



Insurance Company

RISING

to the challenge

ANNUAL REPORT 2020



RISING TO THE CHALLENGE

With the emergence of the COVID-19 pandemic in 2020, Doctors faced wave after wave of challenges as they worked to address the constantly changing needs of their practices. From enhanced infection control and PPE requirements to temporary practice shutdowns and telehealth, Doctors had to quickly find the optimal solutions so they could continue to provide quality patient care. As the company entrusted by you with the defense of your practice and career, Professionals Advocate is proud we were able to support your successful efforts.

2020



2020: RISING TO THE CHALLENGE

Long and rigorous training enabled you to become a Doctor. You learned to face routine or emergency situations with calm and professionalism. Fortunately, this prepared you to step up and lead in the face of a global pandemic. Your resilience and work ethic allowed you to provide the care your patients desperately needed, whether it involved treating illness from COVID-19 or modifying your practice to treat a continuous stream of other health concerns. People were hurting, and you rose to the challenge.

Although the world was met with uncertainty in 2020, one thing can be said with confidence: Dedicated Doctors always rise to meet the challenges that come their way – even the unique issues posed by COVID-19. You embraced telehealth to address patient contact limitations. You implemented enhanced PPE and infection control procedures to meet safety requirements. Week after week and month after month, practice conditions changed, and Doctors quickly adapted to keep their practices open to meet patients' health care needs.

While you were treating and supporting your patients, we are proud to say Professionals Advocate was supporting you. Recognizing the pandemic-induced reduction in patient contacts, we provided a Pandemic Credit of 25% that provided immediate financial relief. When physical interaction restrictions were imposed due to COVID-19, ProAd revised our underwriting guidelines so that initial patient care can take place without an in-person, face-to-face visit, allowing greater access to new patients in need of care during the pandemic. Also, by creating a special COVID-19 web site section, we provided Doctors with an up-to-date and convenient source for the most current information needed to navigate the everchanging situation. Our in-person risk management education programs were quickly transitioned to live webinars so you could obtain important risk mitigation strategies without being exposed to large gatherings. These were just a few of ProAd's responses to help our insured Doctors at this difficult time.

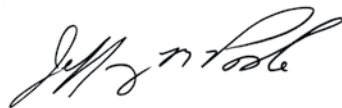
Even with all the special pandemic-related initiatives launched last year for our Insureds, Professionals Advocate continued to offer the strongest claims defense, a wide selection of risk management resources and tools, and responsive customer service. Our *Mutual Advantage Plan* financial reward program grew once again with an additional 10% allocation for eligible Policyholders announced for 2021.

Challenges in life are a given and last year had more than its share. 2020 will be remembered as the pandemic year. But, through it all, your patients were able to count on you for quality care. And you were able to count on Professionals Advocate. We've been standing by our Doctors for more than 35 years. We look forward to defending and serving you and generations of new Doctors for many more years.

Sincerely,



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



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



HIGHLIGHTS

**25% PANDEMIC CREDIT
OFFERED FOR ALL
PROFESSIONAL
LIABILITY POLICIES**

**RISK MANAGEMENT
EDUCATION PROGRAMS
TRANSITIONED TO
LIVE WEBINARS FOR
YOUR SAFETY**

**CONVENIENT
WEB SITE SECTION
ADDED WITH TIMELY
COVID-19 INFORMATION**

**MUTUAL ADVANTAGE
PLAN ACCOUNTS GROW
WITH ADDITIONAL 10%
ALLOCATION**

YEAR IN REVIEW

RIISING TO THE CHALLENGE

JANUARY 9 – WHO Announces Mysterious Coronavirus-Related Pneumonia in Wuhan, China

JANUARY 21 – CDC Confirms First U.S. Coronavirus Case

JANUARY 31 – U.S. Declares Public Health Emergency

MARCH 5 – First Confirmed COVID-19 Case in Maryland

MARCH 5 – Governor Hogan Declares a State of Emergency in Maryland

MARCH 7 – First Confirmed COVID-19 Case in Virginia

MARCH 11 – WHO Declares COVID-19 a Pandemic

MARCH 12 – Governor Northam Declares a State of Emergency in Virginia

MARCH 16 – Maryland Judiciary Suspends All Jury Trials - All Courts Closed Except for Emergency Matters

MARCH 17 – CMS Temporarily Expands Use of Telehealth

MARCH 18 – Maryland Legislative Session Adjourns Early

MARCH 19 – Governor Northam Expands Medicaid Telehealth Reimbursement for Virginia

MARCH 20 – Maryland Orders State Programs to Reimburse Physicians for Telehealth Services

MARCH 23 – Governor Hogan Orders Nonessential Businesses to Close; Virginia Nonessential Businesses and Other Public Places Close

MARCH 24 – ProAd Revises Underwriting Rule to Allow for Initial Visit Via Telehealth and Announces that In-Person Risk Management Education Programs Are Postponed So Insureds Are Not Exposed to Large Gatherings; Additionally, ProAd Announces Lifting of Certain Restrictions to Allow Doctors to Come Out of Retirement to Help During Pandemic and the Introduction of a New Web Section with COVID-19 News, Updates and Resources

MARCH 25 – Maryland Prohibits Non-urgent and Elective Procedures and Appointments

MARCH 27 – Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Is Signed into Law

April 8 – ProAd Announces a Pandemic Credit of 25% to Provide Immediate Financial Relief to Policyholders

APRIL 15 – Governor Hogan Signs Face-Mask Order for Maryland

MAY 6 – Virginia Suspends All Civil and Criminal Jury Trials

MAY 7 – Maryland Lifts Ban on Non-urgent and Elective Procedures and Appointments

MAY 29 – Virginia Universal Face-Mask Order Goes into Effect

JUNE 16 – ProAd Announces that In-Person Risk Management Programs Are Converted to Live Webinars

JUNE 22 – The Supreme Court of Virginia Announces that Jury Trials May Resume, Subject to a Locality's Jury Trial Resumption Plan Being Approved by the Court

JULY 1 – Virginia Stage Three of Reopening with Almost All Businesses Permitted to Reopen with Industry-Specific Restrictions

SEPTEMBER 4 – Maryland Enters Stage Three of Reopening with Almost All Businesses Permitted to Reopen with Industry-Specific Restrictions

OCTOBER 5 – Maryland Judiciary Lifts Its Suspension on All Jury Trials

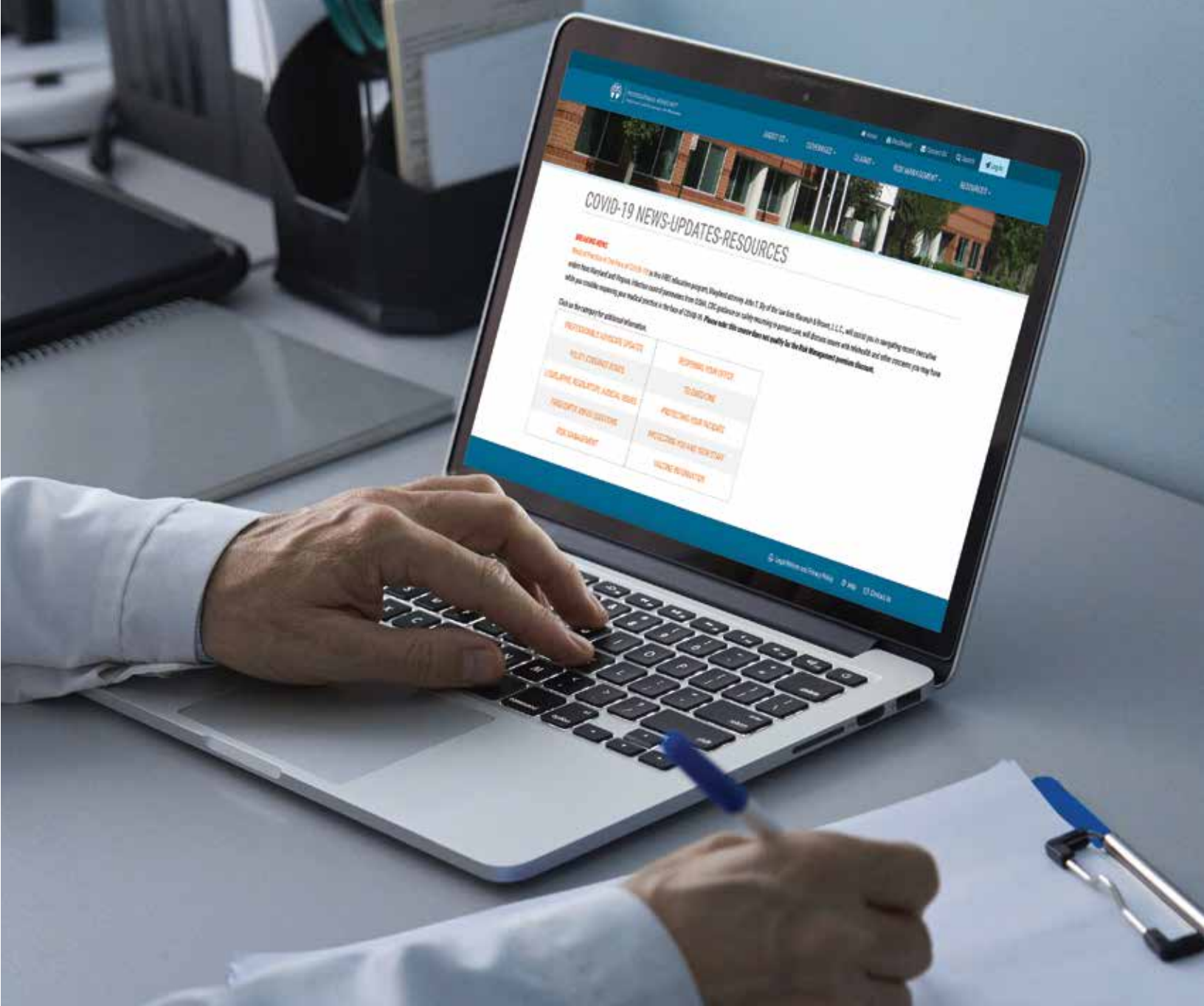
NOVEMBER 16 – Maryland Judiciary Suspends All Jury Trials

DECEMBER 11 – FDA Advisory Panel Recommends Pfizer, BioNTech COVID-19 Vaccine

DECEMBER 14 – First Vaccines Administered in Maryland

DECEMBER 15 – First Vaccines Administered in Virginia

DECEMBER 18 – FDA Grants EUA for Moderna's COVID-19 Vaccine



2020: DOCTORS SEEK OUT CURRENT COVID-19 INFORMATION AND RESOURCES

Reminders for my practice

- ☒ Telehealth consent form
- ☒ Medical office mask policy
- ☒ Enhanced infection control

LEARN

Health care professionals faced a dizzying array of sometimes contradictory “facts” and instructions as the pandemic first emerged in 2020. To provide a convenient source of curated, up-to-date information, ProAd created a special section of our web site with COVID-19-related recommendations, legislative updates, coverage information, practice guidelines and more.



2020: PROAD PROVIDES FINANCIAL RELIEF TO HELP OFFSET EFFECTS OF PANDEMIC

SUPPORT

Recognizing the pandemic-induced reduction in patient contacts, we applied a 25% Pandemic Credit to every professional liability policy issued by the Company, which provided immediate financial relief.





2020: RISK MANAGEMENT PROGRAMS REPOSITIONED FOR SAFETY AND CONVENIENCE



SAFETY

Our Risk Management education programs help Doctors learn how to enhance patient care while mitigating liability risk. When large gatherings were prohibited in 2020, we promptly transitioned all in-person programs to live webinars. This allowed you to obtain important risk management strategies without being exposed to large gatherings.



2020: TELEHEALTH BECOMES ROUTINE FOR MANY PRACTICES AND PATIENTS



ADAPT

When physical interaction restrictions were enacted due to COVID-19, Professionals Advocate revised our underwriting guidelines so that initial patient care can take place without an in-person, face-to-face visit, allowing greater access to new patients in need of care during the pandemic.



2020: A “PANDEMIC” OF CYBER BREACHES CONTINUES DURING *THE PANDEMIC*

PROTECT

Health care cyber breaches reached a new high in 2020. To assist our Policyholders, ProAd offers a free online tool to help evaluate the strength of a practice’s cyber security. Based on your responses to the questions asked, feedback is provided to help improve the security of your data and protect the PII of your patients.





2020: PROAD CONTINUES DEFENDING AND SUPPORTING OUR INSURED DOCTORS

DEFENSE

Many aspects of life changed in 2020 due to COVID-19. One thing that did not change was ProAd's unwavering dedication to offering the absolute best claims defense and support to our insured Doctors. Rest assured, if you have a claim, you will receive an aggressive defense from the area's most experienced defense attorneys and claims management specialists.



THE PROAD ADVANTAGE

It takes years of hard work to become a Doctor and build a successful practice. That's why you need an insurance company that shares your commitment. Professionals Advocate is dedicated to protecting you so that you can continue to provide the quality care that is so critical to your patients. ProAd's many strengths make us uniquely qualified to be the premier insurer of Physicians and Dentists in the Mid-Atlantic region. You can have confidence that THE PROAD ADVANTAGE will provide the best defense of your practice and professional reputation.



"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

FINANCIAL STATEMENTS

BALANCE SHEETS

Professionals Advocate Insurance Company (Statutory Basis)

DECEMBER 31	2020	2019
ADMITTED ASSETS		
Cash and short-term investments	\$ 8,271,899	\$ 3,388,929
Long-term invested assets	145,143,739	145,297,964
Other assets	5,518,083	5,219,868
TOTAL ADMITTED ASSETS	\$ 158,933,721	\$ 153,906,761
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Reserve for losses and loss adjustment expenses, net of reinsurance recoverable	\$ 8,790,345	\$ 9,358,181
Reserve for unearned premiums	6,011,499	6,406,775
Deposits received on policies not in force	4,245,580	3,177,321
Ceded reinsurance balances payable	907,509	815,077
Other liabilities	3,240,032	2,817,284
TOTAL LIABILITIES	\$ 23,194,965	\$ 22,574,638
TOTAL POLICYHOLDERS' SURPLUS	\$ 135,738,756	\$ 131,332,123
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 158,933,721	\$ 153,906,761

STATEMENTS OF INCOME

Professionals Advocate Insurance Company (Statutory Basis)

YEAR ENDED DECEMBER 31	2020	2019
Premiums earned	\$ 2,765,434	\$ 3,214,115
Losses and loss adjustment expenses incurred	1,271,947	1,918,652
Underwriting expenses	1,760,553	1,329,988
NET UNDERWRITING LOSS	\$ (267,066)	\$ (34,525)
Net investment income earned and realized capital gains and losses	6,336,094	6,476,786
Other income (expense)	16,982	(36,764)
INCOME BEFORE FEDERAL INCOME TAX	\$ 6,086,010	\$ 6,405,497
Federal income tax	1,007,663	1,022,521
NET INCOME	\$ 5,078,347	\$ 5,382,976

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 2020 and 2019 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
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

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

KEITH P. ALLEN
Senior Vice President – Actuary

JOHN H. CLIFTON
Senior Vice President – Claims

STEVEN P. KEULER
Senior Vice President, Treasurer

GEORGE CHAMBERS
Vice President –
Information Technology

JOHN R. FRANKLIN
Vice President – Communications

NATALIE A. ROBERTS
Vice President – Accounting, Controller

BENJAMIN C. ROHM
Vice President – Underwriting

ELIZABETH A. SVOYSKY
Vice President – Risk Management

DONALD G. WILSON
Vice President – Marketing

CORY A. BENDER
Assistant Vice President –
Claims Operations

COMMITTEES

AUDIT COMMITTEE

John W. McCullough, Chair
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

CLAIMS COMMITTEE

David A. Ellington, M.D., Chair
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

FINANCE AND BUDGET COMMITTEE

David A. 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

ABOUT PROAD

ALWAYS READY

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 comprehensive 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.

RISING

to the challenge



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
toll free 866-579-1948

LEARN MORE
PROAD.COM

RISING

to the challenge

Professionals Advocate has the strength and commitment you can depend on for an aggressive defense of your practice.



P.O. Box 8016
225 International Circle
Hunt Valley, Maryland 21030

410-785-0050 | 800-492-0193
PROAD.COM