



ANNUAL REPORT



Physicians Insuring Physicians

09

R. Austin Wallace, M.D.

## MESSAGE FROM THE CHAIRMAN

I am very proud to present this 2009 annual report. Your Mutual has enjoyed another outstanding year. Our financial condition is extremely strong, and we continue to provide you, our physician owners, the best risk management programs available in the industry along with excellent claim services.

The physician members of our Board of Directors chair the various Committees of the company that oversee underwriting, risk management and claims services. These Committees meet regularly to discuss our commitment to being the best we can be by applying fair and proper underwriting standards, offering nationally recognized risk management programs and providing aggressive and effective claims representation to you, our physician owners.

The high standards set by your physician leaders have secured our financial strength and allowed us to once again reduce premiums. While we continued our five percent renewal credit throughout 2009, we have increased that renewal credit to twelve percent in 2010. This additional seven percent premium reduction brings the overall average decrease in West Virginia physician premiums to thirty-two percent with many specialties enjoying as much as fifty-five percent savings since our beginning in 2004.

With the repayment of the loan from the State of West Virginia last year, your Mutual has been able to achieve licensure in the surrounding states of Kentucky, Ohio and Virginia. Your physician-led Board made the decision to expand in an effort to assist physicians who practice in both West Virginia and

one of these states. While your Mutual remains intent on being the reliable source of medical professional liability for West Virginia physicians, we need to accommodate our policyholders who live and practice in a West Virginia border community by being responsive to their needs. We are now able to insure both their West Virginia practice, as well as their exposure in one of these neighboring states.

Your Mutual has experienced great success, but we must remain vigilant. We must join together to preserve the civil justice reforms by electing a legislature and judiciary favorable to both physicians and their patients. We must continue to manage the risks of our medical practices, which will control the frequency and severity of lawsuits and assure the financial integrity of this company for years to come.

It is with great pleasure that we present this annual report to you, a policyholder and owner of the West Virginia Mutual Insurance Company. Your Board of Directors appreciates the confidence you have shown in us to serve you as we all work together to make the Mutual a true success. We can be so proud that West Virginia physicians have succeeded in providing stability to the healthcare delivery system through a sound and enduring medical professional liability insurance company when other commercial companies failed. Working together, we have assured the success of your Mutual. We are indeed **Physicians Insuring Physicians.**

R. Austin Wallace, M.D.  
Chairman



## MESSAGE FROM THE PRESIDENT

It is a great honor to act as the chief executive officer of the Mutual. This company has prospered when others said we would fail and we have succeeded on every level that can be measured.

Dr. Wallace has spoken to the high quality and dedication of the physician members of the Board and he is correct. I, in turn, must comment a little about the staff that supports this Board. Top to bottom, bottom to top, this is a sterling staff. With fewer than twenty-five employees, this group manages over \$150,000,000 in assets, handles hundreds of claims, sees thousands of physicians, visits hundreds of offices and supports our policyholders every hour of every day. Our staff takes great pride in being responsive to policyholder questions and issues and our risk managers are, without doubt, the finest anywhere in this country.

If you or any of your physician colleagues have questions or suggestions, please let us know. We will talk to you on the phone, we will send a representative to your office, we will assist your staff — we will serve you in any way we can.

Policyholders who have been with us since the beginning have seen premiums go down dramatically. That is a result of many factors: aggressive claims management, proactive risk management and tort reforms that have stood the test of time. Your management will work hard to continue to keep your premium costs down, but you and your colleagues must be vigilant and active to protect tort reforms and patient safety standards that help us help you. Continue to be part of the solution. And thank you for your continuing support.

David L. Rader  
*President & CEO*



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*David L. Rader*

### Strong Market Presence

The West Virginia Mutual Insurance Company continues to be the premier medical professional liability insurer in West Virginia. The Mutual insures more than 1,560 West Virginia physicians providing the stability and predictability that no commercial insurance company has provided in the past. This reliability has aided in the recruitment of many new physicians to West Virginia and in the retention of qualified physicians who currently practice in our State. Having a successful insurance company owned by West Virginia physicians has assured that West Virginia citizens will continue to have access to quality healthcare in future years.

### Financial Strength

Since our formation in July 2004, the Mutual has more than doubled its assets and policyholder surplus, the capital that secures the financial integrity of the Company. This has been accomplished by a strong, physician-led Board of Directors with physician involvement in underwriting, claims and risk management, as well as a knowledgeable management team with more than 200 years of combined insurance experience. In addition, we were able to repay the entire loan that the State of West Virginia provided to the Mutual to serve as our initial capital. We repaid that loan twenty-six years early and now your Mutual is debt free.

### Premium Relief

Your Mutual is, again, able to lower your premiums. For the past two years we enjoyed a five percent renewal credit. Through careful management and effective underwriting, risk management and claims administration, we are able to increase that renewal credit to twelve percent in 2010. The effect of this additional credit is that our premiums, depending on specialty, are one-third to

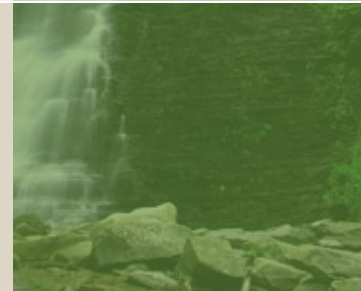
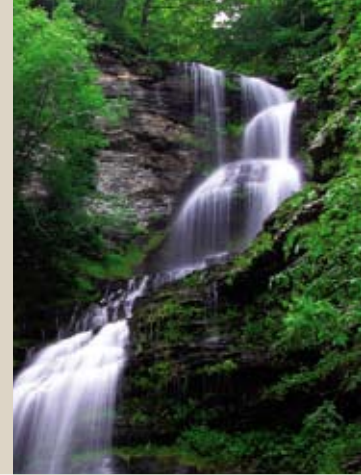
one-half less than they were when we began operations in 2004. This reduction in premium is unprecedented. Your Mutual is extremely pleased to offer this much needed premium relief to our physician owners.

### **Market Expansion**

With the repayment of the loan to the State of West Virginia, your Mutual is free to expand into adjoining states so that physicians who practice in a West Virginia county that borders another state can be insured by the Mutual for their entire medical practice. It is extremely important that your Mutual has the ability to provide our valuable insurance protection, outstanding Risk Management and superior Claims Services to these physicians. We have obtained licensure in Kentucky, Ohio and Virginia so that we can accommodate the medical professional liability needs of West Virginia physicians.

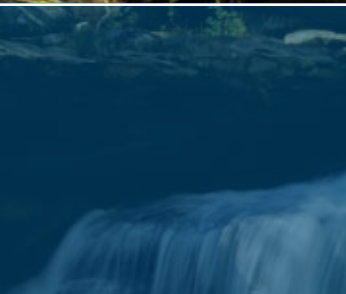
### **Legislative Advocacy**

Your Mutual remains a staunch advocate for West Virginia physicians in both the legislative and executive branches of government. The Mutual Board and management continue to meet regularly with legislative leaders and individuals in key executive and regulatory positions within State government. It is critical that we monitor issues that could have an impact on healthcare and insurance in West Virginia. We remain vigilant as matters arise that affect both physicians and their patients.





<b>Assets</b>	<b>2009</b>	<b>2008</b>
Cash and Investments	\$156,714,000	\$155,814,000
Other Assets	8,397,000	7,831,000
	<u>\$165,111,000</u>	<u>\$163,645,000</u>
<b>Liabilities</b>		
Loss & Loss Expense	\$76,108,000	\$67,576,000
Unearned Premiums	29,978,000	33,491,000
Other Liabilities	(8,613,000)	(7,034,000)
	<u>97,473,000</u>	<u>94,033,000</u>
<b>Surplus</b>		
Surplus Notes	-	9,600,000
Paid in and Contributed	7,651,000	7,651,000
Other	59,987,000	52,361,000
	<u>67,638,000</u>	<u>69,612,000</u>
	<u>\$165,111,000</u>	<u>\$163,645,000</u>
Written Premium	\$39,770,000	\$44,583,000
Earned Premium	36,800,000	40,022,000
Loss & Loss Expense Incurred	22,760,000	20,816,000
Underwriting Expenses	9,159,000	10,069,000
Net Investment Income	4,628,000	4,888,000
Statutory Income before Income taxes	9,509,000	14,025,000
Federal Income Taxes	2,600,000	4,500,000
<b>Net Income (loss)</b>	<u>\$6,909,000</u>	<u>\$9,525,000</u>



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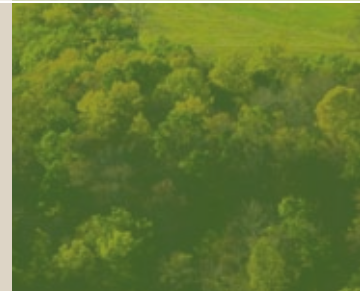
**Auditing** Buffamante Whipple Buttafaro  
Jamestown, NY

**Legal** Bowles Rice McDavid Graff & Love  
Charleston, WV

**Investments** Conning & Company  
Hartford, CT

**Actuarial** Ernst & Young  
Philadelphia, PA

**Reinsurance** Willis Re  
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## Board of Directors

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Vice-Chairman

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Secretary

Michael A. Stewart, M.D.  
Treasurer

B. Frederick Becker

Joseph V. Funderburk, III  
Robert L. Ghiz, M.D.

Tamara Lively-Huffman, CPCU  
Executive Vice President, COO

Bruce R. Martin, CIC

David L. Rader  
President, CEO

Robert L. Wheeler, M.D.