


2017 ANNUAL REPORT

# Innovation for today's physicians.







**For 42 years, we've delivered on a promise  
of innovation that impacts our doctors, our  
teams, and our communities.**



**2017 WAS NO DIFFERENT**



## CHAIRMAN'S MESSAGE

SVMIC's mission is simple: to protect, support, and advocate for physicians and other healthcare professionals. Meeting this objective requires a variety of capabilities that constantly evolve. To help its doctors, SVMIC constantly invests in products that fit its doctors' needs and services that exceed their expectations. Throughout this annual report you will learn about ways that SVMIC is investing to address the evolving needs of its policyholders.

Online educational offerings and improved web-based account management resources were frequent requests in the policyholder survey. These tools will allow policyholders to interact with SVMIC efficiently in the ways they prefer. But do not worry, SVMIC will continue to provide traditional methods of customer service for those who prefer a live conversation.

SVMIC relies heavily upon its capable and dedicated employees to make ideas become reality. Your company invests heavily in adding and training staff members to provide necessary

skills and perspectives. Also, SVMIC has created a sophisticated data warehouse to help its employees be more nimble when making decisions and responding to policyholder requests. SVMIC is very proud of its employees both for their commitment to the highest quality of policyholder service and for their constant demonstration of the company's values.

SVMIC also invests in research. Survey feedback is carefully studied. Board and management brainstorm to identify emerging challenges facing doctors in various roles and stages of their careers. Focus groups with residents and medical students teach us what they value. This research will certainly help SVMIC be prepared as needs change with time. Each doctor is unique, and SVMIC strives to be the right partner for all of them.

SVMIC wants to be your trusted advisor and your long-term business partner because your success as a doctor and our success as an insurance company are inextricably linked. Our interests are perfectly aligned. Thank you for placing your trust in SVMIC.

**– Hugh Francis, III, MD**  
CHAIR OF THE BOARD

## Our Mission

We protect, support, and advocate for physicians and other healthcare providers.

## Our Vision

To be the premier provider of medical professional liability insurance, education, and support in the markets we serve.

## Our Values



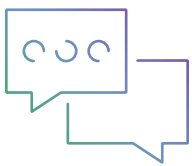
### **Integrity**

Do the right thing, always.



### **Responsiveness**

Act promptly and decisively, anchored by deep knowledge and careful listening.



### **Collaboration**

Work enthusiastically with others and be open to different perspectives.



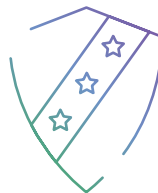
### **Service**

Commit to helping policyholders, team members, and community.



### **Innovation**

Continually seek better solutions while anticipating future needs.



### **Stewardship**

Take good care of the resources entrusted to us.

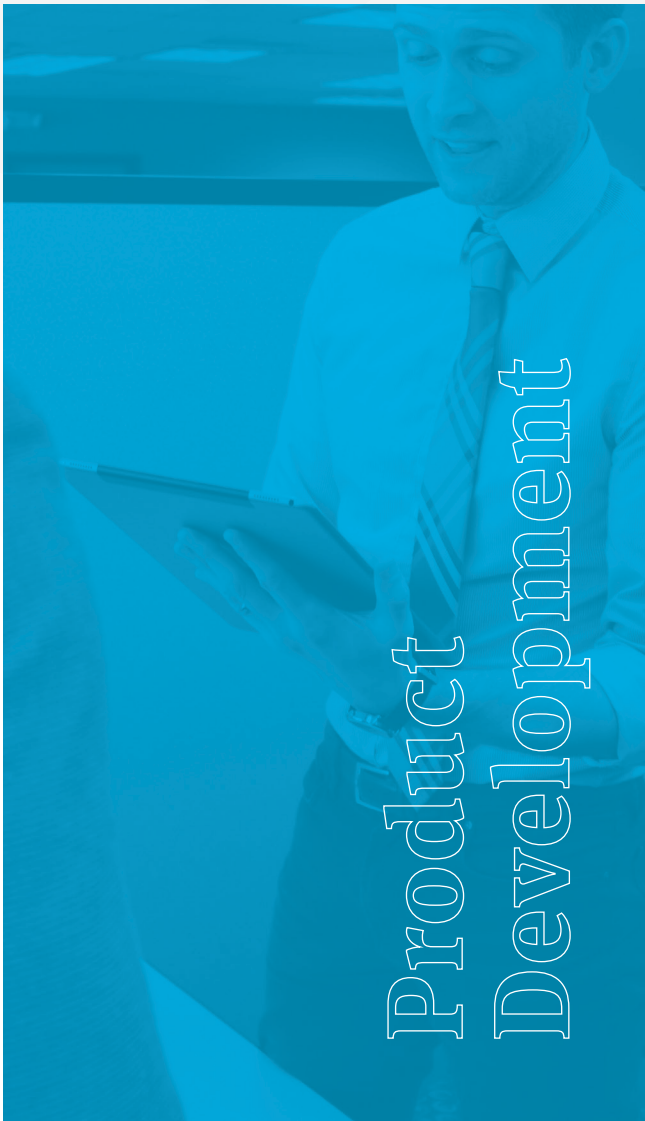


**Staying ahead of the curve  
means thinking beyond it.**

### **Harnessing information to better serve you**

SVMIC has collected an immense amount of data on medical malpractice loss experience over our forty plus years serving doctors. Historically, this data was stored in a format that required a programmer to generate useful reports. Recently, SVMIC created a data warehouse which greatly enhances our ability to access and analyze this valuable information.

The data warehouse not only improves our leadership team's ability to use data in decision-making, it also fuels intellectual curiosity, providing a continuous source of information and enhancing our actuarial, underwriting, and risk analyses. Turning historical data into a current asset helps SVMIC remain at the forefront of risk mitigation and other relevant trends in our business of protecting you.



## Employee and doctor-driven ideas move us all forward

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Two years ago, SVMIC launched an initiative to encourage employees to generate new product and service ideas for the company. Employees submit their ideas via SVMIC's internal website. While the primary reward is knowing they've helped SVMIC better serve its policyholders, they also receive a small financial reward.

This year, SVMIC's leadership team decided to take this concept even further. We conducted a retreat with the Board of Directors, which featured a day spent on industry disruptions, customer personas, and brainstorming opportunities and risks for SVMIC. Many ideas generated during this session have been moved into the project phase and are being developed by SVMIC staff as future product or service concepts.

We believe anybody can generate the next great idea, and we encourage creativity.



### **Always questioning our assumptions**

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In 2015, SVMIC embarked upon a new strategic planning process, resulting in a plan ratified by the Board of Directors. While our mission statement is the guidepost for all SVMIC activities, the strategic plan identifies the necessary steps to achieve the mission. Progress towards this plan is reviewed annually to ensure we remain on track. The company chose a three-year strategic planning cycle so that every third year the strategic plan is updated to reflect environmental changes and progress made to date.

Work on the 2018 update is already underway. While very thoroughly reviewing and discussing each element of the plan, the Board and the leadership team retained the core elements of the plan. As the activities and tactics supporting the company's strategic plan change and evolve over time, the central guidepost remains tall and strong.

In everything we do, we focus on protecting, supporting, and advocating for physicians and other healthcare providers.



## Staying relevant for the physicians of the future

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SVMIC must be prepared for the physicians of tomorrow. Recognizing a lack of familiarity with the needs and wants of this particular group, SVMIC created a team to study the issue. This team quickly decided that qualitative focus group research with medical students and residents would be a good way to rapidly gain insight into the goals, desires, and thought processes of tomorrow's insureds.

As expected, the knowledge provided by this research has been incredibly valuable in helping SVMIC develop products and services to meet the preferences of these future policyholders, and to learn how they want to interact with their insurance company. This process has driven several innovative new initiatives within the company.



## INITIATIVES

### Digital learning built for the modern practice

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In 2015, policyholders told SVMIC they like the content of our risk management education but don't necessarily like having to attend a live seminar to see the program. SVMIC heard that loud and clear and now allows policyholders and staff to consume almost all of their SVMIC-based education as best meets their needs (online, in person, or booklet).

SVMIC will continue making more content available more easily through media such as podcasts, video, and other emerging platforms. Whether for credit or for professional development, SVMIC will always play a major role in educating policyholders and staff. We are committed to providing this in ways most preferable to our policyholders.



### Our latest report is only a click or swipe away

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SVMIC moved to a digital annual report in 2017. The online report features building charts, video, and vignettes about employees and policyholders that come to life in the web-based format. Well-received by physicians, staff, and employees, the digital format has become the new standard for SVMIC's annual report.



# Lobbying Success

**“Our policyholders spoke.  
We listened. Your feedback  
and insights are extremely  
valuable to us all.”**

## **Understanding legislation for our industry**

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One important aspect of being an innovator is influencing the fields upon which you play. To this effect, SVMIC has been very active in the legislative and lobbying efforts in Tennessee and its other states.

Perhaps most important was the recent defeat of the Patients for Fair Compensation effort in Tennessee. As you know from our letters on this topic, we believed strongly that this legislation was bad for doctors and bad for Tennessee. We were pleased to learn that the sponsors would not be moving the bill forward during 2018. SVMIC will continue to monitor legislative activity as work continues in attempting to influence legislation in ways that make the lives of our policyholders better.

# FINANCIALS

## Standing together, we're stronger for each other.

Our company's financial strength has grown over the years into today's impressive position. Our \$600 Million-plus policyholders' surplus provides confidence that we will be here when you need us. There is inherent protection in the fact that we

are 100% owned by 13,355 physician policyholders. An outside measure of confidence is the fact that A.M. Best has rated SVMIC an "A" or better for 34 consecutive years. We believe there is safety in numbers, and we are stronger together.

## Financial Highlights

<b>At Year End</b> (in thousands)	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Cash and Invested Assets	1,130,529	1,140,078	1,144,648	1,165,959	1,193,190
Total Assets	1,186,192	1,199,120	1,193,207	1,211,111	1,249,290
Loss & Loss Adjustment Expense Reserves	549,000	530,000	508,000	491,500	472,500
Policyholders' Surplus	496,655	516,579	537,975	566,994	606,774
<b>For The Year</b> (in thousands)	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
Gross Written Premium	152,276	142,757	133,966	130,355	125,844
Net Investment Income	31,136	31,975	31,797	29,213	27,454
Net Paid Loss & Loss Adjustment Expenses	120,678	117,984	112,812	106,001	100,002
Policyholders' Dividends Declared	10,000	7,500	7,000	7,000	7,000
Net Income	17,378	21,471	25,483	22,365	29,646
<b>CUMULATIVE DIVIDENDS AND RETURN OF CAPITAL</b>	<b>328,000</b>	<b>335,500</b>	<b>342,500</b>	<b>349,500</b>	<b>356,500</b>

## Condensed Balance Sheets

(For the years ended December 31, 2017 & 2016)

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Cash & Investments	1,193,190,000	1,165,959,000
Premiums Receivable	17,183,000	17,492,000
Accrued Investment Income	8,677,000	8,747,000
Reinsurance Recoverable	26,978,000	6,685,000
Net Deferred Tax Assets	3,011,000	12,032,000
Other Assets	251,000	196,000
<b>TOTAL ASSETS</b>	<b>\$1,249,290,000</b>	<b>\$1,211,111,000</b>
<b>Liabilities &amp; Policyholders' Surplus</b>	<b>2017</b>	<b>2016</b>
Loss & Loss Adjustment Expense Reserves	472,500,000	491,500,000
Unearned Premiums	66,175,000	68,154,000
Reinsurance Balances Payable	37,779,000	31,115,000
Accounts Payable and Accrued Expenses	53,511,000	45,806,000
Taxes Payable	5,799,000	521,000
Dividends Payable	2,705,000	2,649,000
Other Liabilities	4,047,000	4,372,000
<b>TOTAL LIABILITIES</b>	<b>\$642,516,000</b>	<b>\$644,117,000</b>
Policyholders' surplus	606,774,000	566,994,000
<b>TOTAL LIABILITIES &amp; POLICYHOLDERS' SURPLUS</b>	<b>\$1,249,290,000</b>	<b>\$1,211,111,000</b>

# FINANCIALS

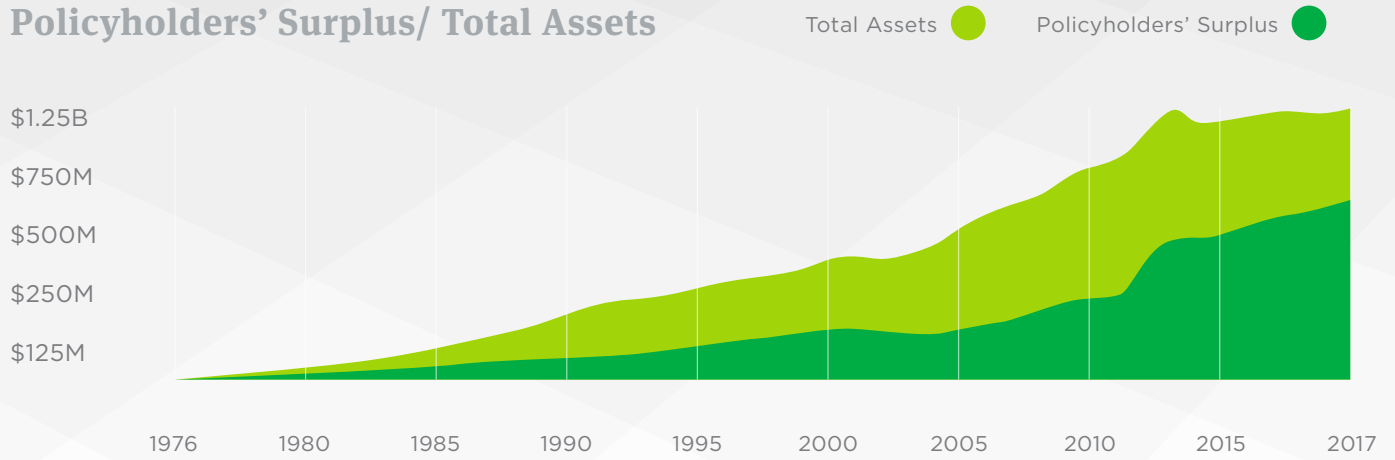
## Condensed Statements of Income

(For the years ended December 31, 2017 & 2016)

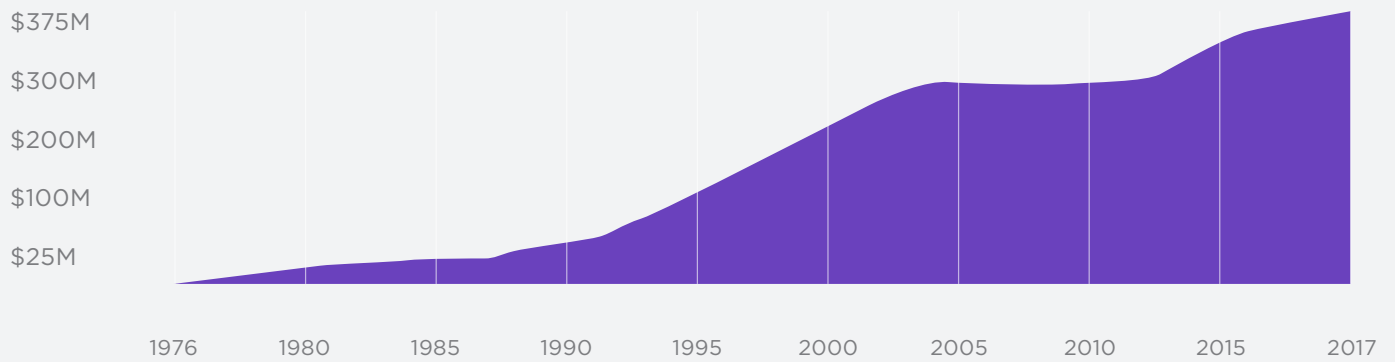
	2017	2016
Gross Written Premium	125,844,000	130,355,000
Ceded Premium	(6,953,000)	(18,507,000)
Net Written Premium	118,891,000	111,848,000
Change in Unearned Premium	1,978,000	1,053,000
Net Earned Premium	120,869,000	112,901,000
Loss & Loss Adjustment Expenses Incurred	81,002,000	89,502,000
Other Underwriting Expenses	22,436,000	21,865,000
Net Underwriting Income	17,431,000	1,534,000
Net Investment Income	27,454,000	29,213,000
Net Realized Capital Gains (Losses) on Investments	1,177,000	1,654,000
Net Investment Gains	28,631,000	30,867,000
Other Income (Expense)	(24,000)	(50,000)
Net Income Before Taxes and Policyholders' Dividends	46,038,000	32,351,000
Policyholders' Dividends & Federal Income Taxes Incurred	(16,392,000)	(9,986,000)
<b>NET INCOME</b>	<b>\$29,646,000</b>	<b>\$22,365,000</b>

Note: The financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance. The condensed financial information has been derived from the complete statutory-basis financial statements which were audited by Ernst & Young LLP, our independent auditors. A complete set of audited financial statements is available upon request.

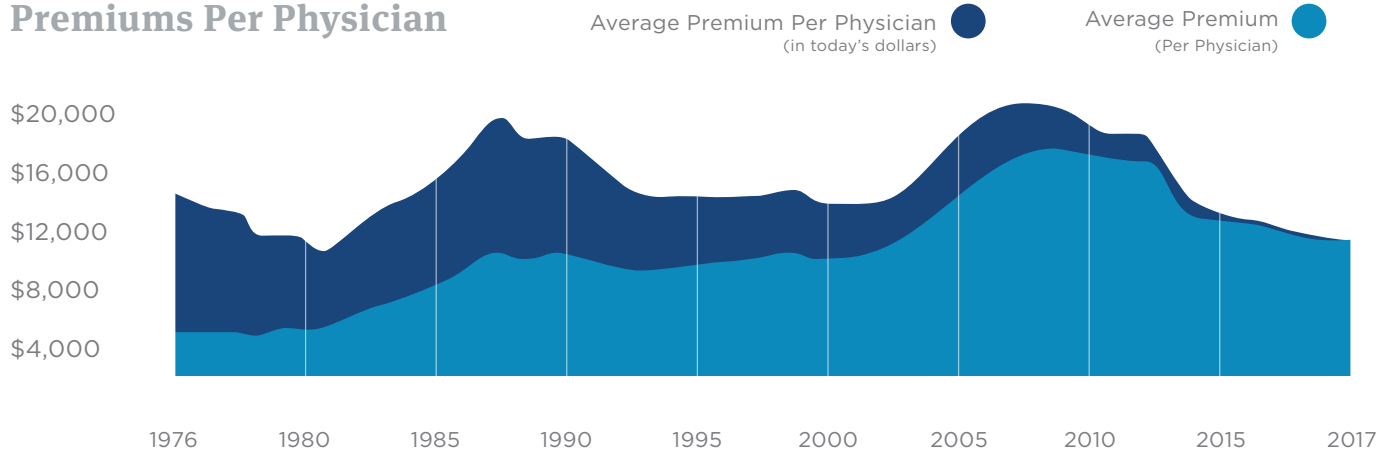
## Policyholders' Surplus/ Total Assets



## Cumulative Dividends Declared and Return of Capital



## Premiums Per Physician



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General and Vascular Surgery  
Memphis Surgery Associates  
Memphis, Tennessee  
Director Since 1997

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Orthopedic Surgery  
South Arkansas Orthopedic Center  
Pine Bluff, Arkansas  
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Pediatric and Adolescent Associates PSC  
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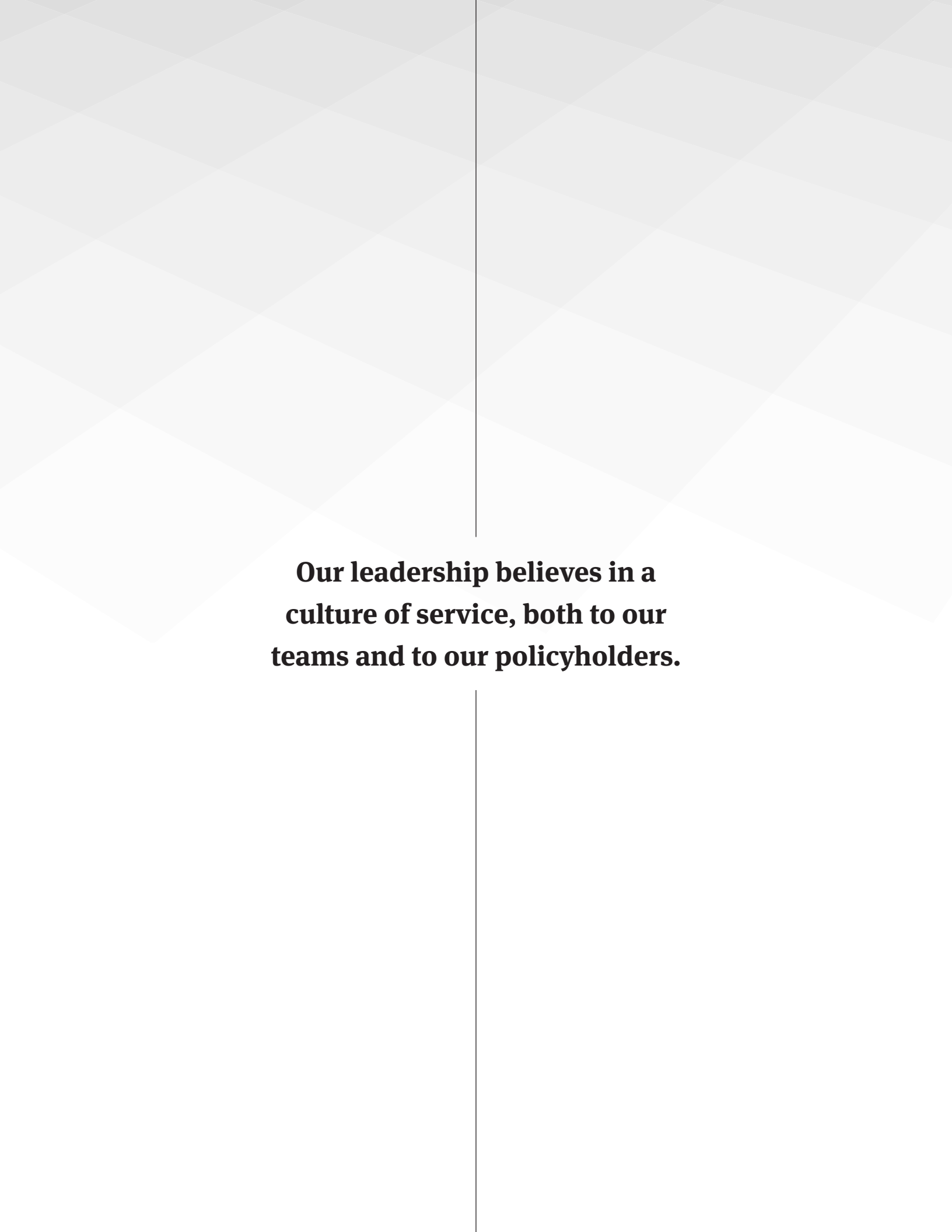
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**Our leadership believes in a  
culture of service, both to our  
teams and to our policyholders.**



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