



ANNUAL REPORT



MESSAGE FROM THE CHAIRMAN

I am very pleased to present to you this second annual report. The news from the Mutual is positive. Through careful planning and execution, the Mutual Board and executive management have been able to strengthen surplus, insure more physicians, successfully defend or settle claims and establish a cutting-edge risk management program. Each of the above has enabled the Insurance Commissioner to approve the Mutual's request for the first premium reduction West Virginia physicians have experienced in many years.

Your Board of Directors consists of six practicing physicians and five business executives. These individuals are committed to the success of your Mutual and have devoted many days throughout the year to its governance. The executive staff has brought experience and professionalism to the management and operations of the company and has established this Mutual as the premier insurer of physicians in West Virginia.

I am optimistic about the future of the Mutual and healthcare in West Virginia. But we should remain vigilant. We must work together to preserve the civil justice reforms that we worked so hard to achieve by electing a legislature and judiciary that are favorable to physicians and their patients. We must manage the risks of our medical practices which will control the frequency and severity of lawsuits assuring the financial integrity of the Mutual and allowing additional premium relief.

We are physicians insuring physicians. It is with great pleasure that we present this annual report to you, the policyholders and owners of the West Virginia Mutual Insurance Company.

Robert L. Ghiz, MD
Chairman



MESSAGE FROM THE PRESIDENT

Now we must concentrate on keeping the hard won tort reforms so valued by the physicians of West Virginia. We must put special emphasis on risk management programs that control costs and minimize adverse outcomes. Your Board of Directors has worked tirelessly to represent you, the policyholder, and they will continue their efforts to control costs and provide high quality, professional support whenever needed by the Mutual's physicians.

I am honored to serve as CEO for this exciting venture. I value the excellence characterized by the Board and managers we have here in the Mountain State. We all pledge our best efforts to continue the good work of the Mutual and we look forward to another successful year.

David L. Rader
President

The Mutual's management joins Dr. Ghiz in expressing our pleasure in presenting our second annual report. By any measure this has been a good year for the West Virginia Mutual Insurance Company. The Mutual is stronger now than it has ever been and the prospects for the future are bright. We have more policyholders and more financial strength than we had last year. We have managed claims in a manner that has kept total costs to a minimum and we have been able to provide a rate decrease for the first time in many, many years.

Our special relationship with Acordia has provided cost savings through economies of scale that we can pass back to our policyholders. Underwriting and claims operations have been focused on customer service and we have met or exceeded all expectations for growth and stability.



Strong Market Presence

The West Virginia Mutual Insurance Company has established itself as the premier medical liability insurer in West Virginia. The Mutual now insures 1,650 physicians, representing more than sixty-five percent of the physicians in West Virginia who purchase medical liability from commercial insurance companies. In addition, the Mutual has almost doubled its invested assets and has increased policyholder surplus by more than twenty percent, securing the financial integrity of the company.

Premium Relief

Through careful management and effective underwriting and claims administration, the Mutual has been able to lower base premiums by five percent. The Mutual applied for a premium reduction and the Insurance Commissioner granted the reduction effective January 1, 2006. This much needed premium relief is the first that West Virginia physicians have experienced in many, many years.

Legislative Advocacy

It is critical that the Mutual be constantly aware of the happenings within the Executive and Legislative branches of state government that relate to insurance matters. Mutual management stays connected to the Legislative process, meeting regularly with various Legislative leaders and individuals in key executive and regulatory positions. The Mutual supported the "Open Communications" bill that passed in the 2005 regular legislative session and was signed by the Governor. This legislation permits a physician to communicate freely with a patient and their family when an adverse outcome occurs. The expressions of sympathy cannot be used against the physician if a suit arises.

Expanded Market

The West Virginia Mutual desires to provide medical liability insurance to as many West Virginia physicians as possible. Sometimes a physician does not meet our underwriting standards. For those physicians who are not approved for coverage, the Mutual has arranged an alternative program with a reinsurer who specializes in extraordinary risks. This arrangement allows the physician to enjoy the coverage and reporting (tail) terms of the Mutual that would otherwise not be available.

Risk Management

The Mutual has embarked on an aggressive risk management program in 2006. The program includes various credits for participation in different components, including an Early Intervention program enabled by the Open Communications legislation, online educational courses for physicians and their staff, use of state-of-the-art technologies and office risk management evaluations. These cutting-edge programs will allow insured physicians to earn up to ten percent premium credit and will assist in controlling the risks inherent in the practice of medicine.

FINANCIAL HIGHLIGHTS

Assets	2005	2004
Cash and Investments	\$118,578,000	\$101,011,000
Other Assets	9,574,000	5,573,000
	<u>\$128,152,000</u>	<u>\$106,584,000</u>
Liabilities		
Loss & Loss Expense	\$53,608,000	\$44,231,000
Unearned Premiums	23,572,000	21,996,000
Other Liabilities	5,640,000	8,124,000
	<u>82,820,000</u>	<u>74,351,000</u>
Surplus		
Surplus Notes	26,100,000	24,000,000
Paid in and Contributed	7,470,000	7,361,000
Other	11,762,000	872,000
	<u>45,332,000</u>	<u>32,233,000</u>
	<u>\$128,152,000</u>	<u>\$106,584,000</u>
Written Premium	\$55,076,000	\$77,990,000
Earned Premium	40,429,000	52,850,000
Loss & Loss Expense Incurred	16,203,000	45,549,000
Underwriting Expenses	9,975,000	4,537,000
Net Investment Income	3,109,000	609,000
Statutory Income before Income taxes	17,360,000	3,373,000
Federal Income Taxes	6,210,000	4,258,000
Net Income (loss)	<u>\$11,150,000</u>	<u>(\$885,000)</u>

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