

Best's Rating Report

OMIC OPHTHALMIC MUTUAL INSURANCE COMPANY (A Risk Retention Group)



A

OPHTHALMIC MUTUAL INSURANCE COMPANY (A RISK RETENTION GROUP)

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BEST'S RATING

Based on our opinion of the company's Financial Strength, it is assigned a Best's Rating of A (Excellent). The company's Financial Size Category is Class VII.

RATING RATIONALE

Rating Rationale: The rating reflects Ophthalmic Mutual Insurance Company's (OMIC), A Risk Retention Group, strong operating performance, excellent risk-adjusted capitalization, conservative balance sheet, and commitment to pricing and reserving adequacy. The rating also acknowledges the company's leadership position within the ophthalmic professional liability market and historically strong policyholder retention rate. These positive rating factors are partially offset by its narrow spread of risk as OMIC operates exclusively in the ophthalmic segment of the medical malpractice market. The rating also considers the inherent market risks associated with the medical professional liability insurance sector as they relate to price competition, legislative (tort) reform, loss cost trends and regulatory challenges. The outlook is based on the company's solid financial position and sound operating fundamentals.

OMIC's strong financial position has been enhanced by management's response to adverse claim trends as well as rising defense costs in prior years by conservatively establishing loss reserves and by implementing appropriate rate adjustments. Recent results have also benefited from the company's ability to increase its policyholder base as a result of the market dislocation in prior years, legislative reforms and lower claim frequency. Through prudent underwriting, effective risk management programs, aggressive claims handling and favorable geographic diversification, OMIC has provided a stable market, on a national basis, for professional liability insurance for ophthalmologists who are members of the American Academy of Ophthalmology (AAO). The company has also continued to grow the number of policyholders that are in national ophthalmic networks and groups. OMIC maintains the exclusive sponsorship of the AAO, which enhances the company's market position and provides additional resources for expansion opportunities. The company offers access to other products in order to facilitate "one-stop" shopping for its policyholders, allowing OMIC to market and package up to fifteen separate lines, including D&O, E&O, EPLI and fraud and abuse/HIPAA privacy coverage.

Best's Rating: A

Outlook: Stable

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KEY FINANCIAL INDICATORS (\$000)

Year	Net Premiums Written	Pretax Operating Income	Total Admitted Assets	Policyholders' Surplus	Comb. Ratio
2003	29,410	4,139	104,484	25,286	100.5
2004	35,895	8,771	128,817	32,294	90.4
2005	38,982	14,849	147,427	43,586	77.5
2006	39,444	25,856	169,834	63,321	55.0
2007	39,109	23,456	187,226	80,606	61.5

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Medical Malpractice Composite.

BUSINESS REVIEW

Ophthalmic Mutual Insurance Company (OMIC), A Risk Retention Group, specializes in underwriting professional liability insurance for ophthalmologists in the United States. Its mission is to meet the specific ophthalmic insurance needs of members of the American Academy of Ophthalmology (AAO) by providing long-term, comprehensive medical liability coverage and other related insurance products and services. OMIC currently offers coverage in all states and actively insures physician-policyholders in each jurisdiction except Wisconsin, where Professional Liability coverage is limited to eye banks. OMIC has a 25 percent or greater market share in approximately 60 percent of those states and insures roughly 36 percent of the ophthalmologists in private practice nationwide. The company is licensed in Vermont and operates in other states under the authority of the Risk Retention Act of 1986. Policyholders are required to be members of the sponsoring organization, the AAO. Coverage is marketed to individual practitioners, group practices and networks. OMIC also offers coverage for employed optometrists, employed nurse anesthetists, eye banks and surgery centers that are owned by ophthalmologists. A majority of the business is produced on a direct basis and all policies are issued on non-assessable claims-made forms typically at limits of \$1.0 million per occurrence and \$3.0 million aggregate. The company provides tail coverage for professional liability policies and provides free tail coverage to qualified policyholders upon death, disability or retirement.

OMIC continues to negotiate cooperative joint venture agreements with selected ophthalmic societies. These relationships provide access to multiple service resources, such as practice management and patient care tools. In addition, products have been developed to provide policyholders with appropriate coverage for liability issues related to ophthalmic practice, including directors & officers (D&O), errors & omissions (E&O), and employment practices liability insurance (EPLI) policies. The D&O, E&O and EPLI policies offer \$1.0 million limits per claim and aggregate. The company also offers fraud and abuse/HIPAA privacy coverage under a Broad Regulatory Protection Policy (BRPP) that covers billing errors proceedings, protected health care information violations, and EMTALA, DEA, and STARK Act-related claims. A standard policy, which includes coverage for fines and penalties (when allowed by law), is purchased by the company for all active professional liability insureds each year. Higher limits are available for an additional premium. All of the coverage is 100 percent reinsured. To provide the convenience of "one-stop" shopping, OMIC coordinates the marketing and access of AAO sponsored insurance programs. Business insurance, including business owners, workers' compensation, umbrella insurance, crime policies and ERISA bonds are administered through

Medical Risk Management Insurance. Life and health insurance is offered by Marsh Affinity Group Services. The policies are underwritten and serviced by several highly-rated insurance carriers.

2007 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product Line	—Premiums Written—		% of Total NPW	Pure Loss Ratio	Loss & Res. LAE
	Direct	Net			
Med Mal Cl-Made ...	44,616	38,807	99.2	10.3	62,451
All Other	1,316	302	0.8	597.3	5,300
Totals	45,932	39,109	100.0	14.8	67,751

HISTORY

The company was incorporated under the laws of Colorado on August 27, 1987 as a mutual insurer. It was organized under the Federal Liability Risk Retention Act of 1986 and commenced operations on September 30, 1987. On January 1, 1994, the company was re-domesticated under the captive insurance laws of Vermont as a mutual insurer and risk retention group.

Paid in surplus of approximately \$1.5 million is comprised of insured capital contributions that are non-interest bearing and are refundable at the discretion of the company. Prior to November 1, 1992, each policyholder upon acceptance by the company was required to make a surplus contribution. The amounts of the surplus contributions were determined by the type of policy issued and were equal to 80 percent to 100 percent of the mature claims-made premium. Beginning in 1994, the company has returned contributions based on its operating performance and financial condition. Since 2001, the company has returned surplus contributions to those policyholders that died, became permanently disabled or retired.

In 2002, the OMIC Board of Directors made modifications to the company's Bylaws in anticipation of marketing to and writing major group accounts that operate as part of an academic teaching program in ophthalmology and/or are situated within a health care entity primarily dedicated to providing ophthalmic care and treatment. Additionally, the amended Bylaws authorize coverage to non-ophthalmologists who are an integral part of providing medical services exclusively to ophthalmology patients at the facility.

MANAGEMENT

The company is operated by a staff of insurance professionals at its main administrative offices in San Francisco, headed by president and chief executive officer Timothy J. Padovese. A small home office in Burlington, Vermont is maintained through SB & T Captive Management Company. Since April 1993, all underwriting and claims activities have been performed in-house.

Officers: Chairman of the Board, Joe R. McFarlane, Jr., M.D.; Vice Chairman of the Board, David W. Parke II, M.D.; President and Chief Executive Officer, Timothy J. Padovese; Vice President and Chief Financial Officer, Ricci A. Rascoe; Vice Presidents, Mary P. Kasher (Claims), Betsy Kelley (Product Management), Paul Weber, (Risk Management/Legal), Robert J. Widi (Underwriting, Sales and Marketing); Secretary, Richard L. Abbott, M.D.; Treasurer, Stephen A. Kamenetzky, M.D.

Directors: Richard L. Abbott, M.D., Susan H. Day, M.D., Tamara R. Fountain, M.D., Jeffrey P. Johnson, Stephen A. Kamenetzky, M.D.,

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William J. Knauer III, M.D., Joe R. McFarlane, Jr., M.D. (Chairman),
David W. Parke II, M.D. (Vice Chairman), James J. Salz, M.D., John
W. Shore, M.D.

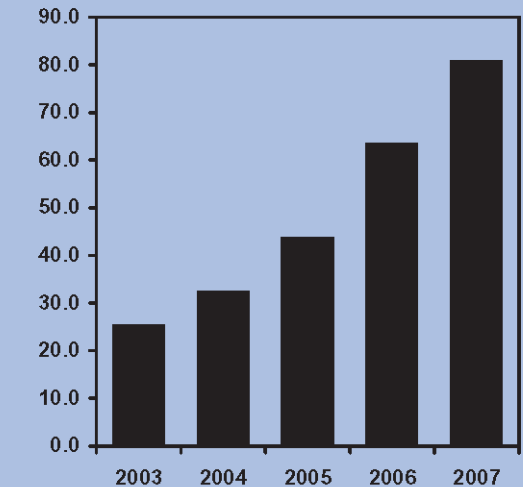
TERRITORY

The company is licensed in Vermont. It is authorized in all other states under the Federal Liability Risk Retention Act and operates in the District of Columbia, AL, AK, AZ, AR, CA, CO, CT, DE, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VA, WA, WV, WI and WY.

Balance Sheet		
Admitted Assets (\$000)		
	12/31/2007	%
Bonds	\$142,756	76.2
Common stock	12,944	6.9
Cash & short-term invest	17,988	9.6
Total invested assets	\$173,687	92.8
Premium balances	9,088	4.9
Accrued interest	1,876	1.0
All other assets	2,576	1.4
Total assets	\$187,226	100.0
Liabilities & Surplus (\$000)		
Loss & LAE reserves	\$ 67,751	36.2
Unearned premiums	22,078	11.8
All other liabilities	16,791	9.0
Total liabilities	\$106,621	56.9
Capital & assigned surplus	1,507	0.8
Unassigned surplus	79,099	42.2
Total policyholders' surplus	\$ 80,606	43.1
Total liabilities & surplus	\$187,226	100.0

OPHTHALMIC MUTUAL INSURANCE COMPANY (A RISK RETENTION GROUP)

Policyholders' Surplus



in millions
of dollars

Years

FINANCIAL SUMMARY (\$000) as of 12/31/2007

Policyholders' Surplus	\$	80,606
Direct Premiums Written	\$	45,932
Combined Ratio		61.5
Net Underwriting Income	\$	15,092
Net Investment Income	\$	7,057

Best's Rating Report

Why is this Best's® Rating Report important to you?

A Rating Report from the A.M. Best Company represents an independent opinion from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of insurance companies since 1899. Best's Ratings represent the current and independent **opinion** of a company's financial strength and ability to meet obligations to policyholders. Best's Ratings are **not a warranty** of an insurer's current or future ability to meet obligations to policyholders, nor are they a recommendation of a specific policy form, contract, rate, or claim practice.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company.

A Best's Rating is assigned after an extensive quantitative and qualitative evaluation of a company's financial strength, operating performance and market profile.

Best's Ratings are assigned according to the following scale:

Secure Best's Ratings

A++ and A+	.....	Superior
A and A-	.....	Excellent
B++ and B+	.....	Good

Vulnerable Best's Ratings

B and B-	.....	Fair
C++ and C+	.....	Marginal
C and C-	.....	Weak
D	Poor
E	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

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