



Insurance Company

STRONGER TOGETHER

ANNUAL REPORT

2021

2021 YEAR IN REVIEW

1st

The priority of our Insureds who are facing a claim or calling with a question about their policy

A (Excellent) A.M. Best Rating

Reaffirming smart financial management of your insurance company

10%

Allocation declared for each eligible participant's *Mutual Advantage Plan* (MAP) account

35

Years we've been continuously writing dental professional liability insurance (We are also pleased to have two Dentists serving on the board.)



Insurance Company

365

Days per year that Doctors have access to the most up-to-date online resources and services at proad.com

30

Years we've been continuously writing professional liability insurance for Virginia Physicians (We are pleased to have three Virginia Physicians serving on our board.)

99.5

Percentage of customer telephone calls answered live by our dedicated representatives

AA Credit Quality

Of long-term invested assets indicate the Company's strength and stability

DEAR MEMBERS,

You depend on a variety of personnel to help you deliver the highest standard of care possible. At the helm of your practice, you diagnose and treat, but it takes a committed team to fully support the patient's experience. Doctors are stronger together with nurses, hygienists, office managers, receptionists, and other professionals – including Professionals Advocate (ProAd).

For more than 35 years, ProAd has been a part of our Insureds' support systems. We focus on defending you against allegations of professional negligence so that you can focus on providing health care in our community. When you face a claim, we provide the expert defense, litigation education, and compassion you need to endure one of the most stressful moments of your career. And, because we'd rather you never contend with a claim, we continue to live up to our strong track record of providing robust risk management services through an **accredited education program**.

Beyond our professional liability expertise, ProAd Doctors also benefit from our popular loyalty program, the *Mutual Advantage Plan*, or MAP. The ProAd Board of Directors announced in 2021 that a **10% allocation will be made to each eligible participant's MAP** account. We continue to recognize the commitment of our Policyholders to the long-term success and stability of the Company and to the delivery of quality health care.

In important Company news, our Executive Vice President and Chief Operating Officer, **Cheryl F. Matricciani, Esq., CPA, assumed the role of President and Chief Executive Officer Elect** effective January 1, 2022. Our President and Chief Executive Officer Jeffrey M. Poole will be retiring in January 2023 after 32 years of devoted service to the Company. Thank you for your confidence as we prepare to implement this leadership change.

The legal landscape of health care and business is ever evolving and is tough to countenance alone. Therefore, **if you need to talk with someone at ProAd about a claim, your coverage, or liability issues in your practice, you can.** ProAd doesn't rely on automated receptionists or route you through complicated phone menus when you call. Our customer service team is waiting to take your call. We're stronger when we employ knowledgeable people who care. And you're stronger with ProAd.

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

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

STRONGER TOGETHER

2021 HIGHLIGHTS

10% allocation declared for *Mutual Advantage Plan* (MAP) accounts

Cheryl F. Matricciani, Esq., CPA, named President & Chief Executive Officer Elect

Professionals Advocate offers a friendly and efficient Customer Service team to serve you in an increasingly virtual world

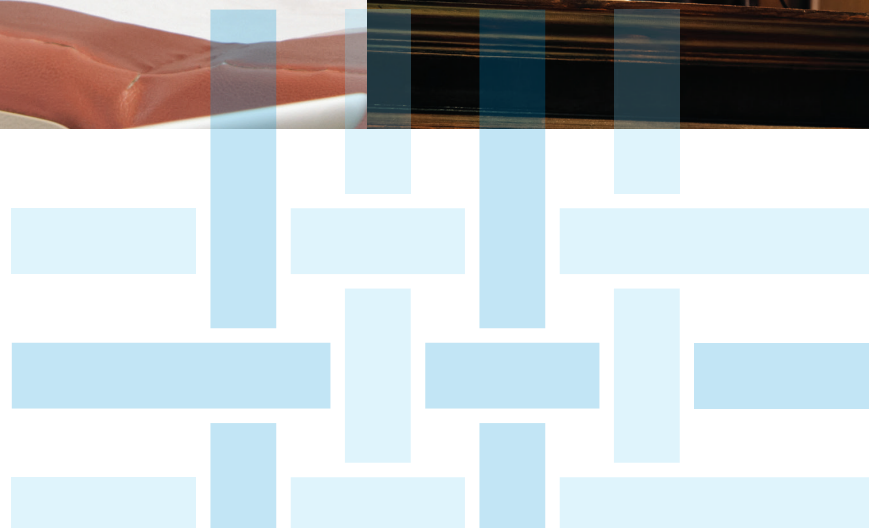




Claims Expertise

Defending Doctors is our top priority. In 2021, despite ongoing COVID-19-related court disruptions, ProAd forged ahead with challenging cases. Since the onset of the pandemic, we continued to achieve excellent results on case resolution. As soon as a claim is filed, Professionals Advocate is engaged. Our aggressive response yields unmatched stellar results in claims defense.

COMMITTED





With Us, It's Human

As the world becomes increasingly virtual, ProAd has maintained what cannot be replaced by technology. Professionals Advocate has a 99.5% live answer rate when Doctors call our help lines, monitored by knowledgeable and personable representatives. We believe a human connection is the hallmark of true customer service.

COMPASSIONATE



Mitigating Risk

To ensure convenience for Doctors, ProAd provided its risk management education courses virtually in 2021. The *"It's Easier to Prevent a Fire than Fight One"* program presented several applicable and timely courses that counted for premium discounts and continuing education credits. View the 2022 risk management education schedule of online, self-guided, and in-person courses at proad.com

PROACTIVE



More Rewards for You

In 2021, the Board of Directors approved a *Mutual Advantage Plan* (MAP) allocation of 10% of each eligible Participant's base premium. Since MAP debuted in 2016 for Doctors of ProAd and MEDICAL MUTUAL (ProAd's parent company), many Doctors have taken advantage of this important benefit. In addition, A.M. Best reaffirmed our "A" (Excellent) rating, recognizing that we have the financial strength to protect our Insureds.

FINANCIALLY SOUND

Balance Sheets Professionals Advocate Insurance Company (Statutory Basis)

DECEMBER 31	2021	2020
ADMITTED ASSETS		
Cash and short-term investments	\$ 4,764,910	\$ 8,271,899
Long-term invested assets	165,294,635	145,143,739
Other assets	3,305,500	5,518,083
TOTAL ADMITTED ASSETS	\$ 173,365,045	\$ 158,933,721
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserve for losses and loss adjustment expenses, net of reinsurance recoverable	\$ 9,389,551	\$ 8,790,345
Reserve for unearned premiums	5,765,969	6,011,499
Deposits received on policies not in force	3,600,057	4,245,580
Ceded reinsurance balances payable	645,179	907,509
Other liabilities	4,602,182	3,240,032
TOTAL LIABILITIES	\$ 24,002,938	\$ 23,194,965
TOTAL POLICYHOLDERS' SURPLUS	\$ 149,362,107	\$ 135,738,756
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 173,365,045	\$ 158,933,721

Statements of Income Professionals Advocate Insurance Company (Statutory Basis)

YEAR ENDED DECEMBER 31	2021	2020
Premiums earned	\$ 3,109,615	\$ 2,765,434
Losses and loss adjustment expenses incurred	2,077,450	1,271,947
Underwriting expenses	1,531,399	1,760,553
NET UNDERWRITING LOSS	\$ (499,234)	\$ (267,066)
Net investment income earned and realized capital gains and losses	11,363,336	6,336,094
Other income (expense)	(46,977)	16,982
INCOME BEFORE FEDERAL INCOME TAX	\$ 10,817,125	\$ 6,086,010
Federal income tax	1,932,678	1,007,663
NET INCOME	\$ 8,884,447	\$ 5,078,347

Organization

Professionals Advocate Insurance Company is a wholly-owned subsidiary of MEDICAL MUTUAL Liability Insurance Society of Maryland.

Basis of Presentation

The accompanying condensed financial statements of Professionals Advocate Insurance Company have been prepared in conformity with accounting practices prescribed or permitted by the Maryland Insurance Administration. The Maryland Insurance Administration requires insurance companies domiciled in Maryland to prepare their statutory basis financial statements in accordance with the National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures Manual. The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known which could impact the amounts reported and disclosed herein.

Significant Accounting Policies

INVESTMENTS

Investments in bonds are reported at the lower of amortized cost or fair value based on their NAIC rating. Investments in common stocks are stated at fair value. Short-term investments, consisting primarily of Government Money Market Funds and Government Agency Discount Notes, are carried at cost which approximates market value.

LOSSES AND LOSS ADJUSTMENT EXPENSES

The reserves for losses and related loss adjustment expenses are estimated from actuarial analyses. These reserves include estimates of future trends in claim severity,

claim frequency and other factors, which could vary as the losses are ultimately settled. Although the degree of variability inherent in such estimates can be significant, management believes that the reserves for the losses and related loss adjustment expenses reflect its best estimate of the amounts to be paid. The estimates are continually reviewed and, as adjustments to the reserves become necessary, such adjustments are reflected in current operations.

PREMIUM REVENUE

Premiums are recognized as revenue over the term of the policies. The primary source of premium revenue is derived from professional liability insurance for health care providers.

UNEARNED PREMIUM

The reserve for unearned premium primarily consists of the pro-rata portion of premium for the remainder of the policy term as well as the provision for waiver of premium for extended reporting period endorsements on certain claims-made policies.

REINSURANCE

Professionals Advocate Insurance Company has entered into reinsurance agreements with various unaffiliated reinsurers in order to reduce its ultimate claims risk. In addition to external reinsurance, intercompany reinsurance agreements are in place between the two insurance companies to spread risk and exposure across the larger financial base.

AUDITED FINANCIAL STATEMENTS

The 2021 and 2020 condensed financial statements of Professionals Advocate 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.

BOARD · OFFICERS · COMMITTEES

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

JEFFREY M. POOLE, MBA, CPCU
President and Chief Executive Officer, Professionals Advocate Insurance Company

DAVID A. ELLINGTON, M.D., FAAFP
Former Family Physician in Lexington, Virginia

KAREN H. KLOCKO, D.D.S.
Dentist in Gambrills, Maryland

MARTIN A. LEVIN, D.D.S.
Former Periodontist in Baltimore, Maryland

JOHN W. MCCULLOUGH, CPA
Former Partner with the international accounting firm of Ernst & Young, LLP

WILLIAM C. REHA, M.D.
Urologist in Woodbridge, Virginia

RICHARD A. WALKER, CPCU
Former Senior Vice President – Marketing, Professionals Advocate Insurance Company

ELIZABETH H. WATTS, M.D.
Pediatrician in Vienna, Virginia

BOARD

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
President Elect

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Senior Vice President – Actuary

JOHN H. CLIFTON
Senior Vice President – Claims

STEVEN P. KEULER
Senior Vice President, Treasurer

GEORGE CHAMBERS
Vice President – Information Technology

NATALIE A. ROBERTS
Vice President – Accounting, Controller

BENJAMIN C. ROHM
Vice President – Underwriting

DONALD G. WILSON
Vice President – Marketing

CORY A. BENDER
Assistant Vice President – Claims Operations

OFFICERS

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George S. Malouf, Jr., M.D., Ex Officio
Jeffrey M. Poole, Ex Officio

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David A. Ellington, M.D.
Jeffrey M. Poole

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David T. Waddell, M.D.
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Jeffrey M. Poole, Ex Officio

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Martin A. Levin, D.D.S.
John W. McCullough
George S. Malouf, Jr., M.D., Ex Officio
Jeffrey M. Poole, Ex Officio

INDEPENDENT AUDITORS
Ernst & Young, LLP
Baltimore, Maryland

COMMITTEES

ON THE HORIZON: EXECUTIVE TRANSITION

Our Executive Vice President, Chief Operating Officer and Secretary, Cheryl F. Matricciani, Esq., CPA, will succeed President and Chief Executive Officer, Jeffrey M. Poole, who will be retiring in January 2023 after 32 years of dedicated service to the Company. Ms. Matricciani has been with ProAd since 2005. Before joining the Company, she was employed by the Department of Legislative Services as a Senior Staff Attorney for the Senate Finance Committee. Ms. Matricciani earned her B.S. degree in Business from the University of Baltimore and her J.D., magna cum laude, from the University of Baltimore School of Law. She is a member of the Maryland Association of Certified Public Accountants and a member of the Maryland State Bar Association.

ABOUT PROAD

For more than 35 years, ProAd has been a part of our Insureds' support systems. We focus on defending you against allegations of professional negligence so that you can focus on providing health care in our community. **YOU'RE STRONGER WITH PROAD.**



EXPERT CLAIMS DEFENSE



ATTENTIVE CUSTOMER SERVICE



HYBRID EDUCATION OPTIONS



FINANCIALLY SOUND



DOCTOR FOCUSED



COMPREHENSIVE COVERAGE



Insurance Company

HOME OFFICE

P.O. Box 8016
225 International Circle
Hunt Valley, Maryland 21030
410-785-0050
toll free 800-492-0193

VIRGINIA OFFICE

804 Moorefield Park Drive, Suite 105
Richmond, Virginia 23236
804-320-6790
toll free 888-411-0444

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STRONGER TOGETHER

You can count on Professionals Advocate to stand with you in today's litigious environment. We have the experience and strength to aggressively defend your practice.

P.O. Box 8016 | 225 International Circle
Hunt Valley, Maryland 21030
410-785-0050 | 800-492-0193 | proad.com