

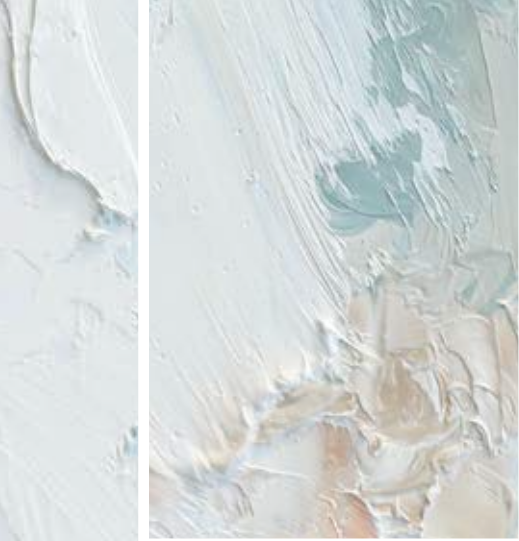
THE PERFECT
BLEND

OF DEDICATION & SKILL



Insurance Company

ANNUAL REPORT 2019



THE PERFECT
BLEND
OF DEDICATION & SKILL



INSPIRED BY YOU

Passion. Commitment. Expertise. The traits that define you. The inner strengths that sustained you through long years of study and serve as the foundation of your success as a health care provider. And now they motivate us. Each day we follow in your footsteps. We try to emulate your caring and tireless devotion to your mission as we work to protect your practice of quality health care and defend your professional reputation. Your blend of dedication and skill is our inspiration.



DEFENDING DOCTORS

Doctors are the backbone of our nation's health care system. For 30 years, Professionals Advocate Insurance Company has been dedicated to protecting them so they can continue to provide the quality care that is so critical to their patients. As an insurer created by a Doctor-owned company, we share your values and understand your special needs and concerns. Our legacy makes us uniquely qualified to be the premier defender of Physicians and Dentists in the mid-Atlantic region. We are grateful for your loyalty and support and look forward to safeguarding your practice and professional reputation for many years to come.



THE PROAD ADVANTAGE

TO OUR INSUREDS

When an artist mixes paint, many factors go into making sure it is just the right color, consistency and blend. Creating this perfect blend takes skill and dedication.

At Professionals Advocate, our Insureds receive the perfect blend of skill and dedication from our expert teams of claims managers, risk management specialists, customer service representatives and insurance professionals. As a result, you can care for your patients knowing that, if needed, ProAd stands ready to provide you with the absolute strongest claims defense. That means we build an aggressive defense strategy, use only the best local trial attorneys and give them the resources needed to win. It means we will be there for you from beginning to end during the stressful times of litigation. It even means that we help you avoid claims by producing timely risk management education specifically targeted at the leading causes for malpractice lawsuits.

In addition to ProAd's skill and dedication concerning claims, our perfect blend would be incomplete without you, our Insureds. Since our founding in 1985, ProAd has been proud that we were created by a Doctor-owned company. Doctors serve on our Board. Doctors work on committees and help us present risk management programs. This close interaction has allowed us to inherit a special insight into your unique needs and concerns. As your world changes and new challenges emerge, it motivates us to constantly look for new ways to maintain our perfect blend.

In 2019, recognizing the time crunch Doctors now face, ProAd began offering text messaging to Customer Service and text alerts for risk management programs. We expanded our online resources for doctor burnout, cybersecurity and other important topics to help you manage these hazards. We introduced a new quarterly email newsletter, *Resources for Your Practice*, with a variety of timely materials to assist the operations of your practice.

And we're not finished. Professionals Advocate is seeking new ways to protect your practice, defend your professional reputation, and help your office care for your patients. Rest assured, with ProAd's seasoned claims defense team, proactive risk management educational resources, superior customer service and committed and involved Policyholders, we offer the perfect blend. Thank you for putting your trust in us. We appreciate your loyalty and support and look forward to serving you in the coming year.

PROAD STANDS READY
TO PROVIDE YOU WITH
THE ABSOLUTE STRONGEST
CLAIMS DEFENSE.

Sincerely,



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

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

Created by a Doctor-owned and directed company,
ProAd is uniquely suited to meeting your needs.



THE PROAD ADVANTAGE



**DOCTOR-FOCUSED
RISK MANAGEMENT**



**YEAR-ROUND
ADVOCACY**



**RESPONSIVE
CUSTOMER
SERVICE**



**UNBEATABLE
DOCTOR
REWARDS**

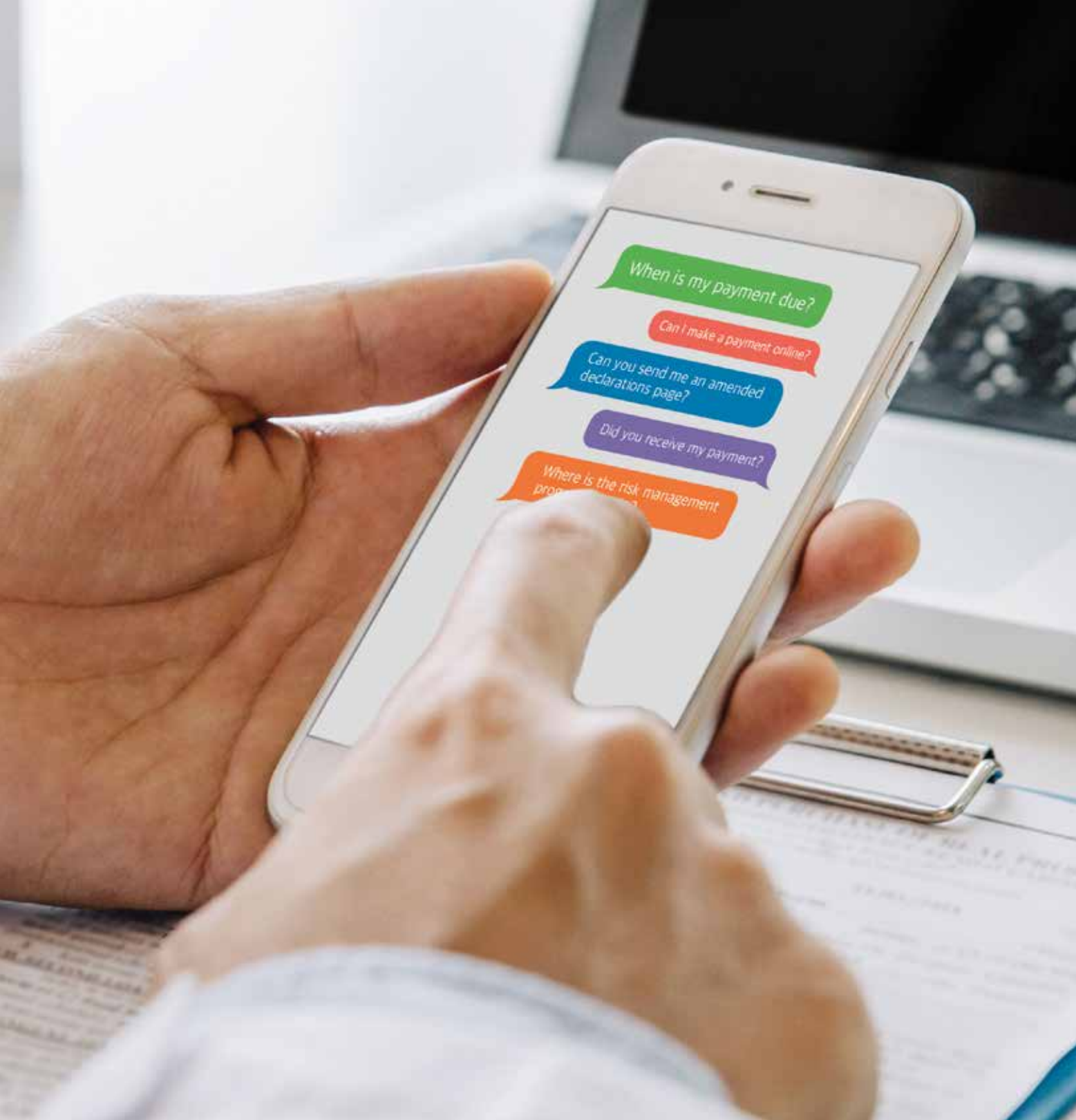


**ABSOLUTE
STRONGEST
CLAIMS DEFENSE**

PEACE OF MIND FOR PROAD INSURED

Professionals Advocate is the insurer of choice for Doctors wanting a dedicated and highly skilled claims defense team. Our seasoned claims managers and experienced malpractice defense attorneys will provide you with a tenacious, gold standard defense of your professional competence and personal integrity. And, since litigation can be a very stressful experience for an Insured, you can count on us to be there with you during every phase of the claims process. Rest assured, from claims defense and risk management, to customer support and advocacy on professional liability issues, Professionals Advocate provides the protection, service and support your practice needs.





CONVENIENT SERVICES

TEXT MESSAGING AND RISK MANAGEMENT ALERTS

In 2019, ProAd introduced text messaging to our Customer Service teams. You can now use your mobile phone to quickly send a brief text with your question to our main number, **410-785-0050**. Our Customer Service experts will respond to you during business hours with the information you need while you are on the go. Also, if you have registered for a live risk management program, our new text alerts program will automatically let you know if there are any last-minute time changes, program relocations or cancellations.



FINANCIAL REWARDS

ADDITIONAL MAP ALLOCATION

Professionals Advocate created our *Mutual Advantage Plan* 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. Participants in the program received a 10% allocation to their MAP accounts in 2019. Additionally, in December we announced a 10% allocation for 2020 renewals. These allocations were in addition to the initial 70% MAP allocation and a 10% MAP allocation in 2018.



CARE FOR CAREGIVERS

PHYSICIAN WELLNESS RESOURCES

From EMRs to government regulations to increasing workloads, Doctors practicing today are facing many areas of potential stress. To help our Insureds learn ways to overcome barriers to Physician wellness, ProAd has created a collection of informative and beneficial resources on our web site. Take advantage of recorded webinars on how to effectively use EMRs, review action plans to reduce stress, learn how certain activities can make a positive difference and more. Visit proad.com today.



PRACTICE RESOURCES

eMAIL NEWSLETTER

Professionals Advocate has introduced a quarterly email newsletter titled *Resources for Your Practice*. Previous issues have offered quick reference guides with tips on safe faxing practices and ways to protect your practice from email phishing. Additionally, the newsletters have provided links to professionally designed signs and posters for your practice that can be downloaded for free from our web site. If you aren't receiving this helpful newsletter, call our Customer Service team to update your contact information.

PROFESSIONALS ADVOCATE BOARD • OFFICERS • COMMITTEES

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George S. Malouf, Jr., M.D., *ex officio*
Jeffrey M. Poole, *ex officio*

INDEPENDENT AUDITORS

Ernst & Young, LLP
Baltimore, Maryland

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OF DEDICATION & SKILL

FINANCIAL STATEMENTS

BALANCE SHEETS Professionals Advocate Insurance Company (Statutory Basis)

DECEMBER 31	2019	2018
ADMITTED ASSETS		
Cash and short-term investments	\$ 3,388,929	\$ 6,724,686
Long-term invested assets	145,297,964	128,467,962
Other assets	5,219,868	6,730,554
TOTAL ADMITTED ASSETS	\$ 153,906,761	\$ 141,923,202
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserve for losses and loss adjustment expenses, net of reinsurance recoverable	\$ 9,358,181	\$ 9,761,997
Reserve for unearned premiums	6,406,775	6,500,811
Deposits received on policies not in force	3,177,321	3,953,024
Ceded reinsurance balances payable	815,077	847,199
Other liabilities	2,817,284	2,189,556
TOTAL LIABILITIES	\$ 22,574,638	\$ 23,252,587
TOTAL POLICYHOLDERS' SURPLUS	\$ 131,332,123	\$ 118,670,615
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 153,906,761	\$ 141,923,202

STATEMENTS OF INCOME Professionals Advocate Insurance Company (Statutory Basis)

YEAR ENDED DECEMBER 31	2019	2018
Premiums earned	\$ 3,214,115	\$ 4,019,153
Losses and loss adjustment expenses incurred	1,918,652	527,254
Underwriting expenses	1,329,988	1,051,281
NET UNDERWRITING GAIN	\$ (34,525)	\$ 2,440,618
Net investment income earned and realized capital gains and losses	6,476,786	7,193,387
Other income	(36,764)	67
INCOME BEFORE FEDERAL INCOME TAX	\$ 6,405,497	\$ 9,634,072
Federal income tax	1,022,521	1,703,455
NET INCOME	\$ 5,382,976	\$ 7,930,617

FINANCIAL NOTES

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 2019 and 2018 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.

ABOUT PROAD

Professionals Advocate is the professional liability insurance company you can depend on in today's challenging health care environment. Our skilled legal, insurance and health care experts will defend your professional reputation and your practice and provide you with security and peace of mind.



**"A" (EXCELLENT)
A.M. BEST RATING**



**CREATED BY DOCTOR-
OWNED COMPANY**



**INNOVATIVE INSURANCE
COVERAGE OPTIONS**



**SEASONED CLAIMS
MANAGERS**



**ELITE, LOCAL
DEFENSE ATTORNEYS**



**EFFICIENT, FRIENDLY
CUSTOMER SERVICE**



**COMPREHENSIVE
RISK MANAGEMENT**



**MUTUAL ADVANTAGE
PLAN REWARDS**



**ADVOCATING FOR YOUR
LIABILITY INTERESTS**



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

VIRGINIA OFFICE

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804-320-6790
toll free 888-411-0444
toll free 866-579-1948

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VISIT US AT
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Professionals Advocate is the professional liability insurance company you can depend on in today's challenging health care environment.



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