



A Time-Tested, Rock-Solid Foundation.

2021 Annual Report



Physicians Insurance
A MUTUAL COMPANY

Greetings, Colleagues.

It's been a challenging couple of years. All of us who deliver care have felt the impact of the pandemic, not just professionally, but personally, too—whether mentally, financially, or both. Yet we have continued in our dedication to serve and support our patients with every ounce of our energy—and that includes you. Thank you for all that you continue to do.

While I think we're all cautiously optimistic that we're now turning a corner, there is still work ahead. The social shifts, staffing upheavals, and sheer magnitude of other changes we've all faced have been astounding—and these changes have brought far-reaching and even unforeseen effects. In circumstances like these, the importance of having a strong partner supporting us in our potential liability has never been more evident.

As your chairman,

I can confidently say that Physicians Insurance is in your corner. Throughout the pandemic, they have provided unwavering support to providers. Early on, the company seamlessly transitioned to a virtual work environment without missing a beat. To support its policyholders, the team also made quick adaptations to its approaches and tactical toolkit, such as conducting virtual risk evaluations and effectively navigating trials via videoconference. Even knowing when it was strategically important to hold out for in-person meetings or hearings, they have shown that they continue to keep physicians' best interests at heart. Speaking personally, it's a relief to know that they will care for me with the same dedication

and service that I vowed to deliver to my patients when I chose a career in medicine.

Anticipating and planning for the future of medicine has only become more complex in recent years. We've witnessed and contributed to some amazing advancements, and more are coming. We've watched as the world—realizing the interconnectedness of global health—pulled together to slow a pandemic's spread. And whether we wanted to see it initially or not, we now know how telehealth can transform care in some instances. Given all the pivotal milestones we have experienced during our careers so far, we know there are ever more risks we'll continue to navigate. But we don't face those risks alone.

Physicians Insurance is your trusted partner,

whether you are defending a claim or have questions about potential risks in this constantly morphing landscape. Founded in the Pacific Northwest—and founded by you—Physicians Insurance continues to put you, its policyholders and owners, front and center. As we physicians look forward to the chapter beyond the pandemic, you can count on Physicians Insurance continuing to be there with you every step of the way.



David Carlson, DO

Family Medicine

Board Chair of Physicians Insurance

CEO Market Update

Dear Members,

As Chief Executive Officer of Physicians Insurance, I am proud to say that despite ongoing market challenges, we remain steadfast in providing you with the best insurance coverages available, superior claims servicing, unparalleled risk-management resources, and an emphasis on always putting our members—our policyholders—first. Our goal is to protect your reputation and personal assets, to defend you, and to help improve patient outcomes and limit future liability.

It is the strength of our balance sheet—we are approaching \$290 million in policyholder surplus—and our ability to maintain our A- (Excellent) rating with AM Best that allows us to deliver unwavering support.

Successfully Managing a Tough Market

Significant expansion of claim severity has continued to impact the medical community. As we emerge from the pandemic, issues like social and macro-economic inflation, nuclear verdicts, and third-party litigation financing against the healthcare community persist.

Widespread inflation of loss costs in the last several years has continued to create challenges in our operating performance, specifically impacting our underwriting income. To protect policyholder surplus, we made the difficult decision to take a year without a dividend, but are working hard to return to this long-held practice of giving back to our members.

Notwithstanding the tough market, the company's efforts to increase our investment returns have been successful. I am happy to report that this, combined with a keen focus on managing expenses, has led to a positive net income result overall.

The Meaning of Membership

Physicians Insurance is a mutual company. What this means to you, our policyholder, is that you own a portion of the company. This gives you a vote every year in our leadership. It means we rely upon committees of insureds like you to help guide the direction of our work. And it means that we answer to a board that consists primarily of medical professionals.

In short, it means we put you at the center of our work, measuring our success by your success.

7,600+
Physicians

65
Hospitals

350+
MPL Clinic Entities
And Facilities

Maintaining Our Strength

We took considerable steps in 2021 to maintain our financial health and ongoing growth. We continued our focus on appropriate pricing to improve our underwriting results and combat deteriorating reserve development. We directed our attention to risk quality by nonrenewing business and exiting business lines outside our risk-management standards or pricing needs. We remain committed to growth through a geographic diversification strategy targeting new communities with promising opportunity. Most importantly, our risk-retention group, MedChoice, continues to play an important role in expanding our national presence beyond our anchor states in the Pacific Northwest.

These efforts to hone risk selection, pricing, and expense management deliver on the ultimate goal of dedicating more of your premium dollars to protective services and the management of claims. In 2021, our risk-management team expanded tools for risk assessments and logged hundreds of support touchpoints. At the same time, our claims managers persevered to resolve claims, both virtually and in person.

In its basic form, insurance is a simple promise to stand behind our policyholders. Ensuring the long-term financial strength needed to deliver on this promise with reliability and expertise is a key priority for us every day.

In closing, let me express my gratitude to you, our owners and members of the medical community, for the incredible work you've done and sacrifices you have made and continue to make in caring for our communities. Our job is to protect and defend you during difficult legal circumstances as you pursue your life's work. It is an honor to be of service to you.



William Cotter

President and CEO

Physicians Insurance A Mutual Company

90
Employees
Servicing Members

**OVER 20
YEARS:**

14,158
Claims reported

94%
Success at Trial

81%
Claims Closed
Without Payment

Financial Summary

Financial Strength Rating
A- (Excellent) AM Best Company

2021 Financial Highlights

Gross Written Premium	\$143 million
Claims Paid	\$77 million
Net Income	\$7.3 million
Total Assets	\$583 million
Claims Reserves	\$233 million
Policyholders Surplus	\$287 million

0.38:1
**Premium-to-
Surplus Ratio**

A measure of our financial strength; industry guidelines prescribe a ratio no greater than 3:1

\$105+ million
**Dividends Returned
to Members**

A long history of giving back to our members

.81:1
**Reserves-to-
Surplus Ratio:**

A measure of financial stability

Download our full financial audit at phyins.com/financials.

The Unwavering Ability to Be of Service.

If the pandemic has taught us anything, it's the importance of being flexible. While spring 2020 had insureds pivoting nearly overnight to address either a flood of very sick patients or a shut-down of operations altogether, Physicians Insurance also transitioned to remote work in what seemed like an instant—with few to no reductions in service.

Two years later, we continue to operate in an environment that is forever changed. Throughout this time, we have remained proactive in being of service to our members and brokers during what has been the single most challenging era for healthcare—and possibly for society overall—in recent history.

Continuing the high-touch claims support for which we're known.

As members who have experienced a claim know, the stress of potential litigation can initially seem ominous and overwhelming. However, Physicians Insurance does everything possible to lift the burden. Our experienced team:

Knows what's needed. With a strong sense of what physicians need, our claims team goes the distance to care for our members throughout the process, so they can stay focused on patient health. Always of service to the insured, our claims managers are sensitive to when physicians need a reassuring touchpoint, a peer to connect with, or the opportunity to weigh in on their own defense.

Knows how to pivot. When courthouses put in-person proceedings on hold, we were among the first carriers to participate in virtual trials and depositions, pioneering new ways to best present our cases to virtual juries. Important for the well-being of our insureds, this adaptability kept cases moving toward resolution, despite the systemic delays caused by COVID-19.

“My claims rep did an excellent job with my case.

She made herself available for consultation and gave me very good advice. She helped me prep for my testimony a couple of nights before I took the stand, which I've heard is uncommon for people in her position. I believe that she represented your company's and my interests well.”

MUNEER J. DESAI, MD
MEDICAL DIRECTOR
SKAGIT VALLEY HOSPITAL

2,000+
Risk Support Touchpoints

1,718
Live, Online, Or Simulated
Courses Completed

90
Risk Evaluations

Knows what's best for a case. When necessary for the best outcome, our claims team has pushed for in-person depositions and proceedings to learn more about plaintiffs and their circumstances. Some call it gut instinct; our claims managers call it a years-honed ability to read people.

Managing risk to reduce new threats to you.

Members who have collaborated with one of our risk consultants know the relief of having experts to call or email for guidance. Our risk consultants are highly experienced, many of them having nursing degrees, certifications, and a track record of knowing how to collaborate with insureds to support, improve, or augment their risk-management efforts.

Virtual meetings. In-person visits from our risk consultants have long been a hallmark of our dedication to mitigating risk. However, recent years have demonstrated that no matter where they are, our risk consultants can collaborate with insureds to deliver reassurance in times of doubt, as well as analyses of risk scenarios and education for teams in preparation for potential threats.

Enhanced resources. This year our risk experts honed our in-person assessment offerings, created a self-guided risk-assessment toolkit, and developed position statements informed by defense experts for our Risk Management Resource Library, addressing topics such as electronic fetal monitoring, off-label devices and medication, vaginal birth after Cesarean (VBAC) delivery, and water birth and labor.

Updated cyber resources. As if contending with a global health crisis were not enough, our insureds have faced increases in cyber threats while launching and refining telehealth care at lightning speed. To help protect our members against cyber risk, our updated cyber policy includes access to a new online platform of resources, at no additional cost to members.

“During the pandemic,

our hospital clients faced new challenges from a myriad of areas, such as the need to offer daycare to employees whose children’s schools were closed, reduced operating times, or bed shortages. While addressing a heightened nursing shortage, they even grappled with finding new methods of employee housing for temporary and new employees.

Physicians Insurance’s risk-management team met these challenges by providing our hospital clients with incredible, in-depth analyses of many new potential exposures, then assisted our hospitals to navigate the options for both delivering quality care and mitigating new liabilities for each hospital. Physicians Insurance’s service not only continued during the pandemic—much of it in a remote environment—but, I would argue, the team also stepped up against all obstacles to ensure that our hospital clients continued to receive the risk-management support they needed.”

JIM R. CHESEMORE
SENIOR VICE PRESIDENT, ACCOUNT EXECUTIVE, PARKER SMITH + FEEK

REINSURANCE

5,065

Physicians

178

Hospitals

STOP-LOSS

421,156

Membership
Lives

82,321

Employee and
Dependent Lives

Always your advocate: Government Relations

Advocacy is crucial to ensuring that the concerns of our members and their patients are heard by lawmakers, both nationally and in the states in which we provide coverage. We have a dedicated Government Relations program with an in-house lobbyist who works in partnership with others to be a trusted and valued source of information and ideas for legislators, regulators, and others concerned about our issues. Physicians Insurance is a leading advocate for laws that impact healthcare liability, insurance, and patient safety.

The group of physicians who created Physicians Insurance in 1981, over 40 years ago, envisioned a better way to protect themselves from risk. They created this organization after their own professional ideals: caring for others and being of service to those who desperately needed their expertise. We hold true to those original founding ideals every day, every year. Inspired by the commitment you make each day to those you care for, we're here to care for you.

“Everyone at Physicians Insurance

does such an amazing job, and your support is greatly appreciated. I have always viewed Physicians Insurance as more than just an insurance company, as your team is truly our partner in risk management. The regular support that I have received over the past several years from our dedicated risk-management and claims reps has been phenomenal.”

JASON HALSTEAD, CHC
DIRECTOR OF QUALITY,
RISK, AND COMPLIANCE,
PRIVACY OFFICER/PUBLIC
RECORDS OFFICER
HARBOR REGIONAL HEALTH

“In my experience,

Physicians Insurance provides the highest level of claims-management service to its insureds. The claims representative is, without exception, an engaged and supportive member of the defense team. Physicians Insurance is always ready to spend the resources necessary to fully defend meritless cases and has an amazing track record with defense verdicts. When the case needs to be settled, however, Physicians Insurance works hard to achieve a reasonable and fair settlement in a timely manner. While no one ever wants to have a claim or suit, Physicians Insurance and its claims staff definitely stand by their insureds throughout the litigation journey. ”

LIZ LEEDOM, JD
PRINCIPAL/OWNER
BENNETT, BIGELOW & LEEDOM

2021 Board of Directors

David Carlson, DO
Board Chair
Family Medicine

Bill Cotter
President and CEO
Physicians Insurance
A Mutual Company

Joseph Deng, MD
Anesthesiology

Jordana Gaumond, MD
General Surgery

Jennifer Hanscom
CEO, Washington State
Medical Association

Skip Li, JD
Attorney

Shane Macaulay, MD
Diagnostic Radiology

John Pasqualetto
President, Chairman, and CEO
Seabright Holdings (retired)

Walter Skowronski
President, Boeing Capital
Corporation (retired)

Thank You to Our Outgoing Members

Lloyd David
Executive Clinic Administrator

Ralph Rossi, MD, MPH
Internal Medicine

Welcome to Our Incoming Members

Gary Goin, MD
Family Medicine

Ursula Luckert
Executive Clinic Administrator



Physicians Insurance
A MUTUAL COMPANY

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