

ANNUAL REPORT 2018

# MORE FOR MARYLAND DOCTORS

MEDICAL  MUTUAL  
*Liability Insurance Society of Maryland*

# - THE - MARYLAND LEADER

*owned by*  
MARYLAND DOCTORS

*defending*  
MARYLAND DOCTORS



We are the foremost medical professional liability insurer in Maryland. Since 1975 we have provided comprehensive and affordable coverage, superior risk management resources, personal service, and a gold standard, aggressive claims defense to Maryland Physicians.

# to our members

Your mission has always been to go the extra mile for your patients. You do whatever it takes to make sure that their needs are met. MEDICAL MUTUAL's mission has always been to provide you, our Maryland Insureds, with the strongest possible defense to keep your practice and professional reputation safe. We are especially proud that year after year, we strive to do more for you to recognize your loyalty and commitment – just like you do for your patients.



This past year, not only did we reduce the price you pay for your professional liability coverage, but we added even more policy enhancements, including a new coverage to address the increasing cap on non-economic damages and strong enhancements to the cyber portion of MedGuard.

MEDICAL MUTUAL increased the renewal dividend credit to 20% this year on your renewal policy invoice, up from 15% the year prior. We considerably increased the values of our claims-free discounts. Our special dividend credit for 2019 was 21% – all of this resulting in a lower price for you. Upon your 2019 policy renewal we provided an additional 10% allocation to your *Mutual Advantage Plan* financial reward program account balance.

Starting this year, you have the additional coverage available to you called *Verdict Inflation Protection*. VIP is not just an added coverage to your policy. Unique to Maryland, VIP coverage, in effect, expands your policy limit if you experience a verdict against you from a claim with low economic damages and high non-

economic damages that are at or approach the cap limit. Your MedGuard protection, also included with your policy, has been strengthened to address the new cyber risks Doctors now face. From cyber breach response expenses and cyber extortion to data recovery, MedGuard is more robust than ever and ready to defend your practice.

Doing more for you isn't just the theme of our annual report. It's the philosophy behind everything we do. We believe there is so much more that we have to offer, including our gold standard claims defense, our Maryland-based legal and risk management expertise and our enduring advocacy on behalf of you, our Maryland Doctors. MEDICAL MUTUAL is your company, and we never stop trying to do more for you.

Sincerely,

A handwritten signature in black ink, appearing to read "George S. Malouf, Jr.".

George S. Malouf, Jr., M.D., FACS  
Chair of the Board

A handwritten signature in black ink, appearing to read "Jeffrey M. Poole".

Jeffrey M. Poole, MBA, CPCU  
President & Chief Executive Officer

## letter highlights

20% renewal dividend and 21% special dividend for 2019 renewals

Both tiers of claims-free credits enhanced for Insureds

VIP coverage introduced to reduce your uninsured exposure

*Mutual Advantage Plan* accounts grow with additional 10% allocation

## VIP REDUCES YOUR UNINSURED EXPOSURE

MEDICAL MUTUAL's new *Verdict Inflation Protection* (VIP), a coverage feature of your primary Medical Professional Liability Coverage, puts you in the position you have been historically – defending the quality of your medical care in lower economic value cases without concerns about your personal liability exposure above your \$1,000,000 policy limit. VIP expands your policy to provide the non-economic damage amount of a judgment that you become legally obligated to pay in a suit in which the underlying economic damages do not exceed \$250,000. Under VIP, MEDICAL MUTUAL will pay the additional amount of the judgment up to \$300,000 over your \$1 million policy limit. A VIP payment does not reduce your Annual Aggregate Limit.



## ENHANCED MEDGUARD WITH MORE CYBER PROTECTIONS

MedGuard, a defense coverage provided as an adjunct to your medical professional liability coverage, has been enhanced to address new, emerging risks to your practice. The original MedGuard provided coverage in two key areas: (1) Defraying costs associated with expensive administrative proceedings that Insureds or their professional organizations can be subject to, and (2) Coverage of a variety of regulatory and legal obligations related to the breach of electronic or paper records through our *e-dataRESPONSE* product. For 2019, MedGuard has been significantly expanded to also include privacy and security liability, data recovery, network business interruption, cyber extortion and more.



## DIVIDENDS AND CLAIMS-FREE DISCOUNTS INCREASE

MEDICAL MUTUAL was pleased to offer our Insureds both a 20% renewal dividend credit and a 21% special dividend credit for 2019 renewal policies. These dividend credits were possible due to the ongoing stability in claims frequency and the company's continuing positive financial position. For Policyholders with at least five years in private practice, MEDICAL MUTUAL also enhanced the claims-free credits by significantly increasing both tiers of our claims-free discount. The Tier I claims-free discount increased to 20%. The Tier II claims-free discount increased to 12%. Together, the dividends and the enhanced claims-free credits lowered the price for every renewal policy unless the Insured experienced a change in practice characteristics.



## WORKING TOGETHER, STRONGER TOGETHER

MEDICAL MUTUAL was created by the Maryland General Assembly in 1975 as a mutual insurance company owned and directed by the Physicians of this state. We are now one of the oldest and most respected Physician-owned, professional liability insurance companies in the country. We believe one of our special strengths is the personal involvement of our Insureds. A Maryland Doctor serves as our Chair of the Board. Maryland Doctors serve on our Board and Board Committees. Maryland Doctors help present our risk management education programs. MEDICAL MUTUAL operates exclusively in Maryland and our dedication to that mission and the Doctors we serve is absolute.



## MAP REWARDS OUR MARYLAND DOCTORS

MEDICAL MUTUAL created the *Mutual Advantage Plan (MAP)* financial reward program to recognize the commitment of our insured Doctors to the long-term success and stability of the company and to the practice of quality health care. MAP account balances have grown through funding allocations declared by the Board of Directors. Participants in MAP who completed their 2019 renewal received an allocation for 2019 of 10% of each eligible Participant's base premium (including part-time, suspension and government credits) per the underwriting characteristics upon 2019 renewal. The 10% 2019 allocation is in addition to the 10% allocation provided for the 2018 renewal and the initial 70% allocation provided when MAP was first introduced.



## FINANCIALLY STRONG FOR YOUR LONG-TERM PROTECTION

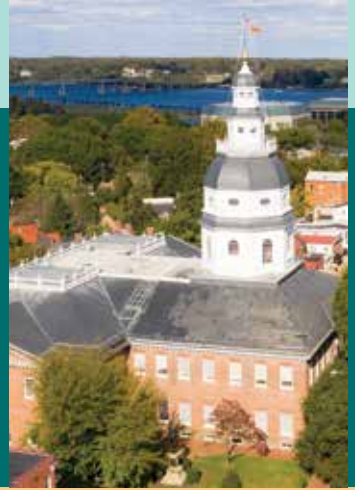
One of the most important requirements for any liability insurer is to remain financially strong and stable. Because claims can take years to resolve, Doctors need to be confident that their insurer will be available for the defense of their practice, both now and in the future. MEDICAL MUTUAL is rated "A" (Excellent) from the A.M. Best Company, the nation's leading independent insurance rating agency, in recognition of our balance sheet strength, operating performance and overall business profile. Our assets and expenses are prudently managed, with responsibly priced products, so that MEDICAL MUTUAL can remain a dependable, long-term source of liability coverage for Maryland Physicians.



*more for maryland doctors*

## YEAR-ROUND ADVOCACY FOR YOU

As a Doctor-owned insurance company with a Doctor-focused mission, MEDICAL MUTUAL strongly believes the voices of our Physician Insureds need to be heard in Annapolis when it comes to the medical professional liability issues that affect their practices. Year-round, MEDICAL MUTUAL labors tirelessly with state legislators and at the Appellate courts to create a more positive and fairer environment for Maryland Physicians. Over the years, working with the MedChi and other organizations, these efforts have been key in positive court decisions and legislation that have helped to improve the delivery of quality medicine and defend Maryland Doctors.



## REDUCING YOUR LIABILITY RISK

The best way to protect your practice from a malpractice claim is to prevent it from happening in the first place. MEDICAL MUTUAL offers a broad selection of risk management education programs and resources to help Maryland Doctors improve the quality of patient care and minimize their potential liability risk every day in every patient interaction. For your convenience, you can choose from live, online or home study programs. Telephone support is available from our knowledgeable medico-legal experts, and you have access 24/7 to a large library of online materials, including podcasts, articles and publications. With MEDICAL MUTUAL, meaningful risk management advice is never more than a call or click away.



## THE GOLD STANDARD CLAIMS DEFENSE

It takes years to become a Doctor and build a successful practice. But, your hard work and sacrifices can be threatened by being the target of a claim or lawsuit. You can face personal financial liability and lasting damage to your professional reputation. With MEDICAL MUTUAL, you have a professional liability insurance company that is absolutely committed to defending good medicine and safeguarding your future. We only work with top local attorneys who specialize in medical malpractice defense – attorneys with the most experience in Maryland courtrooms. And then we provide them with the support needed to prepare a proactive and aggressive defense. The end result: defense verdicts in the vast majority of claims that go to trial.



## EFFICIENT CUSTOMER SERVICE

Doctors practice in a continually changing and ever more challenging health care environment. New regulatory requirements, complex technologies and increasing mounds of paperwork make constant demands on your time. Now more than ever, when you need answers on policy-related or risk management questions, you need a prompt and concise response. That is why MEDICAL MUTUAL has a team of friendly and knowledgeable customer service professionals dedicated to providing you with accurate and timely information. Responding to your needs is our priority, whether by phone, email or in person. And for even more convenience, our new web site offers many helpful resources and time-saving transaction options.



## NEW COVERAGES FOR EMERGING RISKS

The world of medicine is one of constant change. As your coverage needs evolve, we offer products that help meet those needs and ensure your continued protection. In 2018, MEDICAL MUTUAL introduced significant enhancements to your MedGuard coverage and the unique *Verdict Inflation Protection*. For groups wanting higher cyber breach coverage limits to address the work and expense associated with a large breach, MEDICAL MUTUAL offers the standalone *e-dataRESPONSE+* insurance product through our subsidiary Professionals Advocate. All of these coverages are in addition to our high quality individual and group medical professional liability policies, as well as business liability, excess liability, prior acts and tail coverages.



## NEW WEB SITE FOR DOCTORS “ON THE GO”

In 2018, MEDICAL MUTUAL launched a completely redesigned [mmlis.com](http://mmlis.com) web site to make it easier for you to review helpful information about your policy, research important risk management topics, register for an education program, check your current MAP account balance, review a policy form or use the convenient online payment process. The new web site features a modern, responsive web design and offers you a consistent user experience with optimal viewing and interaction on different size screens, including a desktop monitor, laptop, tablet or smartphone. In the members-only area, a personalized dashboard will give you key information “at a glance” about your account and policy.



*more for maryland doctors*

## board

### GEORGE S. MALOUF, JR., M.D., FACS

Chair of the Board, Physician in Comprehensive Ophthalmology in Montgomery and Prince George's Counties, MD

*Comm: EX-Chair, Ex Officio: AU, CL, CO, FB, RM, UW*

### MARY ELLEN M. VALLIANT

Vice Chair of the Board, Managing Partner, Valliant and Associates, LLC, Private Wealth Management Services of Chestertown, MD

*Comm: FB-Chair, CO, EX*

### JEFFREY M. POOLE, MBA, CPCU

President and Chief Executive Officer, MEDICAL MUTUAL

*Comm: EX, Ex Officio: AU, CL, CO, FB, RM, UW*

### KEITH P. ALLEN, ACAS, MAAA, CPCU

Senior Vice President – Actuary, MEDICAL MUTUAL

### ALBERT L. BLUMBERG, M.D.

Retired Radiation Oncologist, Greater Baltimore Medical Center, past President of MedChi—the Maryland State Medical Society, past President of Maryland Radiological Society, past President of American College of Radiology

*Comm: CL-Chair, AU*

### WILLARDA V. EDWARDS, M.D., MBA

Practicing Internal Medicine Physician in Baltimore, MD, past President of MedChi—the Maryland State Medical Society, past President and Chief Operating Officer of Sickle Cell Disease Association of America, past President of the National Medical Association

*Comm: UA-Chair, EX*

## board committees key

AU.....Audit

CL.....Claims

CO.....Compensation and Retirement Plans

EX.....Executive

FB.....Finance and Budget

PN.....Proxy and Nominating

RM.....Risk Management

UW.....Underwriting Advisory

### WALTER J. GIBLIN, M.D.

Practicing Dermatologist in Rockville, MD, member of MedChi, the Maryland State Medical Society, serving as long-term delegate for the Montgomery County Medical Society, past President of the Washington, D.C. Dermatological Society

*Comm: RM-Chair*

### MAURICE L. HAYWOOD, CFA

Managing Director and Senior Portfolio Manager, Brown Capital Management

*Comm: EX, FB*

### PAUL C. MARINELLI, M.D.

Practicing Radiologist in Hagerstown, MD, Chairman, Department of Radiology, Meritus Medical Center and President, Associated Radiologists, PA

*Comm: PN-Chair, CL, UW*

### JOHN W. MCCULLOUGH, CPA

Retired Partner with the international accounting firm of Ernst & Young, LLP

*Comm: AU-Chair, CO, EX, FB, PN*

### ROBERT R. NEALL

Secretary of the Maryland Department of Health, former Senior Advisor to Maryland Governor Larry Hogan, former head of the Office of Transformation and Renewal, former Chief Executive Officer of Priority Partners Managed Care Organization, former Member of Maryland State Senate and House of Delegates, former County Executive of Anne Arundel County

*Comm: CO-Chair, AU, EX, FB, PN*

### GENE M. RANSOM, III, ESQ.

Chief Executive Officer of MedChi—the Maryland State Medical Society, former member and President of the Queen Anne's County Commission

*Comm: FB, RM*

### HUGO J. WARNS, III, CFA

Senior Vice President – Global Head of Equities of Stifel, Nicolaus & Company, Inc.

*Comm: AU, FB*

### MARK L. WASSERMAN

Senior Vice President – External Affairs of University of Maryland Medical System

*Comm: AU, FB*



## *officers*

**GEORGE S. MALOUF, JR., M.D., FACS**  
Chair of the Board

**JEFFREY M. POOLE**  
President and Chief Executive Officer

**CHERYL F. MATRICCIANI**  
Executive Vice President, Chief Operating  
Officer and Secretary

**MARY LURA DUVALL**  
Senior Vice President, Chief Financial  
Officer and Treasurer

**KEITH P. ALLEN**  
Senior Vice President – Actuary

**JOHN H. CLIFTON**  
Senior Vice President – Claims

**STEVEN P. KEULER**  
Senior Vice President, Controller and  
Assistant Treasurer

**BETH A. ATWELL**  
Vice President – Claims Operations

**JOHN R. FRANKLIN**  
Vice President – Communications

**BENJAMIN C. ROHM**  
Vice President – Underwriting

**ELIZABETH A. SVOYSKY**  
Vice President – Risk Management

**DONALD G. WILSON**  
Vice President – Marketing

**NATALIE A. ROBERTS**  
Assistant Vice President – Accounting,  
Assistant Controller

## *committee consultants*

### *claims committee*

#### **CONSULTANTS**

George H. Bone, M.D.  
Janet Brown, M.D.  
J. Douglas Clarke, M.D.  
Daniel E. Kohn, M.D.  
William D. Lamm, M.D.  
Michael Langbaum, M.D.  
Mark Matsunaga, M.D.  
David McCarus, M.D.  
David S. McHold, M.D.  
John P. O’Hearn, M.D.  
Neil O’Malley, M.D.  
Kevin L. Stitely, M.D.

### *risk management committee*

#### **CONSULTANTS**

Steven M. Berlin, M.D.  
Steven J. Brand, M.D.  
Joseph S. Fastow, M.D.  
Andrew P. Fridberg, M.D.  
Samuel D. Friedel, M.D.  
Louis S. Halikman, M.D.  
Karen H. Klocko, D.D.S.  
Daniel E. Kohn, M.D.  
Kiran G. Kuna, M.D.  
Sarah A. Merritt, M.D.

### *underwriting advisory committee*

#### **CONSULTANTS**

Michael J. Damiano, M.D.  
Jayant B. Desai, M.D.  
Craig A. Dickman, M.D.  
Eugenio S. Machado, M.D.  
Allan Rutzen, M.D.

#### **INDEPENDENT AUDITORS**

Ernst & Young LLP, Baltimore, Maryland



# financials

## Balance Sheets *Statutory Basis / DECEMBER 31*

	2018	2017
<b>ADMITTED ASSETS</b>		
Cash and short-term investments	\$ 32,431,118	\$ 37,283,577
Long-term invested assets	764,342,385	756,537,777
Other assets	29,599,748	31,203,560
<b>Total Admitted Assets</b>	<b>\$ 826,373,251</b>	<b>\$ 825,024,914</b>
<b>LIABILITIES &amp; POLICYHOLDERS' SURPLUS</b>		
Reserve for losses and loss adjustment expenses, net of reinsurance recoverable	\$ 162,664,823	\$ 191,018,181
Reserve for unearned premiums	58,388,063	64,162,898
Deposits received on policies not in force	30,642,716	33,598,206
Dividends payable to Policyholders	140,781,206	110,308,823
Other liabilities	11,010,991	11,619,903
<b>Total Liabilities</b>	<b>\$ 403,487,799</b>	<b>\$ 410,708,011</b>
<b>Total Policyholders' Surplus</b>	<b>\$ 422,885,452</b>	<b>\$ 414,316,903</b>
<b>Total Liabilities &amp; Policyholders' Surplus</b>	<b>\$ 826,373,251</b>	<b>\$ 825,024,914</b>

## Statements of Income *Statutory Basis / DECEMBER 31*

	2018	2017
Premiums earned	\$ 91,545,137	\$ 102,462,751
Losses and loss adjustment expenses incurred	23,254,282	50,824,346
Underwriting expenses	17,315,946	17,957,672
<b>Net Underwriting Gain</b>	<b>\$ 50,974,909</b>	<b>\$ 33,680,733</b>
Net investment income earned and realized capital gains and losses	\$ 19,022,116	\$ 19,146,396
Other income	311,728	255,422
<b>Income Before Dividends to Policyholders &amp; Federal Income Taxes</b>	<b>\$ 70,308,753</b>	<b>\$ 53,082,551</b>
Dividends to Policyholders	\$ 60,000,000	\$ 45,000,000
<b>Income Before Federal Income Taxes</b>	<b>\$ 10,308,753</b>	<b>\$ 8,082,551</b>
Federal income tax	\$ 854,794	\$ 324,279
<b>Net Income</b>	<b>\$ 9,453,959</b>	<b>\$ 7,758,272</b>

The 2018 and 2017 condensed financial statements of MEDICAL MUTUAL have been prepared in conformity with accounting practices prescribed or permitted by the Maryland Insurance Administration. The condensed financial statements have been derived from complete statutory-basis financial statements, which were audited by our independent auditors. A complete set of audited financial statements may be obtained upon request.

# YEAR IN REVIEW

## A

(EXCELLENT)

A.M. BEST RATING

*Confirming sound financial management of your insurance company*

## 15

EDUCATION OPTIONS

IN 2018

*Live, online and home study risk management education options offered to Doctors*

## AA

CREDIT QUALITY

*Of long-term invested assets indicate company's strength and stability*

## 20%

RENEWAL DIVIDEND CREDIT

*We are a national leader in dividends returned to Policyholders*

## 21%

SPECIAL DIVIDEND CREDIT

*Dividends result in \$0 balance due in 2nd quarter for same coverage*

## 10%

ADDITIONAL MAP ALLOCATION

*Approximately 90% of pre-dividend, mature premium allocated to eligible participants to date*



YOUR COVERAGES STRENGTHENED

*With cyber enhancements to MedGuard and new Verdict Inflation Protection*

## 98%

OF TELEPHONE CALLS

*To our customer service team answered live to better serve you*

*more*  
FOR MARYLAND  
DOCTORS



UNMATCHED CLAIMS DEFENSE AND SERVICE TO  
MARYLAND DOCTORS SINCE 1975.

**MEDICAL  MUTUAL**  
*Liability Insurance Society of Maryland*

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