

YOUR PRACTICE DESERVES
ONLY THE BEST



Insurance Company

2018
Annual Report

YOUR PRACTICE DESERVES ONLY THE BEST

Every day you strive to give your patients the best care.

Every day you concentrate on making your skills the best they can be.

And every day Professionals Advocate, your professional liability insurer, works to ensure that your practice receives the highest quality claims defense, risk management education, customer service and more. Because you, and your practice, deserve the best.



2018
ANNUAL REPORT



Claims can take many years to develop. That's why you want a professional liability insurance company with the strength and stability for the long term.

YOUR CAREER DESERVES THE BEST.



Studies show that failure to diagnose is a major cause of malpractice claims. Informative risk management education can make a difference.

YOUR REPUTATION DESERVES THE BEST.



Doctors practice in a fast-paced, complex world. You need an insurer with a customer service team prepared to meet your needs while you are on the go.

YOUR PRACTICE DESERVES THE BEST.



Plaintiff attorneys will scrutinize your patient care with 20-20 hindsight. You need a highly skilled, experienced and aggressive defense team.

YOUR CLAIMS DEFENSE DESERVES THE BEST.



YEAR IN REVIEW

A

(EXCELLENT)

A.M. BEST RATING

Confirming sound financial management of your insurance company

34

YEARS OF SERVICE

ProAd has been aggressively Defending Doctors since 1985

10%

ADDITIONAL MAP ALLOCATION

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



98%

OF TELEPHONE CALLS

To our customer service team answered live to better serve you

59

MAP 2018 DISTRIBUTIONS

Area Doctors received thousands of dollars upon retirement

AA

CREDIT QUALITY

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

TO OUR INSURED

Building your practice wasn't easy. After all those years of education and training, finally being able to exercise your passion — caring for your patients — is an incredible achievement. Safeguarding your practice from risk is critical. You certainly want exceptional professional liability protection.

Here at Professionals Advocate, we pride ourselves on offering thousands of area Physicians, Surgeons and Dentists the best possible professional liability defense and customer service. Our aggressive and proactive claims defense team stands ready to protect your practice and your professional reputation with skilled and experienced local trial attorneys, armed with the necessary resources to win.

Created by a Doctor-owned and directed company, ProAd is uniquely suited to meeting your needs. This gives us invaluable insight into the world of our Insureds. Because of this important perspective, we provide a variety of coverages and services tailored to keep up with your many responsibilities. We continue to make allocations to your *Mutual Advantage Plan* account, a financial reward program that we introduced in 2016. We created this benefit to recognize not only your loyalty to us, but your dedication to providing the very best care to your patients.

Our dedicated service team at ProAd has made it quick and simple to stay knowledgeable about avoiding risk. We provide timely and comprehensive risk management education opportunities for our Insureds, as well as a team of experts ready to answer any question you may have.

And that's not all — we introduced a new web site this year for your convenience. Promoting a modern aesthetic with a responsive design, it provides a far more accessible web experience. Each Insured now has access to a personalized Dashboard, which provides quick, important information at a glance. It is also easier than ever to find the information and resources that you require to stay in-the-know about the most important topics, including HIPAA, ICD-10 coding, electronic medical records and more. You'll discover that our online library of articles, links and podcasts can be easily found to save you time.

Our aggressive and proactive claims defense stands ready to protect your practice and your professional reputation with skilled and experienced local trial attorneys, armed with the necessary resources to win.

Professionals Advocate is proud to have the opportunity to defend our Insureds. We're inspired by your devotion to your patients. **And because your practice deserves only the best, we strive to provide you the highest quality of defense, service and coverage.**

Sincerely,



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



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





Defending good health care, your practice and your professional reputation.

You have worked your entire life to become a Doctor and build a private practice. In the event that your treatment decisions are challenged, and your practice and professional reputation are on the line, you can take comfort that you have Professionals Advocate on your side to defend you. ProAd's greatest strength has always been our aggressive claims defense. Our seasoned claims team works with top local attorneys specializing in malpractice. Then we give them the resources and support needed to create the best possible defense. Our record speaks for itself. Most claims end with no payment to the plaintiff.

AGGRESSIVE CLAIMS DEFENSE





DOCTOR-FOCUSED

Doctors are involved in the decisions that affect you.

ProAd is a subsidiary of MEDICAL MUTUAL, one of the oldest and most respected Doctor-owned professional liability insurers in the country. From our parent company, we have inherited their special, Doctor-oriented perspective. Our Chair of the Board is a Doctor. Doctors serve on our Board and Claims Committee. Doctors help us develop risk management education programs. This direct involvement gives us a special insight into your values and needs. Our local, Doctor-centric approach to insurance is a strength you will value.

SUPERIOR COVERAGES

Protecting your practice from emerging risks.

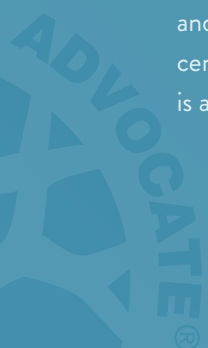
Our MedGuard coverage can help pay for the legal expenses of a defense against various disciplinary proceedings. For more coverage to address the work and expense associated with a large breach, we offer a standalone *e-data*RESPONSE+ insurance product. These are in addition to our high quality individual and group medical professional liability policies, as well as business liability, excess liability, prior acts and tail coverages.



FINANCIAL STRENGTH

For the long-term protection of your practice.

Because claims can take years to resolve, Doctors need to be confident that their professional liability insurance company will be available to provide a strong defense, both now and in the years to come. ProAd is rated “A” (Excellent) by A.M. Best, the nation’s leading independent insurance rating agency. You can be confident that ProAd has the financial stability required for the future defense of your practice and professional reputation.





Preventing a claim from occurring is the best defense for your practice.

The best way to protect your practice from a claim is to prevent it from happening in the first place. Professionals Advocate offers a broad selection of timely risk management education programs to help Insureds improve the quality of patient care and minimize potential liability exposure. Choose from in-person, online or home study programs. Our new web site offers a comprehensive library of helpful risk management tools and resources that you can access at your convenience. For personalized advice on specific issues, you can call or email our knowledgeable risk management experts. ProAd makes it easy to manage and reduce your risk.

VALUABLE RISK MANAGEMENT





NEW PROAD.COM

New web site makes your online experience easier, more productive.

ProAd has launched a completely redesigned 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, or use the convenient online payment process. The new web site features modern, responsive web design, and offers you a consistent user experience and optimal viewing and interaction on different size screens, including a desktop monitor, laptop, tablet or smartphone.



STAUNCH ADVOCACY

Advocating for your professional liability interests.

As a Doctor-directed company, we share your values and understand your needs and concerns. Professionals Advocate is active in advocating for the professional liability interests of Physicians and Dentists on all legislative levels. We work with your specialty medical and dental organizations and professional societies to make sure your voice is heard. We fight for tort reform that creates a more positive legal environment for the Doctors we defend and serve.



HELPFUL PUBLICATIONS

Keeping you informed on the important issues that matter to your practice.

Professionals Advocate produces a variety of publications designed to provide timely and essential information to you. *Notes from the Chair*, our corporate newsletter, provides announcements on new insurance products, *Mutual Advantage Plan* allocations, coverage notifications and company news. *Doctors RX*, our risk management publication, offers helpful risk management guidance on the important issues facing your medical practice in today's litigious world. Both publications are available online and in print for your convenience.



**MAP financial reward
program benefits
ProAd's Insured Doctors.**

Professionals Advocate Insurance Company created the *Mutual Advantage Plan* (MAP) to recognize the commitment of our Doctors and their dedication to the long-term success and stability of ProAd, and the continued practice of quality medicine and dentistry. From the initial 70% allocation of your base premium, to the 10% allocations announced in each of the past two years, each Participant has a MAP account that has grown steadily. Distributions become available upon a qualifying event, such as retirement, and MAP has already rewarded many Doctors throughout the area who have become eligible. The *Mutual Advantage Plan* proves that it pays to be a loyal ProAd Insured!

MUTUAL ADVANTAGE PLAN REWARDS





RESPONSIVE CUSTOMER SERVICE

Information and support, when you need it.

The typical workday of a Doctor is hectic and long, so we pride ourselves on providing you with the information and service you need so you can get back to your patients. By phone, email or in person, our knowledgeable customer service professionals remain dedicated to providing you with accurate information when you need it most – and with a personal touch.

EXPERIENCED AGENTS & BROKERS

Community-based insurance agents & brokers.

One of ProAd’s strengths is our hand-picked team of experienced agents and brokers. These independent insurance professionals understand the health care and insurance industries, our Policyholders and the various coverages needed to provide full protection to a medical or dental practice. The agents and brokers who work with ProAd are local, and they share our enduring commitment to offer Doctors the best possible insurance products and services available in Virginia, Washington, D.C. and Maryland.



LOCAL PROAD OFFICES

ProAd knows the legal environment you face.

Professionals Advocate has been protecting Doctors in this area for decades. We know the best local attorneys, the courts, the legislatures, and the local regulatory environments. Decisions about claims defense strategies are made in our Richmond, Virginia or Hunt Valley, Maryland offices, not thousands of miles away in the corporate headquarters of an out-of-touch insurance company. If you want the best protection for your practice, you want ProAd as your professional liability insurer.



FINANCIAL STATEMENTS

BALANCE SHEETS

Professionals Advocate Insurance Company (Statutory Basis)

DECEMBER 31	2018	2017
ADMITTED ASSETS		
Cash and short-term investments	\$ 6,724,686	\$ 3,665,023
Long-term invested assets	128,467,962	129,452,119
Other assets	6,730,554	9,303,395
TOTAL ADMITTED ASSETS	\$ 141,923,202	\$ 142,420,537
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserve for losses and loss adjustment expenses, net of reinsurance recoverable	\$ 9,761,997	\$ 11,617,001
Reserve for unearned premiums	6,500,811	7,364,932
Deposits received on policies not in force	3,953,024	3,985,647
Ceded reinsurance balances payable	847,199	808,534
Other liabilities	2,189,556	2,538,675
TOTAL LIABILITIES	\$ 23,252,587	\$ 26,314,789
TOTAL POLICYHOLDERS' SURPLUS	\$ 118,670,615	\$ 116,105,748
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 141,923,202	\$ 142,420,537

STATEMENTS OF INCOME

Professionals Advocate Insurance Company (Statutory Basis)

YEAR ENDED DECEMBER 31	2018	2017
Premiums earned	\$ 4,019,153	\$ 4,123,801
Losses and loss adjustment expenses incurred	527,254	2,921,607
Underwriting expenses	1,051,281	1,067,510
NET UNDERWRITING GAIN	\$ 2,440,618	\$ 134,684
Net investment income earned and realized capital gains and losses	7,193,387	5,739,688
Other income	67	63
INCOME BEFORE FEDERAL INCOME TAX	\$ 9,634,072	\$ 5,874,435
Federal income tax	1,703,455	1,516,234
NET INCOME	\$ 7,930,617	\$ 4,358,201

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 2018 and 2017 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.

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Senior Vice President – Claims

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NATALIE A. ROBERTS

Assistant Vice President – Accounting, Assistant Controller

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Jeffrey M. Poole

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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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OFFICERS

COMMITTEES

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 – financially stable for your long-term protection
- Founded by one of the nation’s oldest and most respected Doctor-owned and directed professional liability insurers – we understand your needs and concerns
- Experienced management with the vision and expertise needed to address the critical issues facing your practice
- Innovative insurance coverage options, including cyber breach and disciplinary hearings
- Skilled claims team with an aggressive claims defense philosophy
- Seasoned local attorneys specializing in medical/dental liability defense
- Efficient and friendly customer service
- Comprehensive risk management programs offering timely information on ways to reduce liability risk and improve patient care
- *Mutual Advantage Plan* financial reward program rewards Doctors for their commitment to the long-term success and stability of the company and the practice of quality health care
- Advocacy on the professional liability issues that affect your practice
- New responsive web site with a wealth of helpful information you can access at any time or place



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Learn more about Professionals Advocate on our web site:

PROAD.COM

YOUR PRACTICE DESERVES ONLY THE BEST

Professionals Advocate has the experience, expertise and tenacity you can rely on for an aggressive defense of your practice.



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