

45

2025 ANNUAL REPORT

YEARS
OF UNWAVERING
PROTECTION

Ready for
What's Next.

PHYSICIANS

INSURANCE

Our Beginning

Forty-five years ago, facing a major medical malpractice insurance crisis in the US, a group of physicians came together to build a better way to manage the risks associated with practicing medicine.

Their vision was an insurer grounded in the principles of physician control, long-term commitment, improving patient care, and rigorously defending good medicine. That vision became reality in 1981, when Physicians Insurance A Mutual Company was born.

Founded by physicians for physicians, Physicians Insurance has been providing professional liability solutions to physicians, physician groups, and hospitals consistently ever since. From our Pacific Northwest beginnings in partnership with the Washington State Medical Association, Physicians Insurance has grown nationwide. We have lived by the principles that have been foundational from our start, are a financially stable partner with an A- (Excellent) rating from AM Best, and have been putting physicians first for nearly half a century.



By the Numbers



92.3%

public-trial win rate
over the last 10 years

88%

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

90.3%

Member retention rate

38

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.

PHYSICIANS
INSURANCE



BOARD CHAIR | MESSAGE TO MEMBERS

Greetings, Colleagues

As physicians, we step into exam rooms and operating suites every day committed to doing what is best for our patients—and always aware of how deeply our decisions matter to those who place their trust in us. Along with this privilege, we who carry the weight must navigate the challenge of an evolving healthcare and professional liability environment. This duality is nothing new for physicians—or for Physicians Insurance.

The structure of medicine is shifting. Many physicians now work within large health systems, physician organizations, or management structures that include hospitals, management companies, and private investment. This adds scale and resources for patients—and complexity to the liability landscape. Similarly, artificial intelligence and clinical decision-support tools hold promise for improving diagnosis, treatment planning, and efficiency, but they also raise new questions about responsibility, documentation, and changing standards of care.

Nuclear verdicts—defined as verdicts of \$10 million or more—continue to become more frequent and severe. Then there are the all-too-familiar daily challenges of staffing shortages, administrative burdens, reimbursement pressures, and persistent burnout.

Protecting physicians in dynamic environments is precisely what Physicians Insurance has done for 45 years. In a field of constant change, PI has been a constant for Members since its inception.

PI brings the full strength of its legal and financial resources to defend its Members and the practice of good medicine. They are focused and agile, expert and empathetic, understanding how deeply personal and professionally stressful malpractice accusations can be. By maintaining claims caseloads well below industry averages, PI's claims team provides the deeply individualized support Members deserve.

PI's proactive risk management services help practices anticipate and prepare for emerging risks and equip both new and seasoned risk managers for the challenges ahead. Its coverage is customized for the realities of modern medical practice.

For us as a board and as a company, every decision Physicians Insurance makes is guided by the question, "How does this benefit our Members?"

We are fortunate to have such a partner in our corner. While risks evolve, the protection we can expect from Physicians Insurance is unwavering. I am proud to be part of an organization that is so strongly committed to the medical profession, and that is here solely for us. PI has been for decades, and will be for decades to come.



Shane E. Macaulay, MD

Radiologist, Board Chair of Physicians Insurance





PRESIDENT AND CEO | BUSINESS UPDATE

Dear Members,

With a steadfast commitment to our Members nationwide, PI has built a legacy grounded in financial strength, excellent service, and trusted relationships. In our 45th year, we celebrate our journey so far—and the future we are shaping together.

45
YEARS

Healthcare has never been without challenges. In fact, PI was born out of challenge—created by physicians facing a difficult liability environment decades ago.

From the beginning, we understood that challenge brings clarity of purpose. Ours has been constant: to protect, defend, and support our Members through liability issues, shifts in care delivery, evolving litigation trends, and regulatory changes. Our purpose anchors how we show up for our Members, year after year, consistently and reliably—with unwavering protection.

2025 in Review

In 2025, Physicians Insurance continued to harness tremendous resources to ensure the

best possible claims and litigation outcomes for Members facing malpractice accusations. Our approach—always strategic and disciplined—has driven an impressive 92.3% public-trial win rate over the past decade. This track record underscores not only our deep expertise, but also our stalwart dedication to defending good medicine.

Demand for our risk management services reached new highs in 2025. Utilization of our deep-dive risk assessments, for example, increased 63% over the year prior. We also expanded our assortment of assessment tools, added several Risk Factors webinars, and introduced robust new content on timely topics such as GLP-1 medications and workplace violence, as well as dozens of new risk management courses.

Through our Physicians Insurance Risk Retention Group (PI RRG), we continued expanding and diversifying our offerings beyond the Pacific Northwest, and now proudly serve physicians and hospitals in 38 states.

Our state and federal legislative and regulatory advocacy remained more important than ever. Once again in 2025, we worked rigorously alongside industry partners to fight tort erosion and counter legal tactics that are harmful and divisive for our Members.

Financial Results

Financial stewardship is foundational to our business and our long-term commitment to our Members, and I'm pleased to report that we achieved another year of strong financial performance in 2025. Gross written premiums increased to \$205 million, up from \$191 million last year. We ended the year with total assets of \$657 million, up from \$618 million in 2024, and a policyholder surplus of \$279 million. Our year-end premium-to-surplus ratio was 62%. AM Best rates our financial strength at A- (Excellent).

Our financial results also reflect our Members-first commitment. Diligent internal cost management is baked into our culture, reflected in an expense ratio of 32%—significantly below the average of our industry peers.

Looking Ahead

PI moves into the future committed to keeping our Members out ahead of the shifting challenges in healthcare—investing in services, expertise, and partnerships that benefit our Members—while maintaining our financial strength.



88%

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

(Source: Dowling)



We will continue our journey as a Members-first, independent medical professional liability carrier, firmly grounded in the purpose that has enabled us to provide unwavering protection to Members for 45 years.

In closing, I want to thank you for the confidence you place in Physicians Insurance. Our 90.3% Member retention rate underscores the trust we have earned, and we never take it for granted.

It is a privilege to serve as your partner and to stand beside you—every day, and in the moments that matter most.

Dr. David Carlson, DO

President and CEO

Physicians Insurance A Mutual Company

45
YEARS

Risk Management Recap

Helping Members Mitigate Risk for 45 Years

Since our founding in 1981, Physicians Insurance has been grounded in strong partnerships with our Members—partnerships we continually strengthen with our risk management services. In 2025, demand for these services reached new highs—reflecting the growing complexity of healthcare risks and the trust our Members place in PI as a partner in navigating those risks.



“Risk management isn’t just about responding to events,” said Anne Flitcroft, Senior Vice President of Risk Management at PI. “It’s about anticipating what’s ahead—what’s changing and evolving—and building systems that support safe, productive care environments. To be most effective, risk management support should be proactive and collaborative. It should involve learning from the past, while always looking to the future.”

Expanding Engagement, Deepening Impact

In 2025, PI’s Risk Management team delivered more than 5,300 risk management touchpoints, spanning outreach, consultations, education, and on-site engagement. Use of our deep-dive risk assessments increased by a full 63% over 2024, and we expanded our specialty risk assessment tools to include aging services, ambulatory surgery centers, urology, and workplace violence.

Education was a core focus for PI and our Members: more than 70 new or updated courses were added to our Risk Management Library. Customized, on-site education sessions were tailored for Members to address topics such as patient handoffs, communication, and challenging patients. Our popular Risk Factors webinar series expanded to include timely topics such as provider burnout and medication and supply shortages. Some of our Members embarked on simulation training, which enabled them to learn by “living” medical events like hypertensive obstetric emergencies and pediatric resuscitations, through our vendor partner. PI also created new practical content on risks arising from GLP-1 medications, apology and disclosure, diagnostic discrepancies, and more.

“This ongoing expansion is part of our strategy to always meet our Members where they are—in an evolving landscape—with practical, easily accessible tools,” Flitcroft noted.

What We Saw: Key Risk Themes in 2025

Another highly requested service in 2025 was PI's annual Risk Reviews. These yearly "check-ins" with Risk Consultants help Members identify their risk management priorities for the coming year and the services PI can offer for immediate impact. "These Risk Reviews enhance our understanding of the ebb and flow of risks for individual Members, while illuminating risks of our collective membership. They help to inform future guidance, education, and support resources," Flitcroft said.

"In 2025, we saw organizations asking deeper questions about how their systems are actually performing," Flitcroft added. There is a growing realization that sound policies without regular auditing and oversight leave organizations vulnerable."



Specifically, six key takeaways emerged from this year's Risk Reviews:

- 1. Documentation Audits:** In areas such as chaperones, interpreter services, and informed consent, criteria often exist—but criteria that may appear effective on paper can fail in practice without auditing and documentation.
- 2. Overdue Orders and Follow-Up:** Missed or delayed follow-up can result in serious, costly outcomes, which means that “closing the loop” on orders and test results is essential for safe, reliable care.
- 3. Sexual Misconduct Complaints:** Clear, consistent processes for managing and investigating complaints around sensitive issues such as sexual misconduct are critical to protect patients, staff, and the organization.
- 4. Communications After Unexpected Outcomes:** Improved communication around unexpected outcomes—including early structured processes for apology and disclosure—is important to preserve trust and reduce escalation.
- 5. Incidental Findings:** Communication and follow-up around incidental findings can create confusion and missed care needs; defined, documented processes demonstrate diligence and continuity of care.

- 6. Supervisor and Manager Training:** New leaders often carry new employment-related responsibilities and require training related to hiring, evaluations, corrective actions, and termination. Workforce risk is patient safety risk.

“The issues we heard aren’t isolated incidents—they’re systemic challenges,” said Flitcroft. “We’re helping Members move from having sound policies on paper to embedding these policies in daily practice.”

Future-Focused

PI's Risk Management team is committed to staying ahead of the changes in healthcare and healthcare risks, continually expanding our risk capabilities, deepening our insights, and investing in tools and resources that make a meaningful difference for Members. Like everything PI, our Risk Management services have been Member-centric from the start—and will continue to be, with every evolution to come.



Experience That Delivers

Decades of Claims Expertise, Delivered With Empathy

When Kari Adams joined Physicians Insurance in 1996, the 15-year-old mutual company was already grounded in its mission to protect, defend, and support our Members. Over the next three decades, she played a pivotal role in translating that mission into a disciplined, highly effective, and deeply human approach to claims.



Today, as Senior Vice President of Claims, Adams leads a team focused on delivering the best possible legal outcomes for Members while supporting them through one of the most challenging experiences of their careers.

Rx for the Strongest Possible Defense

“PI stands out for the rigor with which we defend good medicine—as evidenced by the resources and expertise we have used to drive claims success for our Members for the last 45 years,” Adams says. This includes unlimited engagement of national and local experts, marshaling focus groups to test strategies and jury receptivity, and working closely with defense-firm partners to adopt innovative, effective strategies for both litigation and settlement negotiations. The results speak volumes: PI maintains a 92.3 percent win rate at trial over the past decade.

“Our Claims Committee is also critical in giving our Members every advantage when they face a claim,” Adams said. This all-physician committee reviews all large cases—whether they are headed to trial or settlement. “Time and time again, their clinical insights and perspectives prove pivotal as we hone our claim strategies—as does their passion for physician advocacy, quality care, and providing PI members with the utmost support,” she added.

While PI consistently leverages advancing data and technology to enhance claims management, we also embrace some “old-school” fundamentals to ensure the best possible service. “At PI, we keep our caseload per Claims Consultant substantially below the industry average,” Adams notes. “This enables us to bring an exceptional, individualized focus to each claim.”

There When It Matters Most

From our very beginning, PI has always been cognizant of how stressful claims can be and has approached each claim with deep empathy. Today, PI also connects Members with peers who have experienced litigation and professionals trained in coaching and counseling to provide additional confidential and compassionate support.

“Standing with our Members during what can be an enormously stressful and consequential time has been our most important duty since the company’s founding back in 1981,” Adams says. “It is the time when PI is able to bring tremendous resources and expertise to the table, while also being there as empathetic partners.”

And that’s precisely what Adams has done for more than three decades.

Experience That Delivers

Decades of Advocating for Our Members

When Anne Bryant joined Physicians Insurance in 1992, a government relations program did not exist at the company. Recognizing a pressing need to elevate the visibility of medical professional liability issues affecting the practice of medicine at the legislative and judicial levels, Bryant went to work to fill that gap.



Fast-forward to 2026. As Associate Vice President of Government Relations, Bryant is a widely respected leader in physician-focused advocacy, having spearheaded a program that shapes policy in support of PI Members for more than three decades.

Purpose-Driven Participation

“Our advocacy begins and ends with the core purpose that has driven PI for 45 years—protecting, defending, and supporting our Members,” Bryant says. “In the case of government relations, that means safeguarding the legislative, regulatory, and judicial environments in which physicians practice.”

Bryant is quick to note that this is not about influencing medicine for short-term gain, but supporting stability, patient safety, and access for the long term, balancing economic realities with patient and provider needs.

The work typically involves three different areas:

- Tracking legislative and regulatory changes to stay ahead of emerging issues affecting physicians and patient care.
- Shaping legislation that supports common-sense policies that remove barriers to care and establish a stable and secure clinical environment for physicians.

- Defending against proposals that could undermine care or destabilize the healthcare environment.

Collaboration Is Key

Advocacy is much better together. “Engaging with state and federal coalitions magnifies our efforts and makes sure our voice is heard,” Bryant says. She credits PI’s sustained partnerships across medical associations, specialty societies, and coalitions as the key to success in translating frontline challenges into practical policies.

A major part of PI’s work is stopping bills that will have unintended consequences for healthcare—policies that don’t factor in practical realities. Caps on non-economic damages is a major focus. When these costs are unpredictable, they introduce volatility—driving higher medical liability insurance premiums, limiting access to care for patients, and amplifying pressure on high-risk specialties and rural providers. Establishing reasonable, predictable parameters helps sustain affordability, stability, and access for both physicians and patients.

2025 Advocacy in Action

A recent example of PI's successful advocacy came in the 2025 legislative session, when Utah amended its medical malpractice law, under the Utah Health Care Malpractice Act, to strengthen protection for physicians' personal assets. Under the new law, the personal assets of physicians are shielded in claims if they carry more than \$1 million in malpractice coverage.¹

Utah's practical amendment clarifies personal exposure for physicians while maintaining accountability in medical malpractice claims. Physicians Insurance, along with its Utah advocacy partners, advocated for the bill and is now working to replicate it in other states.

Since our inception in 1981, Physicians Insurance has been acutely aware of the significant consequences physicians can face while practicing medicine. "Physicians Insurance understands the pressure our Members face and works to protect, support, and defend medical professionals who carry this kind of risk, personally and professionally," Bryant notes.

The legislative environment and the field of medicine will continue to change—and PI will continue to fight for the interests of our Members.

Physicians Insurance understands all that's at stake for our Members. The legislative environment and the field of medicine will continue to change—and PI will continue to fight for the interests of our Members. "We are here to protect, defend, and support our Members," Bryant says. "Ensuring a common-sense healthcare environment is foundational to that."

¹ Utah Legislature. H.B. 503, Health Care Malpractice Act Amendments. Enacted 2025. Utah State Legislature. Accessed March 30, 2026. https://le.utah.gov/xcode/Title78B/Chapter3/C78B-3-P4_1800010118000101.pdf





Member Spotlight

A Nearly 40-Year Partnership, Built on Trust

As Physicians Insurance (PI) celebrates our 45th anniversary, we spoke with longtime Member Spokane OBGYN, which has been insured by PI since 1987. Denise Hansen, office manager at the women's health practice, reflects on her organization's decades of shared history with PI, how healthcare and risk management have evolved over time, and the value PI has provided along the way.

45
YEARS

Spokane OBGYN has been with PI for nearly 40 years. What has kept you with PI for so long?

Denise Hansen: It really comes down to trust and continuity. Over the years, PI has come to know our physicians, our practice, and the quality of care we provide. We have a great rapport, and that familiarity matters. Our physicians know that if a situation arises, they have a partner who understands their track record and is ready to support them. That consistency—paired with responsive service and competitive pricing—has made it easy to stay.

How has your practice—and healthcare more broadly—evolved over your time with PI?

DH: So much has changed! Patients today are much more informed and engaged in their care, which is positive, but also adds complexity. There's more dialogue, more questions, and more often a need to guide patients through information they have found online and may use to draw their own conclusions.

Care delivery has also evolved. We've introduced new services and technologies to improve patient care—more recently things like using nitrous oxide in-house to enhance patient comfort and convenience for certain procedures, and bringing chaperones into exam rooms for sensitive exams. With every change comes new considerations around safety and risk. We are always learning, and it's important to us to follow the best risk and safety practices. We dot our i's and cross our t's before implementing anything new—and PI helps us do that.

How has PI supported you as risks have evolved?

DH: One of the biggest values PI brings is access to experienced Risk Consultants who really know our specialty and our practice. When we're faced with an unusual situation, or simply implementing something new, we can reach out and get clear, practical guidance. That might include what steps to take, what documentation is needed, or how to approach a sensitive situation. This helps us move forward confidently, knowing we're doing the right thing for both our patients and our team.

Can you share an example of how PI has made a difference for a physician?

DH: Like many long-standing practices, we had a claim. One of our doctors was named among many in a case involving hospital services. Our MD was not at fault—and the hospital was eventually found culpable—but it was a complex, multi-party case, and we were relying on our own insurance for defense for years until the matter was resolved. It was very hard for our physician to hear her care questioned and to have to endure such an extensive legal process. She trusted—and was very thankful for—the excellent communication, guidance, and support PI provided throughout the process.

How would you sum up what the PI partnership means to your practice?

DH: Big picture: having a carrier like PI keeps everyone safe. Their collaboration with us on risk and safety is important for keeping our business safe and for our patients' well-being. It allows our physicians to stay focused on what matters most: caring for our patients. We're proud of the relationship we've built over the years and grateful for the consistency and support PI has provided.



Financial Summary

Financial Strength Rating
A- (Excellent) AM Best Company



2025 Financial Highlights

Gross Written Premiums	\$205 million
Claims Incurred	\$160 million
Net Income	\$706K
Total Assets	\$657 million
Claims Reserves	\$299 million
Policyholders Surplus	\$279 million

0.62:1
Premium-to-Surplus Ratio

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

1.07:1
Reserves-to-Surplus Ratio

A measure of financial stability

Access our audited financial statements at phyins.com.

Statements of Income—Statutory Basis

Years ended December 31, 2025 and 2024

REVENUES	2025	2024
Premiums earned	\$199,986,876	\$189,608,063
Less: ceded reinsurance premiums earned	38,191,872	44,345,193
Net premiums earned	161,795,004	145,262,870
LOSSES AND EXPENSES		
Net losses incurred	118,456,320	80,801,546
Net loss adjustment expenses incurred	41,449,988	49,342,549
Other underwriting expenses incurred	34,840,186	29,147,055
Total underwriting deductions	194,746,494	159,291,150
Net underwriting loss	(32,951,490)	(14,028,280)
INVESTMENT INCOME		
Net investment income earned	24,957,182	19,196,496
Net realized capital gain, less tax of \$2,347,176 and \$2,931,504 at December 31, 2025 and 2024, respectively	8,829,852	11,028,041
Net investment gain	33,787,034	30,224,537
OTHER INCOME		
Net loss from agents' or premium balances charged off	-	(9,189)
Finance and service charges not included in premiums	217,860	196,781
Other miscellaneous loss	(139,865)	(98,039)
Total other income	77,995	89,553
Income before federal income taxes	913,539	16,285,810
Federal income tax expense	207,228	1,257,209
Net income	\$706,311	\$15,028,601

Access our audited financial statements at phyins.com.

Balance Sheets—Statutory Basis

As of December 31, 2025 and 2024

ADMITTED ASSETS	2025	2024
Cash and investments:		
Bonds	\$467,624,348	\$449,137,322
Common stock	58,616,654	56,611,399
Cash and cash equivalents	56,567,194	35,134,177
Other invested assets	3,836,800	20,908,186
Receivable for securities	-	185,000
Total cash and investments	586,644,996	561,976,084
Uncollected premiums and agents' balances in the course of collection	51,671,128	41,021,017
Reinsurance recoverables on paid losses	1,736,866	2,457,737
Accrued interest and dividends	4,170,650	2,698,231
Receivable from affiliates	3,990,929	4,311,835
Net deferred tax asset	6,454,528	1,759,455
Federal income tax recoverable	590,107	-
EDP equipment and software	39,712	136,269
Other assets	1,813,034	3,543,071
Total admitted assets	\$657,111,950	\$617,903,699
LIABILITIES AND POLICYHOLDERS' SURPLUS		
Liabilities		
Reserves for losses	\$221,837,863	\$179,013,373
Reserves for loss adjustment expenses	77,579,745	78,778,982
Reinsurance payable on paid losses and loss adjustment expenses	425,204	802,864
Unearned premiums	62,765,784	51,311,365
Advance premiums	5,071,155	5,058,965
Commissions payable	2,089,998	1,295,881
Other expenses	4,712,198	5,005,281
Taxes, licenses, and fees payable	17,323	34,349
Provision for reinsurance	-	8,000
Ceded reinsurance premiums payable to reinsurers	3,285,650	5,263,926
Federal income taxes payable	-	2,805,718
Payable for securities	-	250,000
Total liabilities	377,784,920	329,628,704
Policyholders' surplus	279,327,030	288,274,995
Total liabilities and capital and surplus	\$657,111,950	\$617,903,699

Access our audited financial statements at phyins.com.



2025 Board of Directors

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

Shane Macaulay, MD
Board Chair
Diagnostic Radiology

Jennifer Benson, MD, MHA
Regional Vice President &
Chief Physician Officer
Family Medicine

Chris Bundy, MD, MPH
Executive Medical Director
Washington Physicians
Health Program

Susan Chmielecki, JD
Former Professional
Liability Insurance
Executive

David Carlson, DO¹
President & CEO
Physicians Insurance

Franklin Cordell, JD
Partner, Attorney
Litigation

William Cotter²
President and CEO (retired)
Physicians Insurance

Joseph Deng, MD
Anesthesiology

David Dohnalek
Aerospace Executive
(retired)

Jennifer Hanscom
CEO
Washington State Medical
Association

Ursula Luckert
Healthcare CEO (retired)

Alfred Seekamp, MD, MPH
Obstetrics and Gynecology

Eric Stoler, MD
Anesthesiology

45
YEARS

Thank You

William "Bill" Cotter concluded his tenure as Chief Executive Officer and President in 2025. His guidance strengthened the organization and left a lasting impact. The board and management extend their gratitude for his many contributions and dedicated service.

- ¹ Effective November 1, 2025, Dr. Carlson was appointed Chief Executive Officer and President of Physicians Insurance, a Washington-domiciled mutual insurance company, and Director and President of Physicians Insurance Risk Retention Group, Inc. ("PIRRG"), a Vermont-incorporated domestic for-profit corporation. He was also appointed as an officer and director of the company's subsidiary and affiliated entities in connection with his management position.
- ² Effective November 1, 2025, Mr. Cotter resigned as Chief Executive Officer and President of Physicians Insurance, a Washington-domiciled mutual insurance company, and as Director and President of Physicians Insurance Risk Retention Group, Inc. ("PIRRG"), a Vermont-incorporated domestic for-profit corporation, as well as from his management positions in the company's subsidiary and affiliated entities.