

TO: Hon. Maria Vullo  
New York State Superintendent of Financial Services

FROM: Willkie Farr & Gallagher LLP

RE: Conversion of Medical Liability Mutual Insurance Company (“MLMIC”) and  
Acquisition by National Indemnity Company (the “Proposed Transaction”)

DATED: August 28, 2018

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Superintendent Vullo, we represent MLMIC in the Proposed Transaction and at the request of MLMIC we are pleased to file as part of the record of the public hearing held on August 23, 2018 the following supplemental information regarding Policy Administrators (capitalized terms not otherwise defined herein have the meanings set forth in the Policyholder Information Statement dated June 22, 2018 (the “PIS”).

As specified in the PIS, a Policy Administrator is a Person designated by a Policyholder to act as administrator of the Policy for certain specified purposes. Designations are made on a form provided by MLMIC as part of the application process or at any point in time selected by the Policyholder. The form has been available on-line continuously throughout the Eligibility Period. Designations received as part of the application process are reflected on the declaration page of the applicable Policy. Policy Administrators can also be “otherwise designated” by the submission of the prescribed form by the Policyholder following the issuance of the Policy. In such case the Policy Administrator would not be named on the declarations page of the Policy until the Policy is renewed, but an endorsement to the Policy would be issued in the interim. In all events there must be an affirmative designation in writing on MLMIC’s prescribed form. The mere acceptance of a policy application and premium on a Policy from a Person not designated by the Policyholder as a Policy Administrator does not confer the status of Policy Administrator on such Person.

A Policy Administrator designation specifies that the Policy Administrator is designated as agent for the Policyholder for the purposes of the payment of premiums, the cancellation of coverage, changes in coverage, the receipt of dividends and the receipt of return premiums. To illustrate how this process works in practice see the description below:

1. MLMIC accepts premium payment from designated Policy Administrators, Policyholders and other Persons acting on behalf of Policyholders.
2. MLMIC accepts cancellations of coverage only from designated Policy Administrators and Policyholders.
3. MLMIC accepts requests for changes in coverage only from designated Policy Administrators and Policyholders.

4. While dividends on Policies are usually credited to the Policyholder's account on renewal, cash dividends are paid only to designated Policy Administrators or to Policyholders if no Policy Administrator is designated.
5. While return premiums on Policies are also usually credited to the Policyholder's account on renewal, return premiums paid in cash are paid only to designated Policy Administrators or to Policyholders if no Policy Administrator is designated.

As outlined above, MLMIC does not interact after the issuance of a Policy with any Person as Policy Administrator without a formal designation. There are no patterns of conduct that result in any non-designated Person being recognized or acting as a "de facto" or "quasi" Policy Administrator.

We trust that this supplemental information clarifies the role of the Policy Administrators in light of the conflicting testimony given at the public hearing.