
PROPRIETARY

The Doctors in acquisition talks, wants more healthcare financial service expertise via M&A - executive

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The Doctors Company (TDC), following its largest-ever acquisition, is continuously in talks with US-based targets and wants to use M&A to add more healthcare financial service capabilities, said COO Bill Fleming.

Napa County, California-based TDC offers medical malpractice insurance coverage for physicians and nurses, as well as risk solutions for hospitals and healthcare systems. In July, TDC completed a USD 650m buyout of New York-based insurer Hospitals Insurance Company (HIC) and FOJP Service Corporation, which provides third-party insurance and risk management advisory to HIC-insured hospitals. Post transaction, TDC has over USD 1bn in annualized written premiums and around USD 6bn in assets, serving 93,000 insured individuals, according to the COO.

TDC was founded in 1976 primarily as a medical malpractice insurer. It is interested in buying medical professional liability insurance targets and firms that provide financial and professional services to healthcare organizations, Fleming said. He pointed to subsidiary Medical Advantage Group's contracting arrangement service as a type of expertise of its interest. TDC acquired Medical Advantage in 2014 for an undisclosed amount.

The healthcare sector has seen consolidation, which prompts M&A in the medical insurance industry as those companies seek to match the scale of the healthcare delivery systems, Fleming said.

There's "not a particular sweet spot" for size, Fleming said, adding that TDC has paid as low as USD 1m for a deal. It financed deals using working capital, and plans to continue paying cash, Fleming said. TDC had USD 2bn in policyholders' surplus by 2018, according to a financial release.

Fleming said he has seen industry multiples at less than 1x assets all the way up to 2.2x assets. Insurance firms, especially medical malpractice insurers with large claim reserves, tend to have low sales multiples because a large part of their assets come from liabilities, he said.

TDC is interested in targets across the US and tends to shift its business focus to the East, where the population is growing, he said. TDC has 14 offices in the US and operates mostly in the upper Midwest and Northeast. TDC entered the New York market organically three years ago. It will continue to expand into new regions both through acquisitions and de novo offices, he said.

The firm has 930 employees and plans to have 1,000 people by year-end, Fleming said. The company is growing in both its insurance and consultancy businesses, he added.

Like a mutual insurance company, TDC is fully owned by its policyholders, Fleming said. While TDC has been approached by some suitors, it is not interested in a sale or an initial public offering because it views its customers as its “one master,” he said.

TDC’s competitors include Berkshire Hathaway’s [NYSE: BRK.A] insurance businesses, Fleming said.

In the buyout of HIC and FOJP, Waller Helms Advisors served as financial advisor for TDC.

by Xinyi Jiang in Charlottesville, Virginia

Grade: Confirmed

BIDDERS

[The Doctors Company](#)

Financial advisor

[Waller Helms Advisors](#)

Competitors

Berkshire Hathaway Inc.

OTHERS

[Medical Advantage Group](#)

[FOJP Service Corporation](#)

[Hospitals Insurance Company, Inc.](#)

Countries

USA

States

California (CA)

Sectors

Financial Services

Medical

Services (other)

Sub-Sectors

Business support services

Consulting services (excl. IT consulting)

Insurance related

Other services

Topics

Bolt on/Opportunistic

California (Northern)

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