

# IN GOOD COMPANY

ANNUAL REPORT 2017



*Insurance Company*





As a Professionals Advocate Insured,  
**YOU ARE IN GOOD COMPANY**  
with thousands of Virginia, Maryland and Washington, D.C.  
Doctors who know that ProAd is the best choice to protect  
their reputations and practices.

ProAd is the insurer of choice for Doctors seeking gold standard, aggressive claims defense and access to experienced claims representatives and top defense attorneys who specialize in defending local Doctors. ProAd is the insurer of choice for Doctors seeking superior risk management education programs and materials created by local health care, legal and risk management experts. ProAd is the insurer of choice for Doctors seeking a company with a deep-rooted commitment to serving Doctors, with friendly and efficient customer service and the *Mutual Advantage Plan* financial reward program. ProAd is the insurer of choice for Doctors who want to be IN GOOD COMPANY.

IN GOOD COMPANY



## A LETTER TO OUR INSURED >>>

When you became a Doctor, you joined the company of Hippocrates and Henry Gray and Elizabeth Blackwell. You joined a community of your teachers and mentors, of the thousands of healers before you who dedicated their lives to improving the health of others. You are part of a venerable tradition of enduring passion, hard-won knowledge, and innate kindness that extends back thousands of years.

And when you chose to protect your legacy in health care with Professionals Advocate, you gained another community; one of like-minded Doctors and health care professionals, of legal experts and claims specialists who are here to help protect your reputation and your practice. As a ProAd Insured, should you face a potentially career-altering claim, you will be backed by our experienced claims representatives and top local attorneys for a relentless defense that stands in a league of its own.

This relentless defense is why so many Doctors choose ProAd, but we are also proud that our company has much more to offer. Our risk management experts create new education programs and materials each year to help you stay up-to-date on the latest risks. Local medical, dental, legal and risk management specialists contribute to these materials to ensure they reflect the unique legal and health care environments of this region, which can be critical to preventing claims.

***“you will be backed by our experienced claims representatives and top local attorneys for a relentless defense that stands in a league of its own.”***

Our legal experts are constantly monitoring the legislative and judicial arenas of Virginia, Maryland and Washington, D.C. to advocate for your professional liability interests. We fight for tort reforms that create a fair legal environment for Doctors. And when new threats arise, our insurance and legal teams create new coverages to protect you. Our newest coverage, *e-dataRESPONSE+* cyber liability coverage, offers valuable protection and assistance in case of a breach of paper or electronic records.

And our entire team at ProAd prides itself on providing exceptional service to you, our insured Doctors. In 2016, we introduced the *Mutual Advantage Plan* financial reward program. In 2017, we were pleased to reaffirm our commitment to this program by making a second allocation to MAP accounts. At the same time in 2017, ProAd was awarded an upgraded “A” (Excellent) rating by the A.M. Best insurance rating agency in recognition of our positive financial position.

Doctors are an exceptional community of men and women with a noble calling. We are honored to support the Doctors of Virginia, Maryland and Washington, D.C. with experts in malpractice litigation, claims handling, risk management, legislation, and insurance. We work hard every day to ensure you know that with Professionals Advocate, you are in good company.

Sincerely,

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

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





# AGGRESSIVE CLAIMS DEFENSE

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ProAd's experienced claims management specialists partner with top local defense attorneys to provide the region's most aggressive defense of good health care. Decade after decade, we have delivered a successful resolution in the overwhelming majority of claims. With ProAd, you can enjoy peace of mind by knowing that your reputation and your practice are in good hands.

# Informed Consent

- Patient Documentation
- Patient Discussion
- Patient Understanding



## TIMELY RISK MANAGEMENT

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When you need risk management advice, ProAd is here: at our in-person and online risk management education programs; through our large online library of reference materials; and over the phone, where our risk management experts are available to give personalized advice. Managing and reducing your risk has never been easier than with ProAd.





## LOCAL EXPERIENCE

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We are proud to be a local company serving local Doctors. For decades, ProAd has advocated for and aggressively defended Doctors in the courtrooms of Virginia, Maryland and Washington, D.C. Our claims representatives work exclusively in this area and are experts on the unique legal environment of the region. No one knows these courts better than ProAd.





## SERVING YOU

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We are committed to consistently enhancing our coverages and expanding our online resources for your benefit and convenience. We also pride ourselves on our *Mutual Advantage Plan*, a financial reward program introduced to recognize your effort and diligence in your practice. ProAd is always striving to be the gold standard in professional liability insurance.

# FINANCIAL STATEMENTS >>>

## BALANCE SHEETS Professionals Advocate Insurance Company (Statutory Basis)

DECEMBER 31	2017	2016
<b>ADMITTED ASSETS</b>		
Cash and short-term investments	\$ 3,665,023	\$ 5,650,655
Long-term invested assets	129,452,119	125,506,540
Other assets	9,303,395	5,635,032
<b>TOTAL ADMITTED ASSETS</b>	<b>\$142,420,537</b>	<b>\$ 136,792,227</b>
<b>LIABILITIES AND POLICYHOLDERS' SURPLUS</b>		
Reserve for losses and loss adjustment expenses, net of reinsurance recoverable	\$ 11,617,001	\$ 11,606,223
Reserve for unearned premiums	7,364,932	7,773,224
Deposits received on policies not in force	3,985,647	4,278,682
Ceded reinsurance balances payable	808,534	890,784
Other liabilities	2,538,675	3,544,763
<b>TOTAL LIABILITIES</b>	<b>\$ 26,314,789</b>	<b>\$ 28,093,676</b>
<b>TOTAL POLICYHOLDERS' SURPLUS</b>	<b>\$ 116,105,748</b>	<b>\$ 108,698,551</b>
<b>TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS</b>	<b>\$142,420,537</b>	<b>\$ 136,792,227</b>

## STATEMENTS OF INCOME Professionals Advocate Insurance Company (Statutory Basis)

YEAR ENDED DECEMBER 31	2017	2016
Premiums earned	\$ 4,123,801	\$ 5,384,464
Losses and loss adjustment expenses incurred	2,921,607	2,763,634
Underwriting expenses	1,067,510	2,712,034
<b>NET UNDERWRITING LOSS</b>	<b>\$ 134,684</b>	<b>\$ (91,204)</b>
Net investment income earned and realized capital gains and losses	5,739,688	4,491,582
Other expense	63	(17)
<b>INCOME BEFORE FEDERAL INCOME TAX</b>	<b>\$ 5,874,435</b>	<b>\$ 4,400,361</b>
Federal income tax	1,516,234	1,038,502
<b>NET INCOME</b>	<b>\$ 4,358,201</b>	<b>\$ 3,361,859</b>

# 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 2017 and 2016 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 >>>

## BOARD

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

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

Family Physician in Lexington, Virginia

### KAREN H. KLOCKO, D.D.S.

Dentist in Gambrills, Maryland

### MARTIN A. LEVIN, D.D.S.

Periodontist in Baltimore, Maryland

### JOHN W. MCCULLOUGH, CPA

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

### DONALD M. SWITZ, M.D.

Retired Gastroenterologist and Emeritus Professor of Medicine at The Medical College of Virginia in Richmond, Virginia

### RICHARD A. WALKER, CPCU

Retired Senior Vice President - Marketing, Professionals Advocate Insurance Company

### ELIZABETH H. WATTS, M.D.

Pediatrician in Vienna, Virginia

## OFFICERS

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Chair of the Board

### JEFFREY M. POOLE

President and Chief Executive Officer

### 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, Assistant Treasurer

### CHERYL F. MATRICCIANI

Senior Vice President - Underwriting Operations, General Counsel and Secretary

### 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

### NATALIE A. ROBERTS

Assistant Vice President - Accounting, Assistant Controller

## COMMITTEES

### AUDIT COMMITTEE

John W. McCullough, *Chair*  
George S. Malouf, Jr., M.D., *ex officio*  
Jeffrey M. Poole, *ex officio*

### CLAIMS COMMITTEE

Donald M. Switz, M.D., *Chair*  
David A. Ellington, M.D.  
Kent R. Folsom, M.D.  
Michael H. Goldman, M.D.  
Jeffrey L. Henke, M.D.  
William C. Reha, M.D.  
Carol S. Shapiro, M.D.  
Richard A. Szucs, M.D.  
David T. Waddell, M.D.  
George S. Malouf, Jr., M.D., *ex officio*  
Jeffrey M. Poole, *ex officio*

### EXECUTIVE COMMITTEE

George S. Malouf, Jr., M.D., *Chair*  
David A. Ellington, M.D.  
Jeffrey M. Poole

### FINANCE AND BUDGET COMMITTEE

David Ellington, M.D., *Chair*  
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

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# ABOUT PROAD >>>

## AT PROAD, YOU'RE IN GOOD COMPANY

Professionals Advocate is proud to offer a resolute, dependable defense of your reputation and practice. Local, service-driven and committed, you can rest assured that we will provide innovative and affordable professional liability insurance solutions. Created by a Doctor-owned and directed company, we share your values and concerns and we are continually strengthening our coverages and services so that we may better meet your needs.

## OUR MISSION

To provide insurance and related products, together with a "boutique" level of customized products and personalized service, primarily tailored to meet the needs of health care professionals.

## OUR VISION

We will be a highly regarded regional company, known for providing superior products and services. As an ultimately Doctor-owned company, we will serve as a strong advocate for health care professionals in the liability arena. We will be the best choice for health care professionals and their organizations, providing the best resolution of claims through a proactive and vigorous defense.

## HOME OFFICE

225 International Circle  
Box 8016  
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  
toll free 866-579-1948



COMPLETE CORPORATE INFORMATION IS  
AVAILABLE ON OUR WEB SITE AT:

**PROAD.COM**





## IN GOOD COMPANY

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

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