal purposes and through 2023 for State purposes and also does not create an immediate tax refund because no taxes had been paid in previous years.

The Association has also elected to pay federal and state tax estimates to mitigate penalties and interest if the IRS disallows the loss carryforwards. This amount is recorded as prepaid income taxes on the statement of admitted assets, liabilities and surplus.

The Association has not recorded a deferred tax benefit for either of the carryforward losses because there is no certainty that it will generate sufficient taxable income in the next two years as allowed under Statutory Accounting Principles.

NOTE 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Premiums and finance charges receivable – The carrying value of these receivables approximates fair value due to their short-term nature and historical collectability.

Investments – The fair values of investments are estimated based on quoted market prices, however, the Association carries its investments at amortized cost (see **Note 2**).

Accounts payable – The carrying value of accounts payable approximates fair value due to the short-term nature of the obligations.

NOTE 12. STABILIZATION RESERVE FUND TRUST

The New Hampshire Medical Malpractice Stabilization Reserve Fund Trust was originally established pursuant to a 1985 amendment to Regulation No. 1700 which was adopted by the Department of Insurance of the State of New Hampshire. The purpose of the Trust was to collect and maintain a pool of assets ("Reserve Fund") to be used to offset policy deficits which may arise in the event that liabilities for losses, loss adjustment expenses and certain defined operating expenses, incurred as a result of policies issued by the New Hampshire Medical Malpractice Joint Underwriting Association, (the "Association") prior to January 1, 1986, exceed the premiums collected from such policies, including any amounts earned from the investment of such premiums. The Reserve Fund was funded by a surcharge assessed on the annual gross premiums charged for primary medical liability coverage written in the State of New Hampshire. The assessment applied to all New Hampshire health care providers except those who were never insured by the Association. The surcharge was eliminated effective January 1, 1994.

The statements of admitted assets, liabilities and surplus of the Association include the balance in the Reserve Fund net of any amounts owed to the Association for expenses related to policies issued prior to January 1, 1986. Additionally, these assets are available to meet any obligation that may arise under the structured settlement agreements discussed in **Note 8**.

Because these assets are held in trust and are not to be utilized by the Association for obligations other than those discussed in the proceeding paragraphs, an offsetting liability has been recorded on the statements of admitted assets, liabilities and surplus. The amount of investments held in trust was $7,994,037 and $7,898,820 at December 31, 2013 and 2012, respectively.

NOTE 13. NEW HAMPSHIRE HOUSE BILL 508 – DISSOLUTION OF THE NEW HAMPSHIRE MEDICAL MALPRACTICE JOINT UNDERWRITING ASSOCIATION

In 2014, a commission was created by New Hampshire House Bill 489 (HB 489) and charged with the task of studying the Association and making recommendations for proposed legislation concerning its future, form and function. As a result of a public hearing held by the NH Department of Insurance, the Department has drafted proposed legislation which is currently pending in the Legislature (HB 508), pursuant to which the Association would be dissolved under court supervision by the Insurance Commissioner.