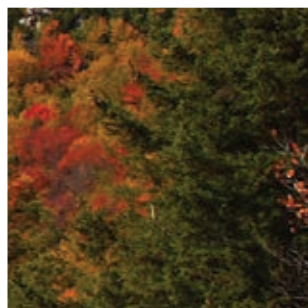
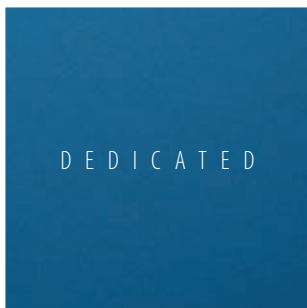
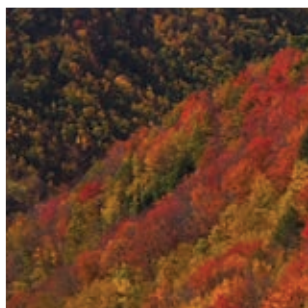
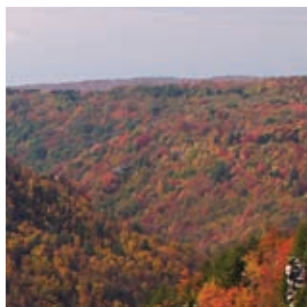
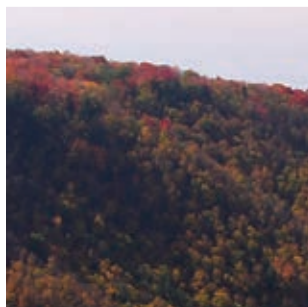
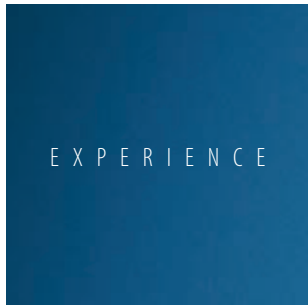


ANNUAL REPORT 2014



Physicians Insuring Physicians

2014 EXPERIENCE



MESSAGE FROM THE CHAIRMAN, PRESIDENT AND CEO

It continues to be my great privilege and pleasure to serve you as the Chair, President, and CEO of your West Virginia Mutual Insurance Company, which celebrated the very significant milestone of its tenth anniversary on July 1, 2014. Our company is both nationally and internationally recognized as one of the most successful medical liability insurance companies formed in the past twenty years. However, the situation in West Virginia was very bleak at the time of our inception. St. Paul Insurance had completely exited the state in 2002, leaving approximately 1,450 physicians without any viable commercial malpractice insurance alternative, yours truly included. Many of us, again myself included, were contemplating leaving the state to practice in an area with a better medical liability legal climate. Trauma centers were in danger of being unable to effectively serve our state's citizens because of extreme difficulty maintaining staffing, in view of the many physicians leaving the state. It is amusing that some state trial lawyers now maintain that there was never a crisis.

As a result of these very bad times, some very positive events occurred. Our state legislature established the BRIM II program as a stopgap for those without an alternative, and passed a number of very significant civil justice reforms in two stages, first in 2001, and then in 2003. These reforms have proven to be very successful in restoring fairness and balance in the medical liability arena. The legislation also included a provision to allow the formation of a physicians' mutual insurance company, and, indeed, for the state to provide a surplus loan to the new company. This public - private partnership, coupled with the tort reforms, proved to be just the right formula for the success of our new Mutual, which, in turn, paid the loan back twenty-five years early because of our very strong and effective management.

Furthermore, our continuing superb financial results culminated in the ability to give a 15% renewal credit beginning in 2013, and then to distribute cumulative cash dividends to our policyholders of record in the amounts of \$7.5 million in 2013, and \$6.25 million in 2014. Many thanks to those of you that were loyal to the Mutual during our growth years. You have been justifiably rewarded for our success.

We have now been in business long enough that there are a significant number of West Virginia physicians that have little or no memory of the crisis years in the early 2000's. It behooves all of us who were affected by these uncertain times to pass on this history to our younger colleagues, as it is almost certain that we will again see another "hardening of the market," as has occurred in each decade since the 1970s. When this occurs, rest assured that the one company that will be here for you on an enduring basis will be your West Virginia Mutual Insurance Company...
We Are Physicians Insuring Physicians.

R. Austin Salace, MD

A D V O C A C Y 2 0 1 4

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT AND COO



I begin again this year by saying what a great honor and privilege it is to serve you, the physician owners of the West Virginia Mutual Insurance Company, as your chief operating officer. Your Mutual continues to be recognized in the medical professional liability arena as one of the most, if not the most, successful physician-owned mutual insurance companies formed during this century. This should be a source of great pride for West Virginia physicians.

Your Mutual celebrated its ten-year anniversary in 2014. This company has realized many accomplishments during this short period of time. Premiums have been reduced in many cases to one-half of what they were when your Mutual began operations in 2004. In addition, patient safety has been at the forefront of its goals. This is evidenced by the robust risk management programs that are available to Mutual insured physicians and their staffs. Your physician dominated Board of Directors decided early on that your company would emphasize risk management in order to help protect its physician owners and their patients. The Mutual's risk management programs are widely known as being cutting edge and relevant to the new healthcare delivery system. As healthcare changes, your Mutual is resolute in providing up-to-date programs that assist you in your practice of medicine.

The success of your Mutual is due in part to the outstanding civil justice reforms that were passed by the West Virginia Legislature in 2001 and 2003. Your Executive Management continues to work closely with the Legislative and Executive Branches to assure that these reforms remain in place and are not eroded. In addition, the Mutual files amicus briefs with the state Supreme Court when appropriate so that your voice is heard by the Judicial Branch. Physicians must remain vigilant with respect to the medical professional legal environment so that the healthcare delivery system in our state can continue to serve the healthcare needs of West Virginia citizens for years to come.

Your Mutual's outstanding results over this ten year period are not accidental. The Board of Directors has deliberately governed in a manner that puts patient and physician interests first. This, coupled with Executive Management's experience in insurance company operations, gives your Mutual a distinct advantage over out-of-state companies that are more concerned with profits than the protection of West Virginia citizens.

As owners of the Mutual, West Virginia physicians can be very proud of its success. You own a financially sound insurance company that provides services to its policyholders that extend far beyond insurance protection. The Mutual's success is a testament to the hard work and efforts of the West Virginia physician community to make healthcare in our state the best it can be.

A handwritten signature in blue ink that reads "Camara A. Hoffman". The signature is written in a cursive, flowing style.



2014 STRENGTH

OPERATING HIGHLIGHTS

Strong Market Presence

The West Virginia Mutual Insurance Company remains the premier medical professional liability insurer in West Virginia. The Mutual is a stable and predictable mutual insurance company that is unlike the many commercial insurance companies owned by stockholders that previously insured West Virginia physicians for a period of time. These commercial companies either exited the state when times became difficult or increased their premiums to the point of being unaffordable. This reliability has assisted in the recruitment and retention of many new physicians. Physicians are moving to our state from other areas and many of our West Virginia trained and educated medical school graduates are choosing to remain here as opposed to moving elsewhere to practice. The West Virginia Mutual is owned by and predominately governed by West Virginia physicians. Any profits generated by the insurance operations of the Mutual are returned to West Virginia physicians in the form of lower premiums, excellent policyholder services and ownership in a financially sound, successful insurance company. No profits are passed on to out-of-state investors. Having a successful insurance company owned by West Virginia physicians has assured that our citizens will continue to have access to quality healthcare in the future.

Financial Strength

The West Virginia Mutual Insurance Company began operations in July, 2004. Since that time, the Mutual has significantly grown assets and policyholder surplus, which is the capital that secures the financial integrity of the Company, while substantially reducing policyholder premiums, providing excellent services to West Virginia physicians, and repaying the original surplus loan from the State. This has been accomplished by a strong, physician-led Board of Directors with physician involvement in underwriting, claims and risk management, as well as an experienced and knowledgeable executive management team well versed in insurance company operations. The Mutual's achievement of an A.M. Best A- (Excellent) rating from the country's foremost insurance company rating agency confirms its strong financial standing. While West Virginia physicians can be very proud of their insurance company's successes over the past ten years, it is imperative that the Board and Management stay focused on any changes that occur in the legal environment that may cause financial concerns.

Premium Relief

The West Virginia Mutual Insurance Company has been able to reduce premiums in each of the past nine years, either through base premium reductions, renewal credits, or dividends that have provided West Virginia physicians with much needed premium relief. The base premium reductions are in addition to a renewal credit of fifteen percent granted in each of the past two years. Furthermore, a \$6.25 million dividend was paid to West Virginia policyholders in 2014. The premium decreases, renewal credits and dividends have resulted in premiums for certain specialties being reduced by more than fifty-five percent since 2004. These unprecedented

SECURITY

OPERATING HIGHLIGHTS



premium reductions have been achieved while continuing to maintain the financial integrity of the Company and repaying all outstanding debts. It is through effective underwriting, risk management and claims administration, with physician Board oversight, that the Mutual continues to accomplish its goal to provide sustainable and predictable insurance protection to West Virginia physicians.

Market Expansion

The West Virginia Mutual Insurance Company has expanded into the adjoining states of Kentucky, Ohio and Virginia to enable physicians who practice in West Virginia and in one of these border states to be insured by the Mutual for their entire medical practice. It is very important that your Mutual has the ability to provide our valuable insurance protection, outstanding Risk Management and superior Claims services to these physicians.

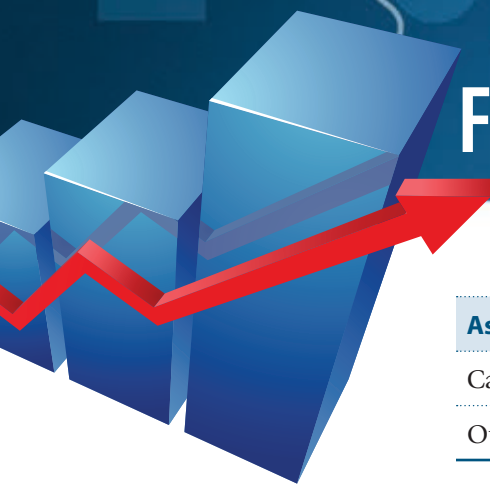
Risk Management

The West Virginia Mutual Insurance Company continues to expand our innovative Risk Management programs. Insured physicians can gain valuable information and earn premium credits by participating in various programs, including free on-line CME courses, on-site office visits, loss control seminars, HIPAA training and our flagship program, C.A.R.E.[®]. These cutting edge programs assist physicians in controlling their exposure to potential claims while enhancing the physician-patient relationship and earning both CME and premium credits. In 2013, the Mutual was awarded a BRIM Agreement to provide risk management services to State employed healthcare providers and State owned facilities. The Mutual's success in obtaining this Agreement was mostly due to the quantity and quality of our risk management services and programs. Since this program began, the Mutual has provided many risk management services to these healthcare providers and entities.

Legislative Advocacy

The West Virginia Mutual Insurance Company remains a strong advocate for West Virginia physicians in both the legislative and executive branches of government, the only medical liability insurance company in our state that does so. The Mutual Board and Executive Management continue to meet regularly with legislative leaders and individuals in key executive and regulatory positions within State Government. Where appropriate, your Mutual files amicus briefs when attacks are made on the civil justice reforms that have stabilized the legal environment in West Virginia. It is critical that we continue to monitor issues that can have an impact on healthcare and insurance in West Virginia. The Mutual continues its vigilance as matters arise that affect both physicians and their patients.

2014 STABILITY FINANCIAL HIGHLIGHTS



Assets	2014	2013
Cash and Investments	\$164,750,000	\$169,914,000
Other Assets	8,461,000	11,091,000
	\$173,211,000	\$181,005,000
Liabilities		
Loss & Loss Expense Reserves	\$49,701,000	\$47,108,000
Unearned Premiums	19,577,000	19,764,000
Other Liabilities	5,496,000	9,028,000
	74,774,000	75,900,000
Policyholders' Surplus		
Paid in and Contributed	7,651,000	7,651,000
Other	90,786,000	97,454,000
	98,437,000	105,105,000
	\$173,211,000	\$181,005,000
Written Premium	\$25,644,000	\$26,463,000
Earned Premium	20,390,000	24,142,000
Loss & Loss Expense Incurred	22,586,000	16,693,000
Underwriting Expenses	7,250,000	7,436,000
Net Investment Income	5,742,000	5,953,000
Dividends to Policyholders	6,250,000	7,538,000
Statutory Income before Income taxes	(9,954,000)	(1,572,000)
Federal Income Taxes	(4,269,000)	(2,003,000)
Net Income (loss)	(\$5,685,000)	\$431,000

CELEBRATING 10 YEARS

With an ever-changing healthcare landscape, one of the most valuable benefits of the West Virginia Mutual Insurance Company is its focus on long-term stability.

For ten years, the Mutual has enhanced policyholder services, fought for physicians' interests and provided significant, long-term premium relief and stability. Our unwavering pledge to protect our policyholders and to find new ways to support our physician owners continues into the future.

DEDICATED 2014

BOARD OF DIRECTORS

R. Austin Wallace, M.D.

Chairman, President and CEO

Robert L. Wheeler, M.D.

Vice-Chairman

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Secretary

B. Frederick Becker

Hans G. Dransfeld, M.D.

Joseph V. Funderburk, III

Robert L. Ghiz, M.D.

Tamara D. Huffman, CPCU

Executive Vice President and COO

Bruce R. Martin, CIC

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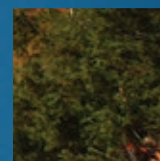
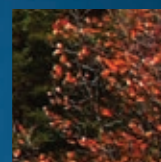
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