

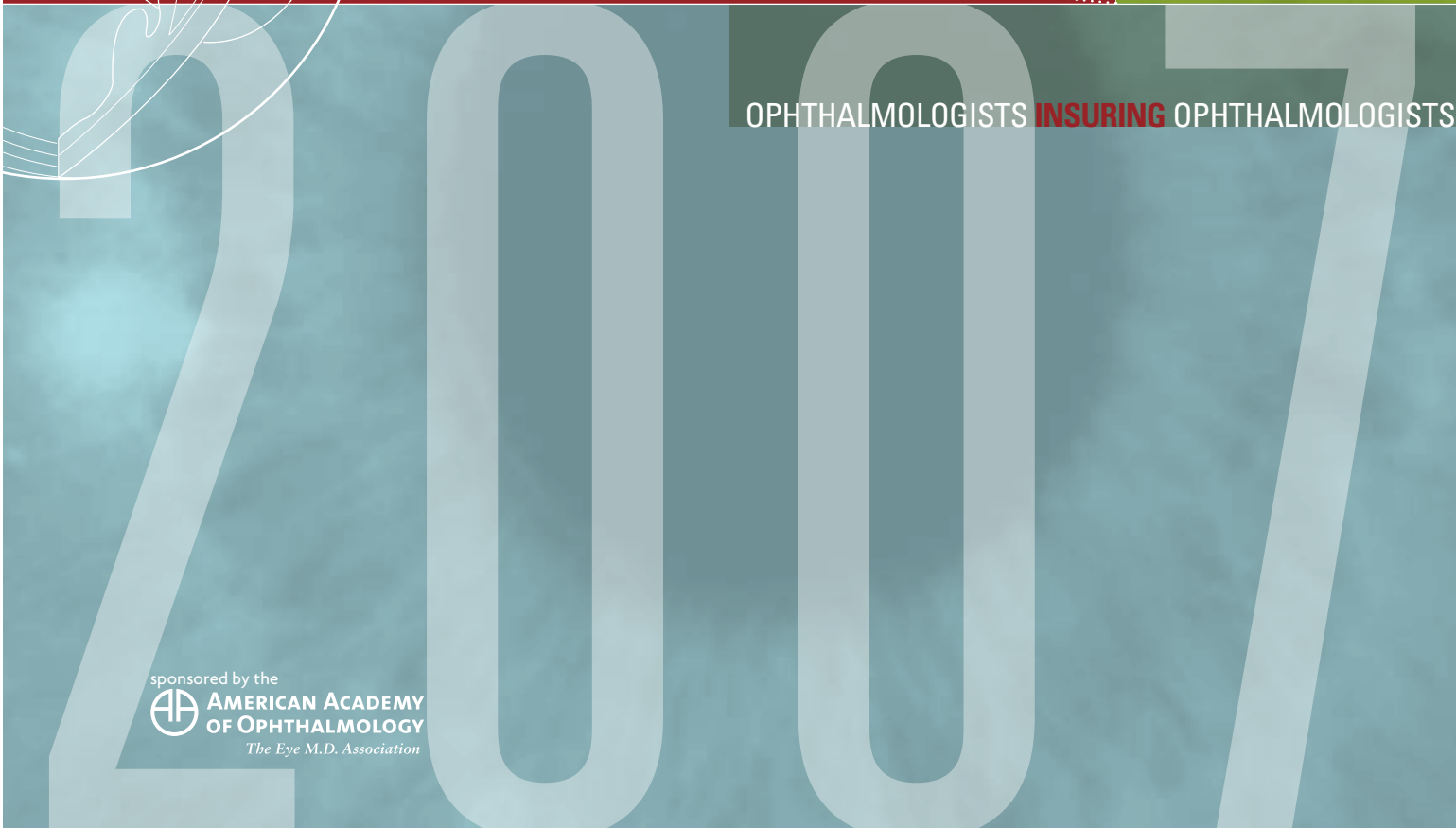


OMIC MEMBERS REPORT 2007



OMIC OPTHALMIC MUTUAL INSURANCE COMPANY
(A Risk Retention Group)

20 YEARS OF SERVICE
OMIC
1987-2007



OPHTHALMOLOGISTS INSURING OPTHALMOLOGISTS

sponsored by the

AMERICAN ACADEMY OF OPHTHALMOLOGY
The Eye M.D. Association



1986	1989	1992	1996	1999	2002	2005
Federal Liability Risk Retention Act (LRRRA) passes.	OMIC Board transfers management services from American Insurance Services to Potomac Insurance Managers.	A new Marketing Committee is charged with developing a long-range growth plan to build a strong policyholder base and enhance OMIC's marketability.	A.M. Best upgrades OMIC's financial strength rating to A- (Excellent) and www.omic.com goes live.	Responding to the federal government's increased vigilance of health care fraud and abuse, OMIC provides free legal expense reimbursement coverage to insureds who are investigated for Medicare or Medicaid billing errors.	OMIC celebrates its 15th anniversary as Timothy J. Padovese replaces retiring OMIC president and chief executive officer James F. Holzer.	After several years of unprecedented growth, OMIC's policyholder count reaches 3,600, making it the single largest insurer of ophthalmologists in the U.S. with one-third of the eligible national market.
1987	1990	1993	1997	2000	2003	2006
In February, the AAO Insurance Committee is charged with researching the feasibility of forming a member-owned malpractice insurance company under the LRRRA. In June, the AAO Board approves creation of Ophthalmic Mutual Insurance Company (OMIC), a risk retention group. On October 1, OMIC opens for business with nearly 800 insureds.	James F. Holzer, JD, is hired from the Harvard Risk Management Foundation to serve as OMIC's first chief executive officer.	Company operations are brought in-house to OMIC's San Francisco office. A confidential toll-free <i>Risk Management Hotline</i> is introduced to respond to policyholders' liability questions.	OMIC marks 10 years of service and introduces a series of <i>Clinical Reference Modules for Attorneys</i> to ensure that OMIC's network of defense attorneys are well grounded in ophthalmic physiology and clinical procedures.	As a new millennium dawns, OMIC surpasses its goal of reaching 2000 policyholders by year 2000 and hires a chief operating officer to manage the financial needs of a growing company.	The risk management department adds a legal component and second risk manager to field an increasing number of complex liability, regulatory, and compliance issues.	OMIC extends its cooperative venture program to all interested state and subspecialty ophthalmic groups, enabling more insureds to earn greater premium discounts while benefiting from ophthalmic risk management education.
1988	1991	1994	1998	2001	2004	2007
First OMIC Board takes office on January 1. Insurance management consultants are hired and leaders in the ophthalmic community are recruited to staff advisory committees. New recruits receive a weekend intensive in how to run an insurance company.	OMIC declares its first policyholder dividend, launches an educational seminar series, <i>Professional Liability Issues in Ophthalmology</i> , and begins publishing a quarterly ophthalmic risk management newsletter, the <i>OMIC Digest</i> .	OMIC receives its first financial strength letter grade from A.M. Best of B++ (Very Good).	OMIC and the AAO team up to offer their members "a universe of coverage for the ophthalmology profession" and provide access to value-added business, life, and health insurance products customized for ophthalmologists.	OMIC provides a safe harbor for many of the hundreds of ophthalmologists who lose their malpractice coverage when St. Paul abruptly exits the market.	As more carriers suffer financial losses and abandon the malpractice market, OMIC's year-end financial results surpass all other physician-owned carriers in several key areas, including the ratios used by rating agencies to measure an insurer's financial health.	OMIC celebrates 20 years of insuring the ophthalmology profession and receives notice that A.M. Best has upgraded its financial strength rating to A (Excellent) with a stable financial outlook.
		1995				
		OMIC's leadership convenes a series of strategic planning sessions and defines a mission statement and value commitment to insureds.				



OMIC Executive Committee (L to R): David W. Parke II, MD; Joe R. McFarlane Jr., MD, JD; Stephen A. Kamenetzky, MD; and Richard L. Abbott, MD.

David W. Parke II, MD
Oklahoma

An OMIC committee member since 1999, Dr. Parke is vice chairman of the Board, chairman of the Strategic Planning Committee, and a member of the Audit, Claims, Executive, and Finance Committees.

Joe R. McFarlane Jr., MD, JD
Texas

Involved in OMIC's governance since 1989, Dr. McFarlane is chairman of the Board, chairman of the Audit, Claims, and Executive Committees, a member of the Strategic Planning Committee, and past chairman of the Marketing Committee.

Stephen A. Kamenetzky, MD
Missouri

A member of the Finance and Underwriting Committees since 1996, Dr. Kamenetzky is treasurer of the Board, chairman of the Finance Committee, and a member of the Audit, Executive, Strategic Planning, and Underwriting Committees.

Richard L. Abbott, MD
California

A member of the Underwriting Committee since 1993, Dr. Abbott is secretary of the Board, chairman of the Underwriting Committee, and a member of the Executive, Risk Management, and Strategic Planning Committees.

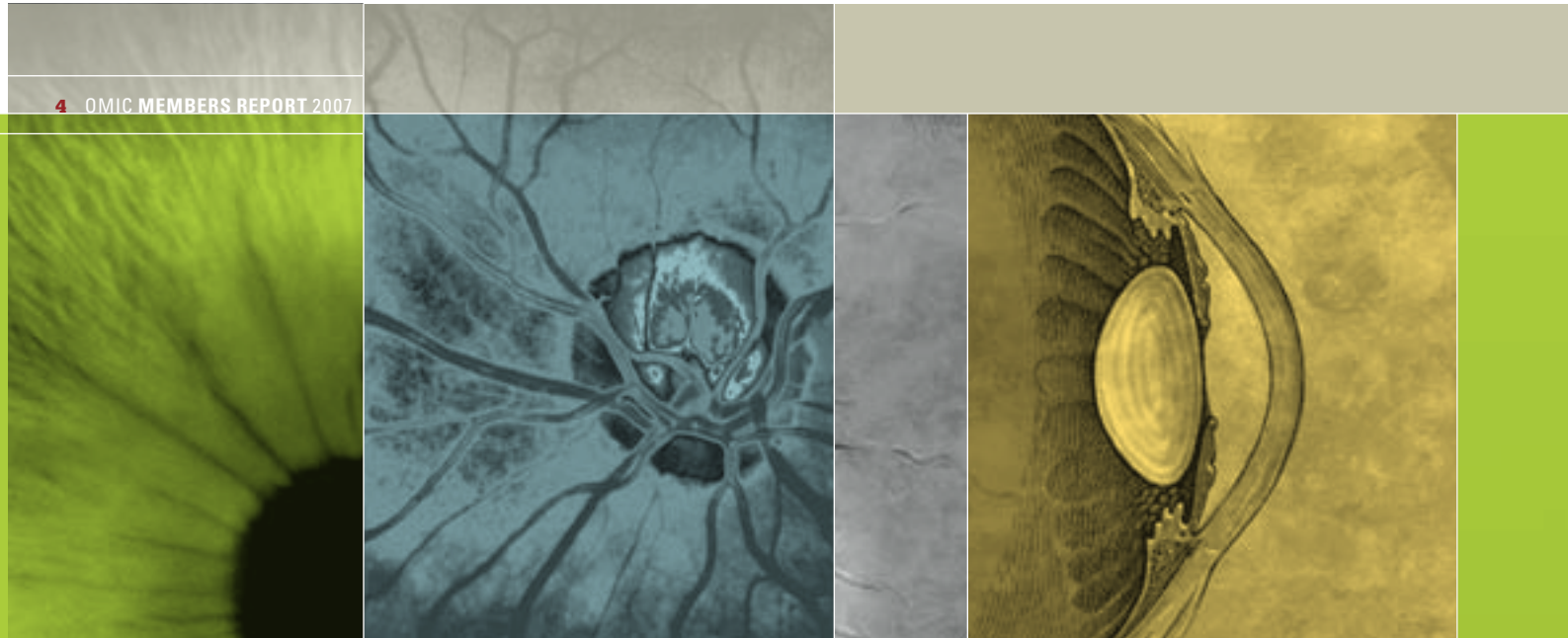
This October marks OMIC's twentieth year of providing members of the American Academy of Ophthalmology with a very strong and stable program for professional liability insurance.

In 1987, when a handful of bold and forward-thinking Academy members proposed the formation of an ophthalmologist owned and operated insurance company, ophthalmologists were at the mercy of a few large insurance carriers with little loyalty to, or understanding of, our specialty. With the sponsorship of the Academy and the financial support of nearly 800 Academy members willing to invest in a start-up insurance company, the Ophthalmic Mutual Insurance Company opened for business on October 1, 1987. Over the next twenty years, a commitment to aggressive claims handling, responsive underwriting, and ophthalmic-specific risk management brought OMIC to its present position as the recognized leader in ophthalmic liability insurance, exemplified by responsible, actuarially sound premiums, strong policyholder growth and retention, favorable loss experience, and geographic diversification.

Twenty years ago when OMIC was formed, ophthalmic-specific claims data did not exist and for several years, OMIC, like other insurance carriers, relied on data from "similar risk classes" to forecast loss trends and set premiums. By the mid-1990s, OMIC had amassed enough ophthalmic

medical-legal data to ensure that its rates were actuarially sound and truly reflective of the loss experience of ophthalmologists. In addition to rate setting, this data was used to develop underwriting guidelines, claims support services, and risk management resources specific to the practice of ophthalmology with the goal of reducing the frequency and severity of claims against OMIC insureds.

As a mutual insurance company owned and managed by its member-insureds, OMIC has the advantage of looking at issues through the eyes of practicing ophthalmologists, which gives insureds the benefit of OMIC's unsurpassed experience and expertise in ophthalmic liability. We believe the reason OMIC has been able to consistently keep indemnity payments and overall claims expenses significantly lower than the industry average for ophthalmology is because OMIC is governed by ophthalmologists who understand the risks, know what a case is worth, and know when to settle or take a case to trial. As a result, we have received favorable verdicts on behalf of our insureds in 85% of the cases we have taken to trial during OMIC's history.



OMIC, like other malpractice carriers nationwide, has seen a decline in claims frequency since 2004. Tort reform and media exposure of the adverse impact of lawsuits on health care availability and costs are factors, but we also attribute the decrease in the number of claims filed against OMIC insureds to the effectiveness of our risk management program. Since the first OMIC seminar was presented in 1991, we have built the industry's only ophthalmic-specific risk management program around the understanding that most claims are not prompted by actual medical negligence but by deficiencies in administrative systems and communication in the practice setting. We encourage insureds to reduce their liability exposure and earn a risk management premium discount by participating in a live seminar or online course. We offer further educational support through OMIC's publications, CD recordings, web site, and confidential one-on-one counseling through the risk management hotline. We make these services available to our insureds free of charge because it is our experience that early intervention by a risk management specialist is often enough to help an insured resolve an issue before it becomes a claim. And if a claim is ultimately filed, we want the insured to be better informed and prepared to deal with the process.

This year's anniversary coincides with another milestone in OMIC's history: an upgrading of the company's A.M. Best rating from A- to A (Excellent). Best assigns ratings of A and A- to companies that have demonstrated excellent overall performance and a proven ability to meet their obligations to policyholders over a long period of time. Last year was OMIC's most successful year of operation with year-end financial results that stand out as a significant

accomplishment throughout the industry and among our peers. While OMIC's 2006 results weighed heavily in Best's decision to recommend the upgrade, equally important was our long track record of profitability, responsible rate setting, and adequate reserving for future claims and policyholder growth.

Rest assured that the management of OMIC along with your elected Board of Directors will not rest on its laurels. We plan to serve our membership and provide the very best of coverage and policyholder services at a reasonable premium far into the future. Accordingly, I am very pleased to announce that your Board has approved both a rate decrease and dividend credit for policyholders renewing in 2008.

OMIC's success would not have been possible without the loyalty and support of the 3,750 member-insureds who have helped build this company into a superior source of insurance for Academy members and the leadership and commitment of the ophthalmologists who have served as OMIC Board and Committee members through the years. This *Members Report* honors these leaders who have given generously of their time and expertise to benefit OMIC and ophthalmology. As we complete our twentieth year, we salute our founders, our leaders, and all our member-insureds who have made OMIC an inspiring example of ophthalmologists working together to improve the quality and practice of our profession.

Joe R. McFarlane Jr., MD, JD
Chairman of the Board
October 1, 2007

Led by a small and distinguished core group of ophthalmologists, nearly 800 members of the American Academy of Ophthalmology challenged the traditional insurance industry on October 1, 1987, and established the first and only liability carrier exclusively for members of their specialty. The creation of OMIC that day signaled not just the beginning of a new Academy-sponsored insurance program, but the culmination of a visionary plan to directly head off a growing insurance affordability crisis facing ophthalmologists nationwide.

Throughout the malpractice crisis of the 1980s, concern had been growing among ophthalmologists that multispecialty insurance carriers were charging them increasingly higher premiums to subsidize higher risk specialties. This was especially true in Florida, home to the Academy's fourth largest state membership, where medical malpractice insurance for ophthalmologists had become inaccessible and unaffordable. At the urging of Palm Beach ophthalmologist Reginald J. Stambaugh, MD, and Academy executive vice president Bruce E. Spivey, MD, the Academy Board began exploring the feasibility of forming a freestanding independent professional liability carrier exclusively for Academy members.

An Academy-appointed Steering Committee was asked to research the regulatory requirements and estimate the start-up costs of structuring a malpractice insurance company. In addition to Drs. Spivey and Stambaugh, the Steering Committee included chairman John T. Flaxel, MD, Byron H. Demorest, MD, Richard A. Deutsche, MD, Daniel R. Evans, MD, H. King Hartman, MD, Frank J. Kresca, MD, Spencer W. Myers, MD, and Daniel M. Shapiro, MD, JD, as well as AAO deputy executive vice president David Noonan, AAO membership director Jane Aguirre, and AAO/AIMS legal counsel John Hibbs, Esq. John Dorsett of Glenn-Nyhan Associates provided the insurance expertise.

Their timing was fortuitous because a year earlier, passage of the federal Liability Risk Retention Act (LRRRA) of 1986 made it possible for individuals who worked or practiced in the same profession and shared similar liability exposure to organize a corporation or other limited liability association to underwrite professional liability insurance for members of the group. Under the LRRRA, a company licensed in one state could provide liability insurance to members of the

group nationwide. Colorado was chosen as the state of domicile for the new Academy-sponsored "risk retention group" because of its ability to rapidly process the necessary documents of incorporation and its reputation as a careful regulator. The new company would be known as the Ophthalmic Mutual Insurance Company, or OMIC, a professional liability carrier and risk retention group developed by ophthalmologists for ophthalmologists.

The next hurdle was to raise the \$3 million needed to fund the new company. With only a few months to spare before OMIC opened its doors, members of the Steering Committee criss-crossed the United States—at one time visiting 17 cities in 21 days—to market OMIC to the Academy membership and explain the benefits of joining an ophthalmologist-owned insurer. Nearly 800 OMIC insureds were underwritten and bound in a very short period of time. Many were former Cigna insureds who were losing their coverage because the large commercial carrier had decided to exit the volatile and cyclically unprofitable malpractice insurance market. Each new OMIC insured was required to contribute the equivalent of his or her first year's premium as a "surplus contribution" to capitalize the start-up company with no guarantee that the company would succeed or their investment would ever be returned.

OMIC Opens for Business

On October 1, 1987, the Ophthalmic Mutual Insurance Company opened its doors and began writing claims-made professional liability insurance exclusively for members of the American Academy of Ophthalmology. The first OMIC Board took office on January 1, 1988. Dr. Stambaugh, who had been the catalyst for OMIC's creation, was appointed chairman. Dr. Spivey was named secretary and Dr. Flaxel treasurer. Other directors included Arthur W. Allen Jr., MD,

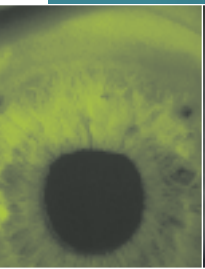
Michael J. Hawes, MD, Ralph Z. Levene, MD, William N. Offutt IV, MD, Larry G. Piepergerdes, MD, and Maurice F. Rabb, MD. Diane Perkins was hired as OMIC's first operating officer in early 1988; Ross E. Stromberg, Esq., was named general legal counsel; Guardian Investment Management Company was hired to manage and conservatively invest the premium and surplus monies that were coming in; American Insurance Services was responsible for billing, marketing, claims investigation, and accounting; and Lloyd's of London provided OMIC's reinsurance.

It soon became apparent that for this new company to succeed, the ophthalmologists entrusted with its management would need to quickly learn how to run a medical malpractice insurance company. A three-day intensive educational retreat was conducted by the Tillinghast Company in Oakland, California, to introduce OMIC Board members to concepts and information that were completely foreign to most physicians, such as how to read complex insurance reports, set appropriate premium rates, and

understand a bordereau of claims activity. With this solid educational groundwork, OMIC started the process of turning ophthalmologists into insurance experts, a tradition which continues to this day and ensures that new Board and Committee members are brought up to speed on the insurance business.

Committees were formed and staffed with ophthalmologists recruited from various subspecialties and state affiliations to advise the new OMIC Board on the many aspects of running an insurance company. Many of these practicing ophthalmologists were already active in voluntary capacities within the Academy and other ophthalmic organizations, including the Academy's Insurance Committee. These committees were headed by OMIC Board members: Arthur W. Allen, MD, chaired the Claims Committee; Joe F. Arterberry, MD, the Finance Committee; Byron H. Demorest, MD, the Risk Management Committee; and Michael J. Hawes, MD, the Underwriting Committee. A Marketing Committee chaired by John T. Flaxel, MD, was created in

A TRADITION OF LEADERSHIP AND COMMITMENT



Bruce E. Spivey, MD

John T. Flaxel, MD

Byron H. Demorest, MD

Richard A. Deutsche, MD

Spencer W. Myers Jr., MD

Daniel M. Shapiro, MD, JD

William N. Offutt IV, MD

California

As AAO executive vice president in 1987, Dr. Spivey spearheaded the creation of a sponsored malpractice insurance program for members. He served as secretary of the OMIC Board and chairman of the Strategic Planning Committee until 2007.

Oregon

Chairman of the OMIC Steering Committee in 1987, Dr. Flaxel served on the OMIC Board as treasurer, vice chairman, and chairman. In 1992, he established an OMIC Marketing Committee, which he chaired until retiring from the Board in 1998.

California

A member of the OMIC Steering Committee, Dr. Demorest was OMIC's first Risk Management Committee chairman and a Board director until 1996.

California

Dr. Deutsche was a member of the OMIC Steering Committee and served on the Underwriting and Risk Management Committees until 1994.

California

A member of the OMIC Steering Committee, Dr. Myers served on the Underwriting and Finance Committees until 1994.

New York

Dr. Shapiro was a member of the OMIC Steering Committee and served on the Claims Committee until 1990.

Kentucky

Dr. Offutt was appointed by the AAO to serve a one-year term on the OMIC Board in 1988.

1992 to assist OMIC in building a strong policyholder base. Dr. Flaxel succeeded Reginald J. Stambaugh, MD, as chairman of the Board in 1994, a position held by Dr. Flaxel until 1997, when Dr. Allen was named chairman.

American Insurance Services, Inc., a division of Glenn-Nyhan Associates of San Francisco, had been providing insurance management services to OMIC since its involvement with the company's structuring in 1987. By 1989, however, the OMIC Board had become dissatisfied with the way AIS was fulfilling the terms of its contract and transferred management services to Potomac Insurance Managers, Inc., in Chevy Chase, Maryland. Concerned that this change in the service agreement might be indicative of operational problems within OMIC, the Colorado Insurance Commissioner ordered OMIC to cease the sale of all policies until a careful financial review could be conducted. This halted the company's growth at a critical time when OMIC's premium rates were very competitive and many ophthalmologists were interested in joining OMIC even

with the required surplus contribution. With OMIC unable to write new business, other liability carriers took advantage of the situation to lower their own rates for ophthalmologists and thereby add new insureds who might otherwise have joined OMIC. Even though OMIC's own growth and business success were temporarily put on hold, its entry into the medical malpractice arena continued to be instrumental in bringing down malpractice insurance rates for all ophthalmologists regardless of their insurance carrier.

CEO Hired to Spur Growth and Develop In-house Management

When the cease and desist order was lifted eight months later, the company turned its attention to regaining the ground it had lost. To spur growth and develop in-house management, James F. Holzer, JD, was brought in from the Harvard Risk Management Foundation to serve as OMIC's chief executive officer in November 1990. Gradually, all company operations were moved in-house to OMIC's San



Not Pictured



<p>California As AAO Membership Director in 1987, Ms. Aguirre provided the staff leadership during OMIC's start-up period.</p>	<p>California Dr. Allen was OMIC's first Claims Committee chairman and served on the Board as director, treasurer, and chairman until 2006.</p>	<p>Colorado Dr. Hawes chaired the Underwriting Committee and served on the OMIC Board from 1987-1998.</p>	<p>Kentucky Dr. Arterberry chaired the OMIC Finance Committee and served on the Board from 1988-1997.</p>
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<p>Reginald J. Stambaugh, MD Florida The catalyst for OMIC's creation, Dr. Stambaugh was OMIC's first chairman of the Board, a position he held until 1993. He continued on the Board as treasurer and chairman of the Reinsurance Committee through 1996.</p>	<p>Frank J. Kresca, MD Illinois A member of the OMIC Steering Committee, Dr. Kresca served on the Board and Underwriting Committee through 1995.</p>
<p>Daniel R. Evans, MD Indiana Dr. Evans was a member of the OMIC Steering Committee and served on the Claims Committee through 1991.</p>	<p>Larry G. Piepergerdes, MD Missouri (deceased) Dr. Piepergerdes was on the OMIC Board and chaired the Underwriting Committee in 1988.</p>
<p>H. King Hartman, MD Pennsylvania Dr. Hartman was a member of the OMIC Steering Committee and served on the Finance and Marketing Committees through 1997.</p>	<p>Maurice F. Rabb, MD Illinois (deceased) Dr. Rabb was a member of the OMIC Board and Claims Committee in 1988.</p> <p>Raymond R. Margherio, MD Michigan (deceased) Dr. Margherio was a member of the OMIC Claims Committee in 1988.</p>

						
Oksana Mensheha, MD	Michael R. Redmond, MD	Catherine Newton, MD	Laura J. King, MD	Jean Hausheer, MD	E. Randy Craven, MD	John S. McKinney
<p>Illinois</p> <p>Appointed to the Underwriting Committee in 1988, Dr. Mensheha also served on OMIC's Risk Management Committee until 1994.</p>	<p>Florida</p> <p>Appointed to the Finance Committee in 1989, Dr. Redmond also served on the Risk Management and Claims Committees and was an OMIC Board director and treasurer until 2000.</p>	<p>Kentucky</p> <p>Dr. Newton was a member of OMIC's Underwriting Committee from 1991–1995.</p>	<p>Georgia</p> <p>Dr. King joined OMIC's Marketing Committee in 1992 and also served on the Finance Committee and Board through 2000.</p>	<p>Missouri</p> <p>After a brief term on the Finance Committee in 1988, Dr. Hausheer returned to OMIC in 1993 and served six years on the Marketing and Risk Management Committees.</p>	<p>Colorado</p> <p>Joining OMIC's Marketing and Risk Management Committees in 1994, Dr. Craven later chaired the Risk Management Committee and served on the Board through 2001.</p>	<p>California</p> <p>Mr. McKinney was the AAO's chief financial officer and a member of OMIC's Finance Committee until 2000 when he became OMIC's chief operating officer for three years.</p>

Francisco office in the same building occupied by the American Academy of Ophthalmology at 655 Beach Street. By April 1, 1993, the transfer of operations to San Francisco was complete and the Potomac contract was terminated. The OMIC Board and management now had the decision-making authority to direct claims, underwriting, risk management, finance, and marketing operations and control the company's destiny. Later that same year, OMIC's corporate domicile was moved from Colorado to Vermont, which had a better understanding of risk retention groups and provided a stable framework for OMIC's growth.

Like other small physician-owned companies in the competitive insurance market of the 1990s, OMIC faced the very real threat of losing insureds to large carriers with the financial clout to significantly undercut OMIC's rates. To remain competitive, OMIC kept premiums relatively stable, declared annual dividends, and between 1995 and 2000, gradually returned the policyholder surplus contributions that had provided its start-up capital. A partnership was entered into with national carriers, including The Travelers and Hartford, to offer an affordably priced business insurance program to OMIC insureds and Academy members. These value-added insurance products were

tailored to the needs of the ophthalmic practice and offered ophthalmologists the convenience of one-stop shopping backed by OMIC's reputation for superior customer service and attentiveness to ophthalmologists' needs. OMIC also worked closely with the Academy and its insurance administrator, Seabury & Smith (which would later become Marsh Affinity Group Services), to market the Academy's sponsored life, health, and disability insurance programs to members. In 2000, OMIC's Marketing Committee and the Academy's Insurance Committee merged to form the Academy/OMIC Insurance and Marketing Committee under the chairmanship of Joe R. McFarlane Jr., MD, JD.

OMIC's achievement in meeting the changing needs of its policyholders earned the respect of the ophthalmic community and the insurance industry. In 1994, A.M. Best Company, the leading provider of insurer ratings, acknowledged OMIC's above average financial returns, high quality investment portfolio, conservative operating strategy, strong geographical diversification, quality reinsurance, and strong risk management and loss prevention programs with a B++ (Very Good) rating. Two years later, OMIC's rating was upgraded to A- (Excellent).



Not Pictured



<p>B. Thomas Hutchinson, MD</p> <p>Massachusetts</p> <p>Joining OMIC's Claims and Risk Management Committees in 1996, Dr. Hutchinson went on to chair the Risk Management Committee and serve on the Board through 2006.</p>	<p>Barry W. Uhr, MD</p> <p>Texas</p> <p>Dr. Uhr was a member of OMIC's Finance, Marketing, and Risk Management Committees from 1996-1999.</p>	<p>Jeffrey P. Johnson, Esq.</p> <p>Vermont</p> <p>Mr. Johnson is a member of the Audit Committee and has served as a Board director and OMIC's Vermont regulatory counsel since 1994.</p>	<p>James J. Salz, MD</p> <p>California</p> <p>A committee member since 1996, Dr. Salz currently serves on the OMIC Board and the Claims and Risk Management Committees.</p>
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<p>Ralph Z. Levene, MD Alabama</p> <p>Dr. Levene served on the OMIC Board and Finance Committee from 1988-1997.</p>	<p>James F. Holzer, MD Virginia</p> <p>Mr. Holzer was OMIC's president and chief executive officer from 1990-2002.</p>
<p>Arthur I. Geltzer, MD Rhode Island</p> <p>Dr. Geltzer was appointed to OMIC's Claims Committee in 1988 and also served on the Risk Management Committee through 1993.</p>	<p>Jerome W. Bettman Sr., MD California (deceased)</p> <p>Dr. Bettman was a consultant to OMIC's Risk Management Committee from 1990-1995.</p>
<p>Tully C. Patrowicz, MD Florida</p> <p>Dr. Patrowicz served on OMIC's Underwriting Committee from 1988-1993.</p>	<p>Dean C. Brick, MD Arizona</p> <p>Dr. Brick chaired the Risk Management Committee and served on the OMIC Board and Claims Committee from 1990-1998.</p>

A Mission Statement and Value Commitment to Ophthalmologists

It was at this time that OMIC's leadership convened a series of strategic planning sessions to discuss the company's direction and identify the critical future needs of practicing ophthalmologists. Out of these sessions came the following mission statement:

"The mission of OMIC is to meet the specific ophthalmic insurance needs of members of the American Academy of Ophthalmology by providing long-term, affordable, comprehensive medical liability coverage and other related insurance products and services."

Once the mission statement was drafted, a newly formed Strategic Planning Committee chaired by Bruce E. Spivey, MD, outlined a value commitment to OMIC's member-insureds:

"OMIC is committed to providing comprehensive and personalized solutions responsive to the insurance needs of changing ophthalmic practice."

The Committee recognized that OMIC's future strength and viability would depend on its ability to anticipate and respond to the dramatic changes that were occurring in the ophthalmology profession in the 1990s: the shift from solo to group practice, networks, and salaried positions; the growth of managed care and capitated plans; decreased reimbursement and increased economic pressures on ophthalmic practices; and increased competition among insurance providers. Over the next several years, steps were taken to assure that, despite these changes and the cyclical nature of the medical malpractice insurance market, OMIC would continue to provide a comprehensive, reliable insurance product at stable and competitive rates over the long term.

The malpractice crisis in coverage availability and affordability that characterized the 1980s and led to OMIC's creation was replaced in the 1990s by a period of aggressive market expansion and intense competition for insureds. For nearly a decade, many insurance companies were able to keep their premiums artificially low in an attempt to buy market share by relying on surplus funds accumulated during previously profitable years and investment income earned in a bullish market. Things changed suddenly in the fall of

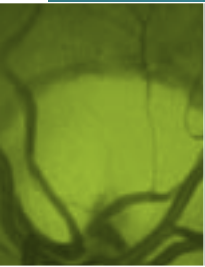
2001 when St. Paul, the largest medical liability insurer in the United States, abruptly exited the market, citing excessive underwriting losses and forcing 40,000 physicians, including hundreds of ophthalmologists, to look elsewhere for coverage. Other poorly performing insurers followed suit, which gave OMIC the entry it needed to gain significant market share.

A Safe Harbor for Ophthalmologists in Need of Coverage

Thanks to a history of responsible fiscal management, conservative underwriting, and significantly lower loss experience, OMIC was in a better position than many of its competitors to withstand an economic downturn and provide a safe harbor for ophthalmologists in need of coverage, including many former St. Paul insureds. After a decade of adding insureds at a moderate rate of 8% a year, OMIC grew by 40%—1,000 policyholders—in the three years following St. Paul's market withdrawal. By year-end 2004, OMIC had become the single largest insurer of ophthalmologists in the United States.

Meanwhile, as market conditions continued to deteriorate, insurance companies were pressured by regulators and actuaries to raise premiums to more adequate levels to assure their long-term survival in a hard market. OMIC took moderate rate increases in response to rising medical liability costs and to ensure its continued ability to offer coverage to qualified applicants while maintaining adequate levels of capitalization as a hedge against future claims.

OMIC emerged from this "hard market" measurably stronger financially as a result of taking the necessary, and sometimes difficult, steps to meet the company's financial obligations to a larger insured base and achieve the financial ratios used by rating agencies to measure an insurer's financial health. In spring 2007, A.M. Best Company upgraded OMIC's financial strength rating from A- to A (Excellent) in recognition of OMIC's "strong operating performance, strengthened risk-adjusted capitalization, conservative balance sheet, and commitment to pricing and reserving adequacy." Combined with OMIC's 20-year success story, this rating upgrade by the respected A.M.



Susan H. Day, MD

H. Dunbar Hoskins, MD

John W. Shore, MD

Tamara R. Fountain, MD

Ted V.J. Houle, MD

James B. Sprague, MD

Steven V.L. Brown, MD

California
An OMIC committee member since 1996, Dr. Day is a Board director and member of the Claims and Marketing Committees.

California
As AAO executive vice president, Dr. Hoskins has been a member of OMIC's Marketing and Strategic Planning Committees since 1996.

Texas
An OMIC committee member since 1999, Dr. Shore currently chairs the Risk Management Committee and serves on the Board and Claims Committee.

Illinois
An OMIC committee member since 2001, Dr. Fountain currently serves on the Board and the Audit, Finance, Strategic Planning, and Underwriting Committees.

Vermont
Dr. Houle has been a member of OMIC's Marketing and Underwriting Committees since 2003.

Virginia
Dr. Sprague has been a member of OMIC's Risk Management and Underwriting Committees since 2003.

Illinois
Dr. Brown joined OMIC's Claims and Risk Management Committees in 2006.

Best Company underscores OMIC's competitive position at a time when the market is experiencing another cycle of increased profitability and competition among carriers, some of whom are newcomers to this "soft market" seeking the rewards of a friendlier insurance climate.

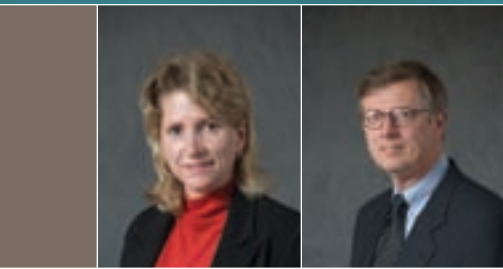
The Tradition of Leadership and Commitment Continues

OMIC has always been able to draw upon a wealth of experience from the dedicated ophthalmologists who serve on OMIC's Board and Committees and bring to their governance of the company decades of combined experience gained from their years in practice. The long-term involvement by several key founding members has conferred continuity and stability to OMIC's leadership and direction: Arthur W. Allen Jr., MD, who served on the Board for 18 years, was succeeded as chairman in 2005 by Joe R. McFarlane Jr., MD, JD, who first became involved with OMIC in 1989 as a member of the Underwriting Committee. Two other long-time OMIC leaders, Bruce E. Spivey, MD, and B. Thomas Hutchinson, MD, served on the Board until 2007. OMIC has

been fortunate to be able to recruit additional respected members of the ophthalmic community to continue the tradition of leadership and commitment established by the company's founding fathers.

The OMIC staff, whose experience in underwriting and managing ophthalmic risks has long been a competitive advantage for OMIC, has benefited from low turnover and the addition of several experienced medical malpractice professionals in key areas in recent years. Timothy J. Padovese replaced retiring chief executive officer James F. Holzer in 2002, the same year that OMIC celebrated its fifteenth anniversary. Ricci A. Rascoe replaced chief operating officer John S. McKinney in 2003, first as controller and later as vice president and chief financial officer. Several longtime managers have been promoted to vice president and given expanded responsibilities: Mary Kasher, MSN, JD, vice president of claims; Betsy Kelley, vice president of product management; Paul Weber, JD, vice president of risk management/legal; and Robert Widi, vice president of underwriting, marketing and sales.

This year, OMIC celebrates twenty years of service to the members of the American Academy of Ophthalmology. From a fledgling start-up insurance program in 1987, OMIC has grown to become one of the nation's most respected and successful medical liability carriers with 3,750 insureds, 35% of the eligible national ophthalmology market, and assets of \$170 million. Long recognized as the leader in ophthalmic underwriting, claims defense, and risk management, OMIC is the only insurance carrier governed by a Board of Directors and Committees composed of ophthalmologists who understand both the practice of ophthalmology and the challenges of modern day medicine. OMIC was created because a small group of ophthalmologists believed they could do a better job than multispecialty insurance carriers of managing the unique risks of ophthalmology. Over the years, this revolutionary idea has evolved into the promise of Ophthalmologists Insuring Ophthalmologists.



Ann A. Warn, MD, MBA

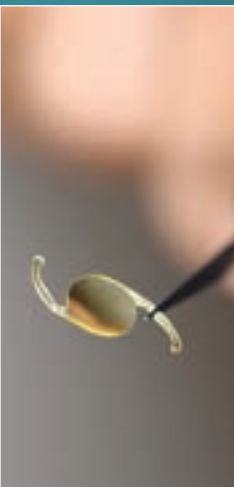
Harry A. Zink, MD

Oklahoma

Dr. Warn joined OMIC's Audit, Finance, and Underwriting Committees in 2007.

Ohio

Dr. Zink joined OMIC's Claims and Risk Management Committees in 2007.



Not Pictured

Monica L. Monica, MD
Louisiana

Dr. Monica served on the OMIC Board and the Claims, Finance, and Underwriting Committees from 1990-1999.

Kirk H. Packo, MD
Illinois

Dr. Packo was a member of OMIC's Claims and Risk Management Committees from 1996-2001.

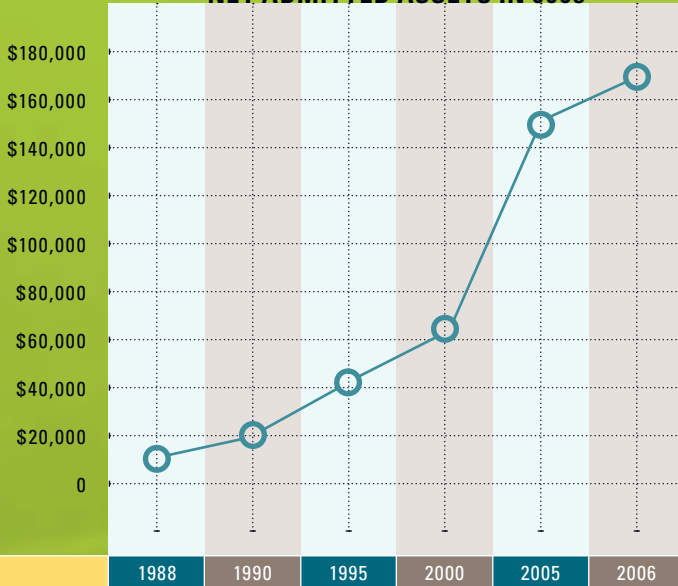
William J. Knauer III, MD
Florida

An OMIC committee member since 1996, Dr. Knauer currently chairs the Marketing Committee and serves on the Board and Underwriting Committee.

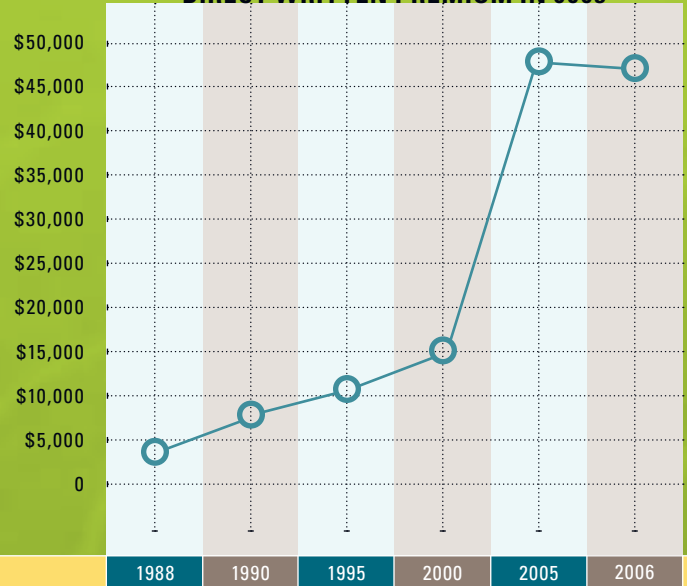
George A. Williams, MD
Michigan

Dr. Williams has been a member of OMIC's Audit, Finance, and Underwriting Committees since 2005.

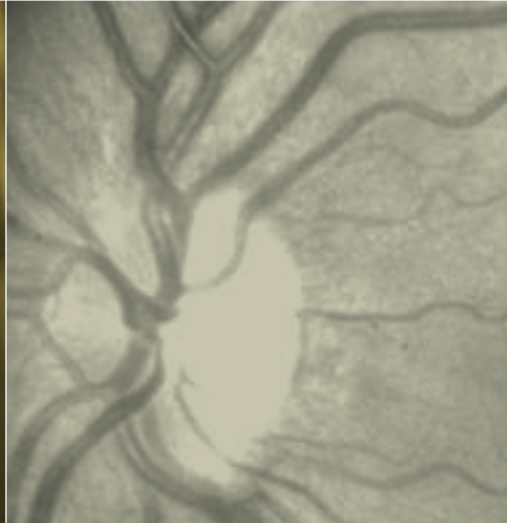
NET ADMITTED ASSETS IN 000s



DIRECT WRITTEN PREMIUM IN 000s



STATUTORY BASIS - UNAUDITED (dollars in thousands at December 31st)



Net Admitted Assets

Loss Reserves

Direct Written Premium

Net Premiums Earned

Net Income

Policyholders' Surplus

Number of Insured Physicians

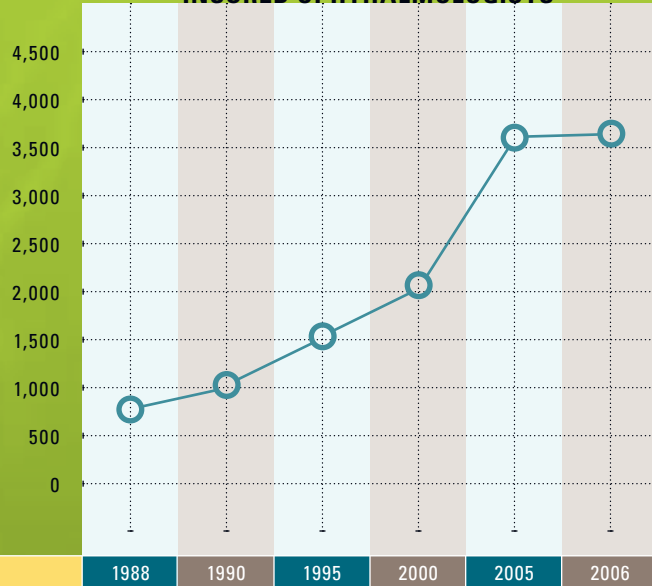
Total Open Claims

Loss & Loss Expense Ratio

Operating Ratio

Net Written Premium to Surplus

INSURED OPHTHALMOLOGISTS



Loss Ratio measures a company's loss experience in relation to its earned premium.

Operating Ratio measures a company's overall profitability from underwriting and investment activity (pretax).

Net Written Premium to Surplus is a leverage test that attempts to measure the adequacy of an insurer's surplus. A ratio of less than 300% indicates acceptable financial health.



	2006	2005	2000	1995	1990	1988
	\$169,834	\$147,427	\$66,505	\$42,281	\$20,713	\$10,132
	\$70,078	\$67,541	\$31,044	\$18,744	\$11,761	\$4,083
	\$47,707	\$48,882	\$15,871	\$11,706	\$8,866	\$4,402
	\$40,176	\$37,361	\$12,416	\$9,294	\$7,005	\$4,066
	\$18,305	\$10,826	\$998	\$1,496	\$672	\$(894)
	\$63,321	\$43,586	\$21,518	\$13,017	\$5,018	\$3,427
	3,658	3,609	2,150	1,561	1,068	844
	468	464	332	183	25	13
	36.7%	54.8%	79.9%	74.5%	64.0%	95.3%
	39.1%	63.1%	91.0%	82.4%	81.3%	129.4%
	62.3%	89.4%	59.6%	76.6%	140.6%	95.0%



OMIC Executive Staff (L to R): Robert Widi, Betsy Kelley, Ricci A. Rascoe, Timothy J. Padovese, Mary Kasher, and Paul Weber.

Robert Widi

Vice President of Underwriting, Marketing and Sales, Mr. Widi joined OMIC in 1994 as an underwriter.

Betsy Kelley

Vice President of Product Management, Ms. Kelley joined OMIC in 1990 as underwriting manager.

Ricci A. Rascoe

Vice President and Chief Financial Officer, Mr. Rascoe joined OMIC in 2003 as controller.

Timothy J. Padovese

President and Chief Executive Officer, Mr. Padovese joined OMIC in 2002.

Mary Kasher, MSN, JD

Vice President of Claims, Ms. Kasher joined OMIC in 1994 as claims manager.

Paul Weber, JD

Vice President of Risk Management/Legal, Mr. Weber joined OMIC in 1993 as risk manager.

OFFICERS

JOE R. McFARLANE JR., MD, JD

San Antonio, TX
Chairman of the Board
Chairman of Audit, Claims,
and Executive Committees
Member of Strategic
Planning Committee

DAVID W. PARKE II, MD

Oklahoma City, OK
Vice Chairman
Chairman of Strategic
Planning Committee
Member of Audit, Claims,
Executive, and Finance
Committees

STEPHEN A. KAMENETZKY, MD

St. Louis, MO
Treasurer
Chairman of Finance
Committee
Member of Audit, Executive,
Strategic Planning, and
Underwriting Committees

RICHARD L. ABBOTT, MD

San Francisco, CA
Secretary
Chairman of Underwriting
Committee
Member of Executive, Risk
Management, and Strategic
Planning Committees

DIRECTORS

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Marketing Committees

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Strategic Planning, and
Underwriting Committees

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Primmer Piper Eggleston
& Cramer, PC
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Member of Audit Committee

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Committee
Member of Underwriting
Committee

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Los Angeles, CA
Member of Claims and Risk
Management Committees

JOHN W. SHORE, MD

Austin, TX
Chairman of Risk
Management Committee
Member of Claims
Committee

COMMITTEE MEMBERS

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Member of Claims and Risk
Management Committees

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Executive Vice President of
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Member of Marketing
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and Underwriting Committees

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HARRY A. ZINK, MD

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