



2024 ANNUAL REPORT

Protection That Pays

PHYSICIANS

INSURANCE

About Physicians Insurance

Physicians Insurance is a boutique national insurance carrier dedicated to protecting, defending, and supporting our Members with a suite of medical professional liability offerings and exceptional, personalized service. Backed with strong financials, Physicians Insurance delivers proactive protection for you now, and for whatever the future may hold.

Our Purpose

To protect, defend, and support our Members.

Our Values

People-First

We treat everyone with respect and empathy.

Expertise

We strive to be the best at what we do.

Commitment

As a mutual company, we are accountable and dedicated to our Members and to each other.

- We operate for the greater good of all Members and are committed to rigorous and careful financial stewardship.
- We work collaboratively to find solutions and overcome obstacles, regularly asking, "How can I make a difference?"
- We keep our promises and act with transparency, accountability, and integrity in everything we do.





By the Numbers



96%

public-trial win rate
over the last 10 years

87%

of premiums paid are spent
on claims and defending
policyholders compared to
the industry average of 65%¹

94%

Member retention rate

31

states where our Members
are protected, defended,
and supported²

¹ Dowling and Partners Securities, LLC. "MPL Reserves Continue to Appear to Be in the Range of Adequate." IBNR Weekly, #17, Volume XXXI, 2024.

² Physicians Insurance A Mutual Company and Physicians Insurance Risk Retention Group, combined



BOARD CHAIR | MESSAGE TO MEMBERS

Greetings, Colleagues.

As physicians, we dedicate our lives to patient care. Today, that commitment carries substantial risk. The medical malpractice environment is more challenging than ever. States continue to peel away damage caps, private equity fuels litigation for large payouts, and aggressive plaintiff attorneys push novel legal theories to extract outsize awards. Meanwhile, staff shortages and reimbursement cuts continue to strain care delivery.

Throughout these challenging times, we are fortunate to have a steadfast partner in Physicians Insurance (PI).

PI doesn't just go above and beyond. We do things other carriers simply do not: standing firm in defending physicians and hospitals that have provided quality care, strategically deploying every resource at our disposal, sparing no expense.

PI's commitment is unwavering, even when it requires significant financial investment.

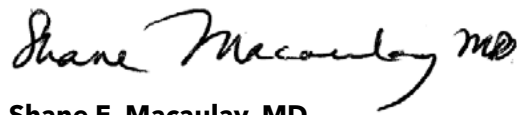
Our company does what is right for us as Members, not what is quickest, easiest, or most profitable.

While the risks we face as physicians are shared, our experiences are individual—and often deeply personal. By maintaining claims caseloads significantly lower than the industry average, PI brings highly focused, individualized, and empathetic attention to each case. Our Members receive extensive, customized risk management services, and support tailored to the specific needs of different practices and specialties. And our company underwrites to best align policies with the organizational structure and objectives of each Member.

A boutique mutual insurance company, Physicians Insurance is focused, agile, and always working to protect, defend, and support Members. Whether that comes in the form of coverage offerings,

legal defense strategies, legislative advocacy, or financial stewardship, every decision is guided by a single question: How does this benefit Members? As a board, we apply this same lens to everything we do. This commitment ensures that we maintain the most reasonable premiums possible while delivering the highest level of protection and support.

At a time when risk is rising, this unwavering vision and purpose are more vital to our medical community than ever before.



Shane E. Macaulay, MD

Radiologist, Board Chair of Physicians Insurance





PRESIDENT AND CEO | BUSINESS UPDATE

Protection That Pays

It's more than the theme of our 2025 Annual Report—it's the foundation of what we do. As a mutual insurance company, Physicians Insurance exists to serve you, our Members. With every decision we make and every dollar we spend, our purpose and our values are paramount. Our Members recognize this in the top-tier legal defense, gold-standard risk management support, and broad, tailored policies we have been unwavering in delivering for more than 40 years.

Investing in You

A boutique national insurance company, we are also uniquely positioned to provide the responsive, personalized service our Members deserve, year after year, unencumbered by bureaucracy or conflicting business priorities. Our singular commitment is always clear: to protect, support, and defend our Members.

In 2024, this commitment was stronger than ever. Once again, we spent more than our industry counterparts on claims and legal defense as we continued to ensure the strongest possible defense of good medicine. Our 96% public-trial win rate over the past decade underscores the success of this approach.

Our Risk Management team also expanded its offerings. We launched our Risk Mentorship program, which provides personalized, one-on-one training to accelerate knowledge-building for new risk managers. We doubled the number of educational webinars produced and published our largest-ever number of risk guidance documents to support Members in addressing the diverse challenges of the day.

In addition to our direct support, we continued our advocacy efforts, working alongside industry partners to fight tort erosion and counter harmful and divisive legal tactics, such as early settlement strategies and contribution claims.

Financial Strength

I am pleased to share that 2024 was another year of strong financial results, with our gross written premiums increasing to \$191 million and our net income increasing to \$15 million, driven by investment returns.

Our financial strength is robust: our total assets and policyholder surplus rose to \$618 million and \$288 million, respectively. Our year-end premium-to-surplus ratio was (0.5:1). In September 2024, AM Best again affirmed our financial strength rating of A- (Excellent).

Our results also bear testimony to our Member-first commitment.

Our internal expense ratio of 24.1% is below the average of our industry peers.

We are always diligent in managing our costs, so we have the financial wherewithal to provide consistently outstanding, individualized support to our Members.

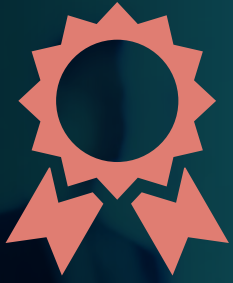
Our combined ratio of 109% emphasizes that our mission is not to earn underwriting profits from the Members who have entrusted us to protect them.

We prudently manage premium dollars, but never at the expense of doing what's right for our Members. Our long-term investment strategies and sound pricing discipline make us a reliable partner through all market cycles.



87%
of premiums paid go to defending and indemnifying policyholders from losses, substantially more than the industry average of 65%

(Source: Dowling)



Milestone

In 2025, we will celebrate the 10-year anniversary of our risk retention group—a symbolic celebration for us in innovating to meet marketplace challenges with smart risk financing tools for healthcare professionals. Physicians Insurance Risk Retention Group, Inc. (PI RRG) was created to offer an alternative liability insurance option for healthcare professionals with varying needs.

PI RRG is reinsured at 95% by Physicians Insurance A Mutual Company and shares in the financial stability we provide, while enabling policyholders to secure exceptional coverage, risk management services, and claims defense expertise across the United States.

This year we will commemorate an important milestone: the 10th anniversary of Physicians Insurance Risk Retention Group (PI RRG). PI RRG has enabled us to offer unparalleled coverage and flexibility, and to expand beyond our Pacific Northwest roots. Today, we proudly serve physicians in 31 states—and counting.

In closing, I want to thank you for the confidence and trust you place in us. All of us at Physicians Insurance work rigorously to earn it every day. We take great pride in our 94% Member retention rate: when Members come to Physicians Insurance, they stay—for protection that pays and a partner they can count on to protect, defend, and support them in the moments that matter.

It is a privilege to be that partner, and an honor to be of service to you.

William Cotter

President and CEO

Physicians Insurance A Mutual Company

A Spotlight on Our Work



At the heart of PI's protection is a steadfast commitment to standing beside our Members. Whether we're funding a Member's vigorous legal defense, reaching a resolution that protects their reputation and future, or supporting them through risk reduction and education, we devote our resources to what matters most—our Members. The following scenarios, drawn from our Members' own experiences, show how that investment pays off—in peace of mind, professional protection, and lasting risk management partnerships.





Delivering Stellar Litigation Support

Weeks after being seen and released in the ER for what presented as low-risk chest pain, a male patient died from aortic dissection.

Sensing that a claim might be coming, our Member, the emergency medicine physician, alerted Physicians Insurance and reviewed the patient's chart, wondering if he could have missed something.

In fact, the physician and the physician assistant (P.A.) had gone beyond the standard of care in evaluating and treating the patient. They had offered to admit the patient for monitoring, which he'd declined, and arranged an expedited cardiology consultation with a colleague upon his release home—all of which was clearly documented. In addition, the patient had followed up with both the consulting cardiologist and his primary care provider as directed, and neither had detected anything emergent.

A lawsuit was filed naming every provider involved with the patient, including this physician and the P.A., plus the radiologist who read the chest X-ray, the consulting cardiologist, and the primary care provider. Eventually, all providers were dropped from the lawsuit, except the emergency medicine physician and the P.A.

"It stung to have our care scrutinized like that—to have our training, our skills, our motives, and our judgement called into question," the physician recalled.

The plaintiff claimed that one particular test would have helped the care providers detect the patient's aortic rupture. However, defense experts reviewing the case confirmed that this was not a test that was indicated by what was seen in the ER that day, and that the care delivered had met or exceeded the standard of care.

In Defense of Good Medicine

As the claim unfolded, our Member had a voice in the process at every turn. Did he want to consider a settlement? The answer was a firm no. "We had given great care and exceeded the standard, and the experts agreed," the physician said. "I wanted to have my day in court to defend my care."

What about a high/low agreement, where both parties to the trial would agree to a cap on damage awards and a minimum to be awarded to the plaintiff

upon a defense verdict—a way to buffer exposure to unpredictable jury verdicts? Once again, confident that he had done nothing wrong, the physician was steadfast in believing such an agreement was unnecessary. PI fully supported his stance.

"In a 20-year career, this was my first trial, coming right after I had stepped away from clinical medicine to an administrative role," the physician said. "The incident was every bit the nerve-wracking, horrifying nightmare you might imagine, but I took great comfort in the expertise and care I was given by Physicians Insurance and my defense team. They provided an incredible level of advocacy that let us clear our names at trial."

And clear their names we did, with a unanimous verdict for the defense. 



"I felt really fortunate to have the level of representation Physicians Insurance put in place. Having an adviser to make decisions with helped me feel some control over the direction of the case. I was thankful to be making the decisions together with my carrier."



Anatomy of a Claim Settlement

A 68-year-old man was undergoing spinal decompression surgery.

Near the end of surgery, numerous issues arose with his vital signs, and the anesthesiologist tried addressing them one after another to stabilize the patient so the surgery could be completed. During these well-meaning attempts, time passed, and the patient died from brain injuries.

A claim was filed, and investigation ensued. During expert review, a panel of physicians unanimously agreed that the surgery should have been stopped due to the time lapse. The anesthesiologist, a Physicians Insurance Member, agreed.

Settlement was being negotiated, then hit a roadblock when the patient's widow mistakenly believed that

the retirement benefits she would receive would decrease due to her husband's death. Negotiations were paused, and Physicians Insurance hired a specialist who researched the issue and reported that this was not the case, recommending that no additional reimbursement would be necessary for that income element. Nevertheless, the widow remained concerned. To the dismay of our Member, the case was proceeding to trial. "Knowing that we were preparing to go to trial was a real low point for me. I knew I had made a mistake," the physician recalled. "I am a pragmatist and did not think we were close in negotiation, so I was not hopeful about that process."

“My Claims Consultant, however, remained encouraging and was very empathetic. He checked in regularly to see how I was doing and offered me names for counseling or peer support, if I needed it.”

Physicians Insurance Goes Above and Beyond

While prepping for trial, the PI Claims Consultant continued mediation efforts.

To support our Member and to make the widow feel whole, Physicians Insurance and the defense team decided to compromise on the disputed economic loss, despite the expert evidence to the contrary. Physicians Insurance factored the widow’s perceived financial loss of retirement benefits into the agreement negotiated, leading to a higher settlement amount, but this decision drove the conclusion of a difficult chapter for both plaintiff and defendant. And it was a price Physicians Insurance was willing to pay to act in our Member’s best interests.

Physicians Insurance’s support continued through the process after the settled case was reported to the National Practitioners Data Bank, with our Member’s costs for legal response to his medical board’s subsequent administrative inquiries reimbursed along the way. **PI**



“Trust the experts and the process. PI truly had my best interests at heart in all decision-making.”



Rx for Risk Management Success

Physicians Insurance is always looking for ways to enhance our risk management services.

So when we recognized a need for focused support for Risk Managers new to the field, it didn't take long. In 2024, PI's Risk Management Mentorship Program was born.

The program matches a Member Risk Manager with a PI Risk Consultant mentor for a year of one-on-one education, kicking off with an Enterprise Risk Management-style assessment to identify topics to prioritize to make learning as meaningful as possible for our Member.

One Member's Experience

One recent participant—an RN at a small critical-access hospital—wears many different hats. She serves as

Director of Quality and Education and Stroke and Trauma Coordinator, and she recently acquired the role and title of Risk Manager as well.

“Through PI’s mentorship program, I have been able to build a very strong foundation of knowledge and get my feet wet on so many topics and scenarios that I had yet to experience,” she said.

“All of it happened at a cadence that worked within my limited bandwidth. And now our work is safer, faster, and more efficient.”

During monthly sessions throughout the year, this Member and her PI mentor covered such wide-ranging topics as EMTALA, mass casualty incidents, and procedures around adverse findings. And the sessions were just the start. As her assigned Risk Consultant, her mentor continues to be available anytime to answer questions and advise on issues large and small.

“I still call her every week looking for information or an opinion,” the Risk Manager noted. “She’s always very responsive and delivers insights and materials that are practical and actionable.”

“She also knows what’s going on at other clinics and hospitals, is on top of emerging trends, and shares best practices she sees throughout the industry.”

The mentorship program also provided a convenient on-ramp to more of PI’s risk management support. It concluded with the Member confidently participating with our Risk Consultant and senior leaders at the hospital in a multi-day risk assessment. This much-anticipated event culminated in a comprehensive report that’s now both a reference tool and a roadmap for the Risk Manager. PI will be supporting the hospital in developing training programs as well. **FP**

Learn more about our approach to risk mitigation at phyins.com/RMApproach.



“We feel uniquely fortunate to have this collaborative and supportive relationship with our insurance carrier.”



30 Years of Advocacy

Our dedicated Government Relations staff are committed to improving the liability landscape for our Members across the full spectrum of legislative, regulatory, and judicial challenges.

Maximizing our investment in these efforts, Anne Bryant, PI's Associate Vice President of Government Relations, frequently works with a coalition of likeminded partners, such as state medical associations.

The issues on our current agenda are the issues that matter to our Members. We are advocating against increases to the statute of limitations, phantom damages, expansions of wrongful-death beneficiaries, increases to prejudgment interest, changes to bad-faith laws, shifting legalities and criminalization around medical claims and expert-witness reforms, and regulation of third-party litigation funding. In the judicial environment, we participate with our partners on amicus ("friend of the court") briefs to bring a compelling medical liability perspective to the courts in potentially precedent-setting cases—for example, as courts weigh the constitutionality of non-economic damage caps.

Out Ahead on Litigation Trends

At Physicians Insurance, we strive to keep our Members informed and equipped to mitigate emerging litigation exposures. In 2024, we published substantial guidance on key issues such as responding to early settlement demand tactics from aggressive plaintiff attorneys and using comprehensive professional service agreements to reduce contribution actions between hospitals and contracted physicians.

Read more at phyins.com/trends.

Financial Summary

Financial Strength Rating
A- (Excellent) AM Best Company



2024 Financial Highlights

Gross Written Premiums	\$191 million
Claims Incurred	\$123 million
Net Income	\$15 million
Total Assets	\$618 million
Claims Reserves	\$258 million
Policyholders Surplus	\$288 million

0.5:1
Premium-to-Surplus Ratio

A measure of our financial strength; industry guidelines prescribe a ratio no greater than 3:1

0.89:1
Reserves-to-Surplus Ratio

A measure of financial stability

\$105 million+
Dividends Returned to Members

A long history of giving back to our members

Access our audited financial statements at phyins.com.

Statements of Income—Statutory Basis

Years ended December 31, 2024 and 2023

REVENUES	2024	2023
Premiums earned	\$189,608,063	\$160,069,785
Less: ceded reinsurance premiums earned	44,345,193	36,272,017
Net premiums earned	145,262,870	123,797,768
LOSSES AND EXPENSES		
Net losses incurred	80,801,546	76,780,682
Net loss adjustment expenses incurred	42,640,308	41,562,512
Other underwriting expenses incurred	35,849,296	24,704,245
Total underwriting deductions	\$159,291,150	\$143,047,439
Net underwriting loss	(14,028,280)	(19,249,671)
INVESTMENT INCOME		
Net investment income earned	19,196,496	14,122,109
Net realized capital gain, less tax of \$2,931,504 and \$1,606,695 at December 31, 2024 and 2023, respectively	11,028,041	6,044,233
Net investment gain (loss)	30,224,537	20,166,342
OTHER INCOME (LOSS)		
Net loss from agents' or premium balances charged off	(9,189)	(5,935)
Finance and service charges not included in premiums	196,781	295,960
Other (loss) income, net	(98,039)	699,415
Total other income, net	89,553	989,440
Income before federal income taxes	16,285,810	1,906,111
Federal income tax expense (benefit)	1,257,209	(133,367)
Net income	\$15,028,601	\$2,039,478

Access our audited financial statements at [phyins.com](https://www.phyins.com).

Balance Sheets—Statutory Basis

Years ended December 31, 2024 and 2023

ADMITTED ASSETS	2024	2023
Cash and investments:		
Bonds	\$449,137,322	\$366,013,909
Common stock	56,611,399	76,191,882
Cash and cash equivalents	35,134,177	64,183,260
Other invested assets	20,908,186	43,680,112
Receivable for securities	185,000	-
Total cash and investments	\$561,976,084	\$550,069,163
Uncollected premiums and agents' balances in the course of collection	41,021,017	37,017,592
Reinsurance recoverables on paid losses	2,457,737	254,372
Accrued interest and dividends	2,698,231	2,691,678
Receivable from affiliates	4,311,835	834,162
Net deferred tax asset	1,759,455	842,914
Federal income tax recoverable	-	357,805
EDP equipment and software	136,269	98,510
Other assets	3,543,071	728,150
Total admitted assets	\$617,903,699	\$592,894,346
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Liabilities		
Reserves for losses	\$179,013,373	\$179,582,501
Reserves for loss adjustment expenses	78,778,982	71,139,555
Reinsurance payable on paid losses and loss adjustment expenses	802,864	611,123
Unearned premiums	51,311,365	48,070,550
Advance premiums	5,058,965	8,380,650
Commissions payable	1,295,881	140,177
Other expenses	5,005,281	4,500,729
Taxes, licenses, and fees payable	34,349	951
Provision for reinsurance	8,000	14,288
Ceded reinsurance premiums payable to reinsurers	5,263,926	3,817,669
Federal income taxes payable	2,805,718	-
Payable for securities	250,000	448,638
Total liabilities	329,628,704	316,706,831
Policyholders' surplus	288,274,995	276,187,515
Total liabilities and capital and surplus	\$617,903,699	\$592,894,346

Access our audited financial statements at phyins.com.



2024 Board of Directors

Physicians Insurance is a mutual insurance company governed by a board of directors elected by the policyholders. Physician representation on the board is guaranteed by the bylaws, and the company also benefits from the expertise of several non-physician directors.

Shane Macaulay, MD
Board Chair
Diagnostic Radiology

David Carlson, DO
Family Medicine

Franklin Cordell, JD
Attorney

William Cotter
President and CEO,
Physicians Insurance

Joseph Deng, MD
Anesthesiology

David Dohnalek
Aerospace Executive,
Boeing (retired)

Jennifer Hanscom
CEO, Washington State
Medical Association

Ursula Luckert
Clinic CEO

John Pasqualetto
President, Chairman,
and CEO,
Seabright Holdings
(retired)

Eric Stoler, MD
Anesthesiology

Thank You

As he completes his term in 2025, we would like to acknowledge **John Pasqualetto** for his dedication to, experience in, and passion for our work. We appreciate his many contributions to Physicians Insurance's success during his tenure on our board.