

QUARTERLY COVERAGES

FALL2013

WEST VIRGINIA
mutual
Insurance Company

(888) 998-7642 • www.wvmic.com



Unless you have been out of touch, say trekking through the Himalayas, I am sure that by now you are aware that the West Virginia Mutual's Board of Directors declared a \$7,500,000 dividend for those who were West Virginia policyholders on October 10, 2013. Heretofore, we have, in essence, been returning premium to you, our insureds and therefore our owners, by giving a renewal premium credit. This credit was 12% in 2012, and it rose to 15% for those renewing in 2013. The recently declared dividend is in addition to the 15%, which will also be in place for calendar year 2014.

All of this has been made possible by a combination of factors that has led to very significant financial success for your Mutual over the past 10 years. First and foremost, we insureds have been the beneficiaries of excellent management,

Letter from the Chairman: 2013 Dividend Declared

both financial and otherwise. Your Mutual's senior management and Board have resisted trying to match the ridiculously low and unsustainable premiums that have been promulgated by some of our competitors in West Virginia. Our philosophy has been, and will continue to be, to make our premiums as low as is actuarially sound, which apparently is not the case with a number of other companies doing business in our state.

As should be obvious, our overarching mission is to be there for West Virginia physicians over the long term, whereas multiple medical malpractice insurance companies in the past have either gone out of business or abruptly left the state when the tough times hit. Indeed, the medical liability insurance business is a cyclical one, and tougher times are sure to come. By virtue of our very prudent financial management, we have been able to grow a surplus that is now at a level which should ensure our ability to weather an adverse market change.

Indeed, there may be some indications that we are beginning to see the start of such

changes in West Virginia, as there has been an uptick in malpractice lawsuit frequency in our state over the past few years for all healthcare entities. However, because of excellent underwriting, risk management services, and claims handling, your Mutual has been able to avoid any increase, with our frequency remaining flat to slightly decreased. As I usually state in Risk Management seminars at which I speak, pat yourselves on the back, since by all appearances, you are better as a group than the physicians insured by other companies.

The dividend check should arrive to you by December 15, 2013, and it should be noted that the amount of the dividend as a percentage of premiums would have been the largest in the nation among our peer PIAA companies in calendar year 2012. I am confident that this will also be the case when the 2013 statistics are in. You should be justifiably proud that your Mutual is among national leaders with regard to this and several other categories.

We are "Physicians Insuring Physicians."

R. Austin Salaco, MD

\$7,500,000 Policyholder Dividend Announced

On October 10, 2013, the West Virginia Mutual Insurance Company Board of Directors approved the payment of a \$7,500,000 dividend for 2013. West Virginia policyholders insured on that date will receive a check for their portion of the dividend by December 15, 2013.

"This is yet another milestone for our Company," said R. Austin Wallace, Chair, CEO and President. "By working with our policyholders, we have created a Company committed to providing excellent medical professional liability coverage and related services to West Virginia physicians."

The Mutual was created in 2004 during the State's malpractice crisis when professional medical liability insurance carriers were exiting West Virginia, leaving many physicians without coverage. Since then, the Mutual has delivered on its promise of premium relief and stability for physicians.

In 2011, the Mutual received the A.M. Best Company rating of A- "Excellent" placing it among the most financially secure insurance companies in the United States.

"West Virginia physicians can rest assured they have a successful, financially sound insurance company available to protect them for years to come," said Wallace.

FREQUENTLY ASKED QUESTIONS 2013 West Virginia Mutual Insurance Company Dividend:

Who determines if a dividend will be issued and how much will be paid? The West Virginia Mutual Insurance Company Board of Directors determines if a dividend will be declared and what the amount will be.

How was the dividend calculated and who will receive it? On October 10, 2013, your physician-led Board of Directors approved the distribution of \$7,500,000 in the form of a dividend to West Virginia policyholders in force on that date. Individual policyholders will receive an allocation of this amount based on the physician base premium.

To what address will the dividend be mailed? The check will be sent to the last address provided by the policyholder to the West Virginia Mutual Insurance Company.

When will I receive my dividend check? You should receive your dividend check by December 15, 2013.

It's after December 15, 2013, and I have not received my dividend check. What should I do? Please contact the West Virginia Mutual Insurance Company Accounting Department at 1-888-998-7642. We will gather the

necessary information and explain how this situation will be handled.

Will I receive a Form 1099 if I have received a dividend check? Will I have to claim this dividend on my taxes? The policyholder dividend you receive is a return of premium which reduces your professional liability insurance expense. This amount will be reported to the IRS on Form 1099-MISC. Please consult your tax advisor regarding the proper treatment of this item for tax purposes.

What can I do if my check is lost, damaged or destroyed? You may contact the West Virginia Mutual Insurance Company Accounting Department at 1-888-998-7642, and we will request a stop payment on that check and reissue a new dividend check as quickly as possible.

What Physicians Are Saying About the WVMIC Dividend

"I'm calling to tell you that I think the Mutual has done a great job. I have called in the past and voiced my concern about my rate, but I hung in there and remained a policyholder. I'm really glad I did. Now I understand what you have been trying to do for us. The dividend is great. I really appreciate it."

– Charleston, WV policyholder

"That's excellent news. Thank you. That is definitely going to make a difference in my practice this year."

– Logan, WV policyholder

"Really? Wow. That's terrific. This is really significant. Thank you."

– Parkersburg, WV policyholder

HIPAA Privacy and Security Information Available to Policyholders

The HIPAA Omnibus Final Rule released in September contains new guidelines that affect how covered entities should manage privacy and security protections for health information.

As a service to policyholders, the West Virginia Mutual Insurance Company can provide

your practice with sample materials related to HIPAA compliance.

The Mutual also regularly provides Office Staff Inservice Programs regarding HIPAA, Privacy and Security and Protected Health Information (PHI).

The information provided is general information and highlights best practices and is not intended to provide legal advice.

Contact the Mutual at 888-998-7642 for more information regarding these services.



\$250,000 Privacy and Security Endorsement

The Endorsement protects Mutual policyholders against regulatory and liability claims arising from the theft, loss or accidental transmission of confidential patient or financial information, as well as the cost of data recovery.

The Mutual is proud to offer this industry leading coverage enhancement at no additional

cost, as the regulatory environment regarding information privacy and security continues to evolve.

** The Privacy Protection and Network Security Endorsement stipulates coverage and limitations. This endorsement is part of the insurance contract and supersedes any language contained in this publication.*



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**Private Practice Medicine Remains Strong Despite Increase
in Hospital Employment**
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In September 2013, the American Medical Association (AMA) released data from a study regarding physician practice arrangements. The new study showed that private practice medicine remains strong despite an increase in hospital employment.

This is the first nationally representative study of physician practice arrangements in five years.

The new data showed that while there has been an increase in hospital employment, more than half of physicians were still self-employed in 2012, and 60 percent worked in practices wholly owned by physicians.

The study did highlight a trend toward more hospital employment during the last five years. In 2012, 29 percent of physicians worked either directly for a hospital or for a practice that was at least partially owned by a hospital. A 2007 /

2008 AMA survey found that 16.3 percent of physicians worked under direct hospital employment or in a hospital-owned practice.

The study also showed that single specialty practice was the most common practice type in 2012, accounting for 45.5 percent of physicians and that 18 percent of physicians were in solo practice. This study is part of the AMA's Policy Research Perspective (PRP) series, which is available online at www.ama-assn.org.