Physicians Insurance A Mutual Company provides traditional, first-dollar medical professional liability insurance, medical stop loss, provider excess, and reinsurance coverage to more than 7,600 physicians, practices, corporations, and hospitals in Washington, Idaho, Oregon, and Wyoming. Through its subsidiaries, the company also provides alternative risk financing vehicles and captive management with corresponding risk-management consulting, continuing medical education, and claims administration services.

Founded in 1981, Physicians Insurance has grown to be the largest locally-based insurer of physicians in its region, and is rated A- (Excellent) by A.M. Best Company. Physicians Insurance maintains corporate headquarters in Seattle, with regional and subsidiary offices in Spokane, WA, Portland, OR, Milton, VT, and Orlando, FL.

Continued Stability for Our Members

In 2015, despite continued consolidation in the marketplace, Physicians Insurance added 44 new physicians and generated more than $73 million in Medical (MPL) and Hospital (HPL) Professional Liability premiums. Generating more than $4.58 million in new MPL and HPL premiums, these results continue a multi-year trend of stable and strategic growth.
Rate Stability, Market Loyalty, Claims Effectiveness

- **Base rates unchanged for the 12th consecutive year.** Based on data and proven underwriting principles, we held steady our base rates, even when faced with significant competition. In some cases, we’re seeing other insurers quote at a loss, but we choose not to build rates on marketing goals or sales quotas. This means we won’t lower rates just to obtain an account, only to raise them the next year. Rather, we continue to base our rates on a wide variety of factors, including national and state-level data, specialty-specific classifications, and loss experience. Though this practice does not often attract the commodity, price-based buyer, we have still gained market share in all states.

Since 2004, the company has held rates flat and lowered them twice in Washington State. Oregon members have not had a rate increase in nine years (with rates lowered once), and our Idaho members have enjoyed not only eight consecutive years of no rate increase, but also two years of reductions. This rate stability reflects our commitment to our members to make their premiums budget-stable.

- **Eighth consecutive $5 million dividend to members in 2015.** Physicians Insurance provided its eighth consecutive dividend of $5 million to members in 2015, raising our historic total return to more than $82 million.

- **Stable growth continues; retention remains historically high.** Though hospital employment of physicians continues to increase, and hospital purchases of physician practices decreases available market share, our physician and account retention levels remain at our historically high levels—both at 90%. This suggests that buyers are attracted by stable premiums combined with valuable services.
Growth through Our Strategic Diversification

- Physicians Insurance leveraged the strength of its subsidiaries (formed in 2013: Experix and Alterna), advancing the company's ability to provide alternative risk financing models and unbundled risk management and third-party claims administration. In 2015 we launched MedChoice RRG as a vehicle for targeted single- and multi-specialty physician risks, and we renewed and grew fee-based service contracts, which provide a natural pivot point to establishing other risk-based programs for emerging and complex accounts.

- In 2015, the company once again doubled its number of insured small hospitals (beds of 100 or fewer), growing from 11 to 24. This expansion included writing our first hospital in Idaho, complementing our existing physician business in that state. In large part, the overall growth of this product can be attributed to the strong brand equity of Physicians Insurance and existing relationships within the hospital market, along with deep hospital underwriting expertise within the organization that equipped us to effectively serve this market niche.

- The company also developed modifications to existing or new products in 2015. Updates to the Cyber Liability, Directors and Officers, and Employment Practices Liability products increased the company’s attractiveness in the marketplace without substantially impacting the organization’s risk portfolio.

Building New Strengths

Continuous improvement remains at the heart of Physicians Insurance—using thoughtful, data-driven approaches to new initiatives.

- **Staff Expertise** – In 2015 we added key staff to underwriting, claims, finance, and business development to expand our knowledge and expertise, enabling us to address an even broader set of needs within our insured base. We also redesigned the account management function. These changes led, in part, to our high retention of accounts in a fiercely competitive market.

- **Partner Expertise** – We also forged new relationships with strategic local and national partners in 2015 to address different risks within our client accounts. From macro simulation programs in the clinic setting that addressed shoulder dystocia, post-partum hemorrhaging, and stroke assessment, to partnering with the FBI to provide a community forum addressing cyber threats, or a multi-state forum on hospital risk mitigation strategies, we worked to equip our members with knowledge and skills that could lower risk frequency and severity.

In 2015, we clearly fulfilled our mission of providing MPL and HPL coverage, underpinned by sound financial practices; we anticipated and responded to trends and the changing needs of our members; and we improved the quality of care and patient safety. Premiums are just one piece of managing risk, so we exchanged ideas, collaborated, partnered, and created—all to ensure that our members can effectively practice in a changing health-care landscape, provide excellent patient care, and thrive both today and in the future.
Our Mission

- To provide insurance coverage to physicians and other health-care providers at the lowest possible cost consistent with sound financial and insurance practices.

- To anticipate and respond to changing needs and trends in a manner that is beneficial to our members.

- To improve the quality of medical care and patient safety.

- To protect the personal and professional interests of our members consistent with sound financial and insurance practices.

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