



A N N U A L R E P O R T 2 0 1 7

Physicians Insuring Physicians

MESSAGE FROM:
THE CHAIRMAN, PRESIDENT AND CEO



Healthcare providers, especially physicians, have been stressed by healthcare reform over the past few decades, particularly the past few years. Burnout among physicians is at an all-time high in the U.S., so I firmly believe that the stability of your West Virginia Mutual Insurance Company should be very reassuring and most definitely one less thing to worry about in this time of great upheaval.

As I hope you already know, your coverage with the Mutual is among the best in the nation for medical professional liability (MPL) insurance, in that we have expanded coverage to include both administrative defense and cyber liability coverage, with the cyber limit of coverage being \$250,000. This is among the highest in the nation and definitely higher than the other companies doing business in our state. Speaking of our competitors, while there are occasions when these competitors charge a lesser premium, quite often these reduced rates are not carried forward on renewal and the cost of coverage becomes significantly higher than anticipated very quickly. Furthermore, none of our competitors have the state-of-the-industry Risk Management programs that your Mutual provides. Our risk managers are all West Virginia based and, therefore, understand the complexities of our state very well, which is certainly not the case for any out-of-state MPL insurance companies.

Furthermore, there is nothing more important when a claim is made against you than to have West Virginia claims professionals representing you that know our state's unique litigation landscape. Indeed, your Mutual's claims consultants have quite extensive experience in the Mountain State, while

*"You can rest assured that, by virtue of our amazing strength,
we are here for the long-term."*



those of our competitors do not have the focused West Virginia knowledge and expertise that is so vital when claims arise.

Your Mutual Board of Directors governs our company, and there are seven physicians on our Board out of eleven total Directors. These physicians, who all practice or have practiced in West Virginia, are ultimately making decisions about the company's direction, again making your Mutual unique.

Furthermore, we are unique in both legislative advocacy and judicial support in our state, as we very closely monitor threats to our hard-fought and hard-won medical liability civil justice reforms and to the much-improved composition of our Judiciary. We are virtually always alone regarding filing amicus briefs in support of defense to court cases challenging our tort reforms in state courts.

Finally, our company is again very unique in our transparency and the access that you, as our insureds and owners, have to our Management team, which is, by the way, second to none, and also to me as President and CEO of the Mutual. It continues to be our privilege to serve you in our very successful mission of providing "... professional liability insurance to healthcare providers on a sound and enduring basis." You can rest assured that, by virtue of our amazing strength, we are here for the long-term, and that we remain *Physicians Insuring Physicians*.

R. Austin Wallace, MD

Physicians Insuring Physicians

**MESSAGE FROM:
THE EXECUTIVE VICE PRESIDENT AND COO**



I want to thank you for allowing me the great honor to serve you, the physician owners of the West Virginia Mutual Insurance Company, as your chief operating officer. It is truly a privilege to serve you in this capacity. Every year that passes reaffirms the reason this Mutual was formed and the good work it has done by stabilizing West Virginia's historically volatile medical malpractice environment, reducing premiums over these fourteen years, expanding your insurance protections for risks you encounter every day through the use of technology, returning profits to you in the form of dividends and representing you when challenges arise that are against your interests and the interests of your patients.

Your Mutual is owned by you, its physician insureds, is governed by physicians who serve on the Board of Directors, and is managed by a physician who performs the duties of CEO and President. This Mutual is truly physicians insuring physicians. There are so many reasons you should be very proud of the success of your company. Out-of-state, stockholder-owned companies have a history in West Virginia of being profitable for a time, returning those profits to their stockholders, and exiting West Virginia when profits disappear. To the contrary, your Mutual has experienced financial success, but instead of sending the profits to unknown investors, we have returned those profits to you, the physicians who own this company. Also, your Mutual developed its business plan to ensure we are the enduring source of medical professional liability insurance coverage for physicians in our great state. We will be here for you in good times, and we will stay when times are more difficult.

Our physician-led Board strongly believes that risk management and patient safety best practices are the most effective way to prevent malpractice litigation. As a result, WVMIC provides industry-leading educational services and programs that assist you in your practice of medicine. Being physician focused, the Mutual has a keen understanding of the impact a claim has on a physician. Our claims consultants are second to none when it comes to understanding the claims process and assembling a top notch team of experts to represent you. In fact, every employee of your Mutual is dedicated to serving you, our physician owners, in a conscientious and professional manner. You are our number one priority.

You should be very proud of the accomplishments of your Mutual. You have a successful, financially sound insurance company that puts the interests of physicians and their patients first. With the success of the Mutual, West Virginia physicians prove that a commitment to excellence through hard work and dedication will make healthcare in our state the best that it can be.

A handwritten signature in blue ink that reads "Jamaral A. Huffman". The signature is fluid and cursive, written in a professional style.

2017

FINANCIAL HIGHLIGHTS

Assets	2017	2016
Cash and Investments	\$158,957,000	\$163,288,000
Other Assets	2,725,000	4,009,000
	\$161,682,000	\$167,297,000
Liabilities		
Loss & Loss Expense Reserves	\$52,911,000	\$43,961,000
Unearned Premiums	14,788,000	17,208,000
Other Liabilities	3,587,000	8,838,000
	71,286,000	70,007,000
Policyholders' Surplus		
Paid in and Contributed	7,651,000	7,651,000
Other	82,745,000	89,639,000
	90,396,000	97,290,000
	\$161,682,000	\$167,297,000
Written Premium	\$20,759,000	\$24,056,000
Earned Premium	17,924,000	19,095,000
Loss & Loss Expense Incurred	25,531,000	18,065,000
Underwriting Expenses	5,979,000	6,916,000
Net Investment Income	4,892,000	4,930,000
Dividends to Policyholders	-	1,000,000
Statutory Income before Income taxes	(8,664,000)	(1,894,000)
Federal Income Taxes	(\$452,000)	(\$428,000)
Net Income (loss)	(\$8,212,000)	(\$1,466,000)

OPERATING HIGHLIGHTS



Strong Market Presence

The West Virginia Mutual Insurance Company remains the premier medical professional liability insurer in West Virginia. WVMIC is your physician-owned, physician-governed and physician-managed mutual insurance company. The Mutual provides a stable and predictable commercial insurance company that is unlike the many commercial stock companies that previously insured West Virginia physicians but then left the State when times became difficult or increased their premiums to the point of being unaffordable. Unlike stockholder-owned commercial insurance companies that exited West Virginia when their financial results were not as desired, the Mutual is committed to staying in West Virginia to provide this very important medical professional liability insurance coverage to physicians who have chosen this beautiful state as the place where they want to live and practice. An extremely important benefit of insuring with the Mutual is that any profits generated by the company are not passed on to out-of-state investors, but remain here in West Virginia to provide affordable premiums, excellent policyholder services and physician ownership in a financially sound, successful insurance company that places the interests of its West Virginia physician owners above any other interests. 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

Since inception the Mutual has significantly grown assets and policyholder surplus, 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. Due to these excellent financial results, A.M. Best awarded the Mutual an A- (Excellent) rating several years ago confirming its strong financial standing, and this rating continues today. As good stewards of your premium dollars, your Mutual understands and is committed to maintaining a strong balance sheet so when adverse situations arise, you have the assurance that this company will be there for you. West Virginia physicians can be very proud of their insurance company's successes.

Premium Relief

The West Virginia Mutual Insurance Company has been able to significantly reduce premiums over its thirteen-years and has held premiums stable in recent years even when claims frequency and severity have risen. The reduction and stabilization of premiums are due to the Mutual's strong financial position. In addition to maintaining affordable premiums, West Virginia Mutual has returned \$14,750,000 to its policyholders in the form of dividends. No other medical professional liability insurance company has ever paid dividends to physicians in our state and no other MPL insurance company is paying dividends now. West Virginia physician owners of the Mutual have shared in the success of the company. This is in stark contrast to other commercial investor-owned insurance companies that send West Virginia physician premium to out-of-state stockholders. These unprecedented premium reductions and payment of dividends have been achieved while maintaining 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 has accomplished their goal of providing sustainable and predictable insurance protection to West Virginia physicians.



Risk Management and Patient Safety

Since 2004, the Mutual has been committed to providing best-in-class risk management programs to our insured physicians. The many program offerings are aimed at reducing the risk of the practice of medicine and improving patient safety. In addition to our risk management seminars, office consultations, HIPAA training, and our C.A.R.E.[®] program, our experienced risk management professionals serve as resources to our policyholders and their staff when questions and issues arise. More than 88% of our insured physicians participate in these outstanding programs, which is verification of the quality of the programs and our risk management team.

Claims Expertise

We take allegations against our insured physicians very seriously. When a claim arises, the Mutual understands that your reputation and livelihood are on the line. The Mutual's claims consultants are West Virginians and are extremely knowledgeable and familiar with medical malpractice litigation. They will lead you through every step of the litigation process. The consultants, in collaboration with you and your defense counsel, will chart a path that provides you aggressive representation every step of the way. Your team will conduct an extensive review of the standard of care in your case and formulate an effective defense strategy. This knowledge will allow sound decisions to be made regarding your case in a fully informed manner.

Adapting to Change

First and foremost, WVMIC is a Medical Professional Liability Insurance Company providing exceptional insurance protection, as well as industry-leading risk management services and aggressive claims representation to West Virginia physicians. However, the delivery of healthcare is changing rapidly, and we must adapt to these changes. We understand the enormous pressures placed on physicians today as you provide healthcare to the citizens of our great state. Your Mutual is committed to providing protection to you in this changing environment. With more physicians being employed by healthcare facilities such as hospitals and corporations that contract physician services, WVMIC has expanded to insure these entities. This expansion allows the Mutual to afford valuable insurance protection to more physicians, which will provide more stability within the insurance market. The Mutual's Mission states that it will "provide professional liability insurance to healthcare providers on a sound and enduring basis." WVMIC considers it a necessity to adapt to the many changes in healthcare to ensure that we will be the physician-focused insurance company preferred by West Virginia physicians for many years to come.

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 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.

P H Y S I C I A N D R I V E N

BOARD OF DIRECTORS

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Tamara D. Huffman, CPCU
Executive Vice President and COO

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