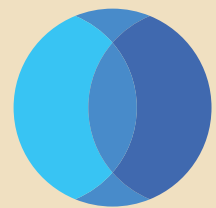
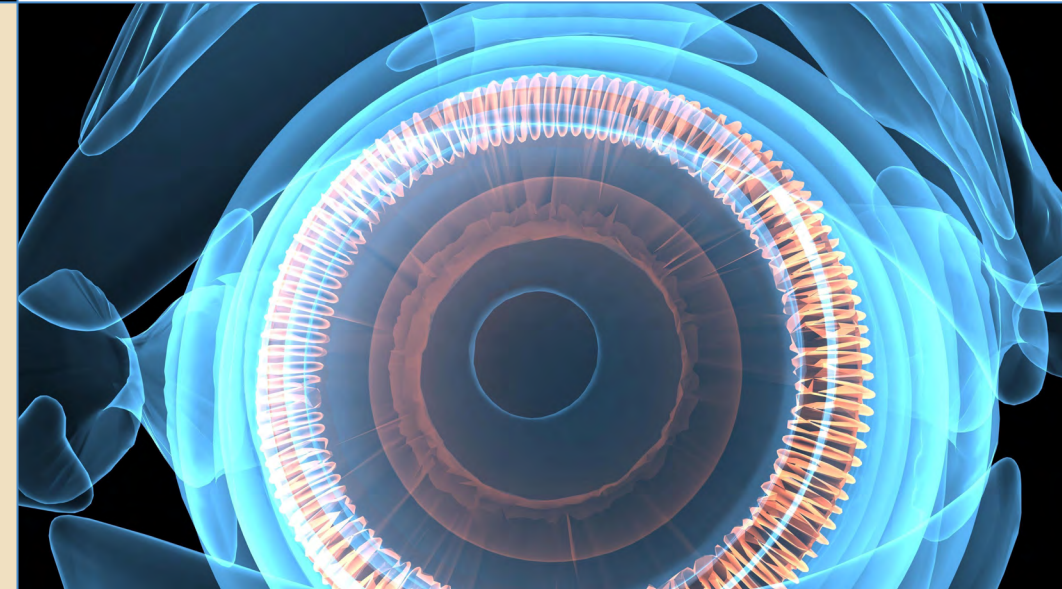
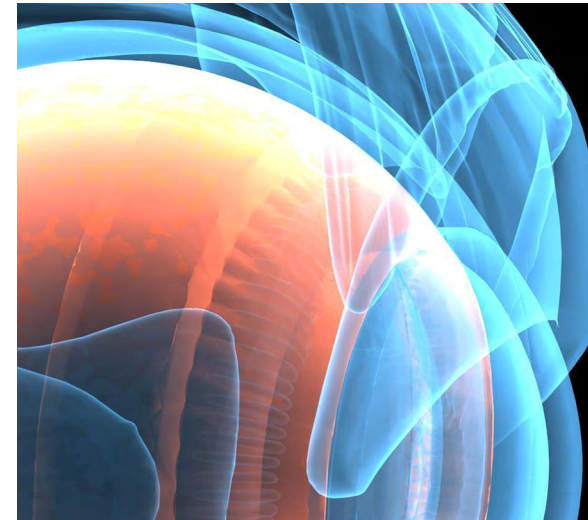


OPHTHALMIC MUTUAL INSURANCE COMPANY
A Risk Retention Group

A report to policyholders highlighting our thirty years of protecting the practice of ophthalmology.



OMIC
OPHTHALMIC MUTUAL
INSURANCE COMPANY

A Risk Retention Group

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2017 MEMBERS REPORT

WHAT'S INSIDE

PAGE 4: The impact of big data on our profession

PAGE 6: Financial highlights: a 5-year review

PAGE 9: Additional benefits in your policy

THIRTY YEARS AGO

Even hardened professionals tried to hide their cracking voices. Frustration, fear, then disbelief and outright panic coursed through a system that had gasped and sputtered right up until the end.

On October 19, 1987, traders watched helplessly as U.S. stock markets plummeted in a dizzying free fall. What would become known as “Black Monday” remains the worst percentage decline for the Dow Jones Industrial Average in our nation’s history; a trillion dollars vanished in just a few hours. Were it to happen today, the equivalent single day point loss would exceed 4,500.

Just two weeks earlier, OMIC had opened its doors for business. With the financial pulse on Wall Street weakened and flatlining, our early leaders braced for a rough start for OMIC.

In an odd way, a baptism by fire was a fitting entree into the insurance market. After all, we’re in the business of risk.

OMIC would rise to the challenge. In the thirty years that have followed, we have become the largest insurer of ophthalmologists in America. Each day OMIC is dedicated to reducing risk for our policyholders, their patients, and our company.

In the pages that follow, we highlight these commitments and the successes our company and our insureds have experienced as a result.

OMIC Milestones

OMIC enters the insurance market.	OMIC declares first dividend.	OMIC launches its web site.	OMIC helps to stabilize market.	OMIC supports The Spivey Fund.
1987	1991	1997	2002	2017
Rates across the United States drop almost immediately for eye physicians and surgeons.	OMIC’s dividend plan becomes one of the most generous in the industry. Total paid dividends will exceed \$80 million by year-end 2018.	OMIC.com becomes the nation’s resource for patient consent form templates and other risk management resources, registering thousands of downloads per month.	OMIC comes to the rescue of thousands of ophthalmologists abandoned by traditional insurers during the malpractice insurance crisis.	OMIC provides a \$1 Million grant to study and implement risk management and patient safety initiatives.

Highlights

Reached \$200 Million in policyholders’ surplus and 17.7% premium to surplus ratio.

Declared a tenth consecutive dividend, surpassing \$70 Million in cumulative returns.

Supported the Bruce E Spivey MD Fund for Risk Management Studies with \$1 Million grant.

Our Commitment to Policyholders

We will offer comprehensive medical liability insurance coverage and services at the lowest possible cost.

We will create materials and resources that improve the quality of care and enhance the practice of ophthalmology.

As a vitreoretinal surgeon, I've spent the better part of my professional life using my clinical skills and expertise to examine one of the most beautiful and functional of all creations - the human eye. Like all ophthalmologists, I am on a daily quest to fulfill the American Academy of Ophthalmology's simple yet powerful mission of protecting sight and empowering lives. I practice one patient at a time.

Perhaps that is about to change.

We have entered the era of big data and the potential impact on our profession is staggering. Information culled from electronic health records, wearable medical devices, and even social media represents the future of eye care and patient safety. Using technologies such as artificial intelligence we can explore these data to study disease patterns, treatment responses, and complications across millions of patients.

Researchers are already using the IRIS Registry like an enormous microscope, carefully focusing its statistical dials back and forth to identify trends unapparent to our one-patient-at-a-time practice. The excitement is palpable and real.

As we celebrate our thirtieth anniversary, I reflect on the creation of OMIC and suspect that our founders felt a similar excitement. Their plan was to stabilize insurance markets and lower operating costs by studying trends in litigation against ophthalmologists and setting rates more accurately and fairly for our profession than other carriers. The goal was to create a strong and reliable medical liability company to serve ophthalmologists through good times and bad.

Then an incredible thing happened.

The data we collected to provide insurance for ophthalmologists began to be used to improve eye care for our patients. The OMIC Safety Net for ROP is just one example of how our information has been used in practice to help protect sight.

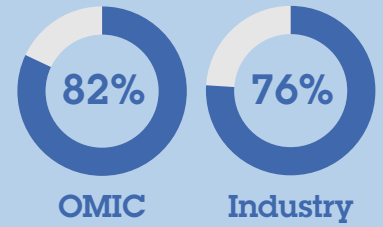
OMIC's mission was expanded by the power of data.

Our company has always been ahead of its time and we now view big data as yet another opportunity to demonstrate leadership in patient safety.

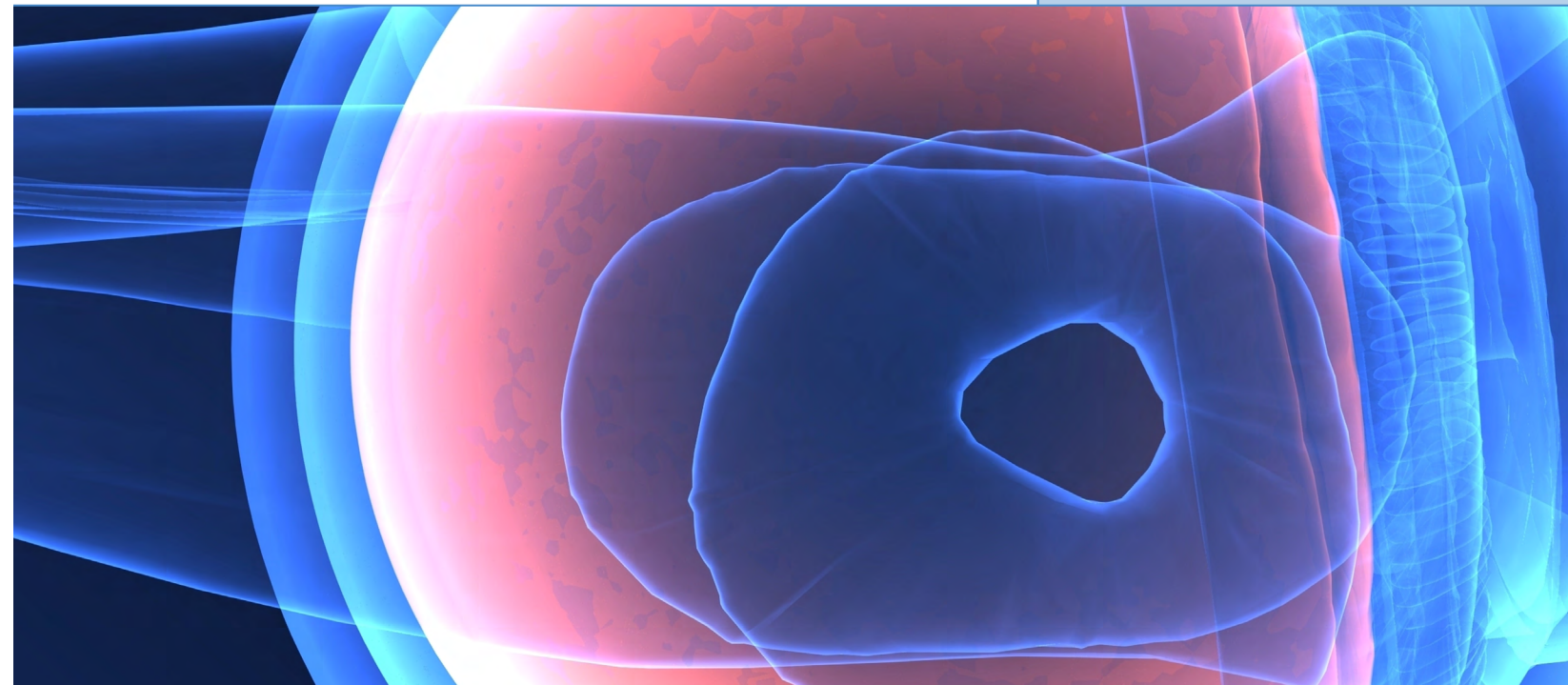
That is why OMIC recently pledged \$1 million to the Bruce E Spivey MD Fund for Risk Management Studies in the Hoskins Center for Quality Eye Care to study medical liability issues using both IRIS and OMIC data. Improved risk management is good business, but more importantly, good medicine. We should expect nothing less from a company of ophthalmologists and for ophthalmologists.

Join us in celebrating the first thirty years of your company's many accomplishments as described in this report and thank you for your continued support.

Claims Closed Without Payment



OMIC closed 82% of reported claims without a payment vs. 76% for the industry.



George Williams, MD
Chair, Board of Directors

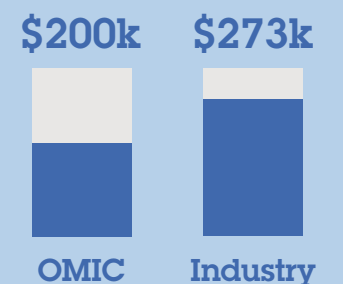
The Data on Claims Defense

A study of the 2381 ophthalmic claims reported between 2010 and 2014 to OMIC and other carriers that are members of Physician Insurers Association of America (PIAA) shows our superior results.

OMIC makes fewer indemnity payments than other carriers. We settled 25% fewer of the claims reported to us than our multispecialty competitors.

OMIC pays less than other carriers. Our average indemnity payment is 27% lower than multispecialty carriers.

Average Indemnity Payment



OMIC averaged \$200,182 per paid claim vs. \$273,349 for the industry.

Financial Highlights

HOW DO WE COMPARE?

OMIC consistently outperforms multispecialty insurance companies in many of the financial results, benchmarks, and ratios displayed in the exhibit below.

OMIC's coverage year loss and loss expense ratio was the best among our peer companies in 2016, and has averaged 45% lower than competitors' for years 2012 to 2016.

Policyholders' surplus surpassed \$200 Million for the first time. OMIC's premium to surplus ratio of 17.7% places us ahead of peer companies and distinguishes us as one of the most fiscally sound carriers in America.

WHAT THE NUMBERS MEAN

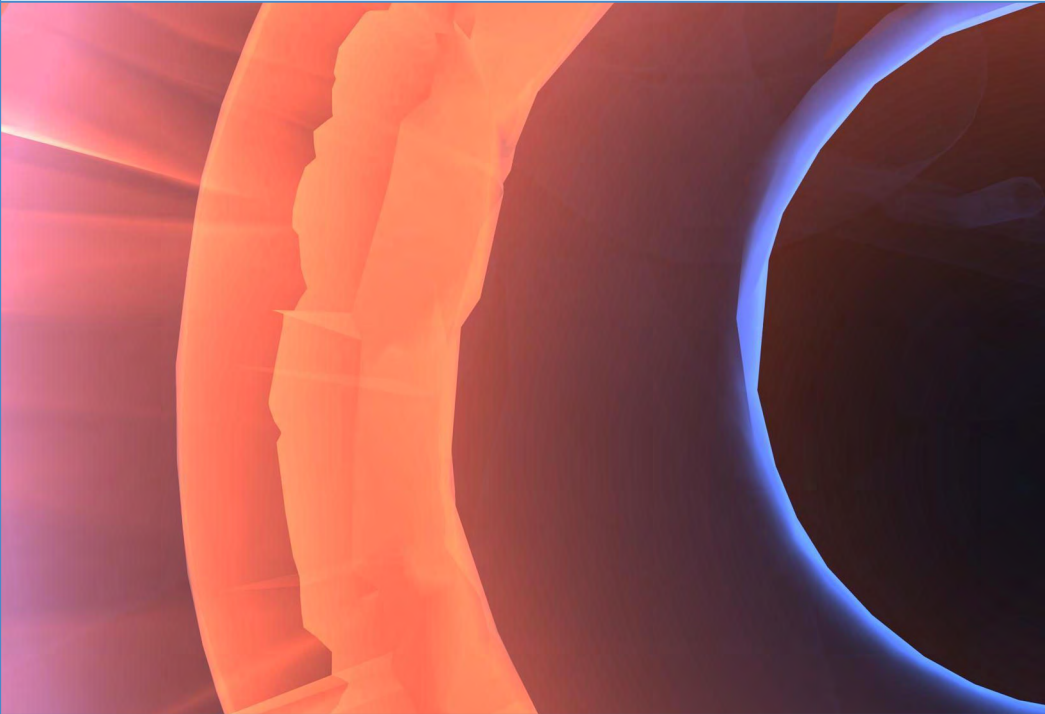
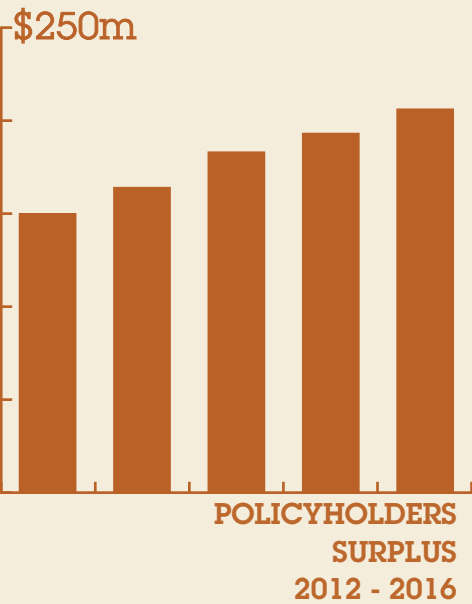
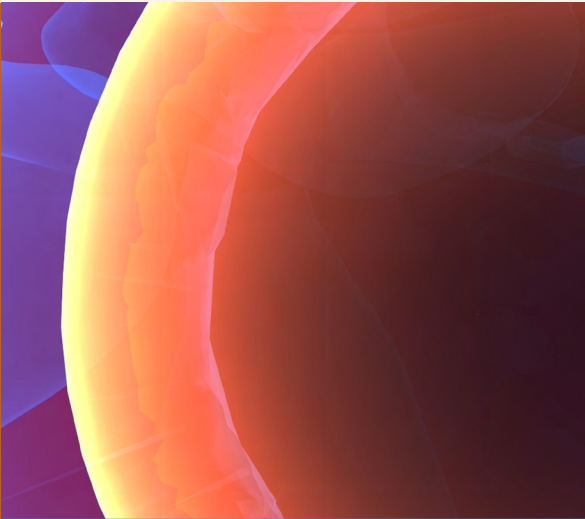
Net written premium to surplus ratio measures the adequacy of an insurer's surplus. A ratio of less than 100% indicates favorable financial health.

Loss & loss expense ratio measures a company's loss experience in relation to its earned premium.

Combined ratio measures overall underwriting profitability. A ratio of less than 100% indicates an underwriting profit.

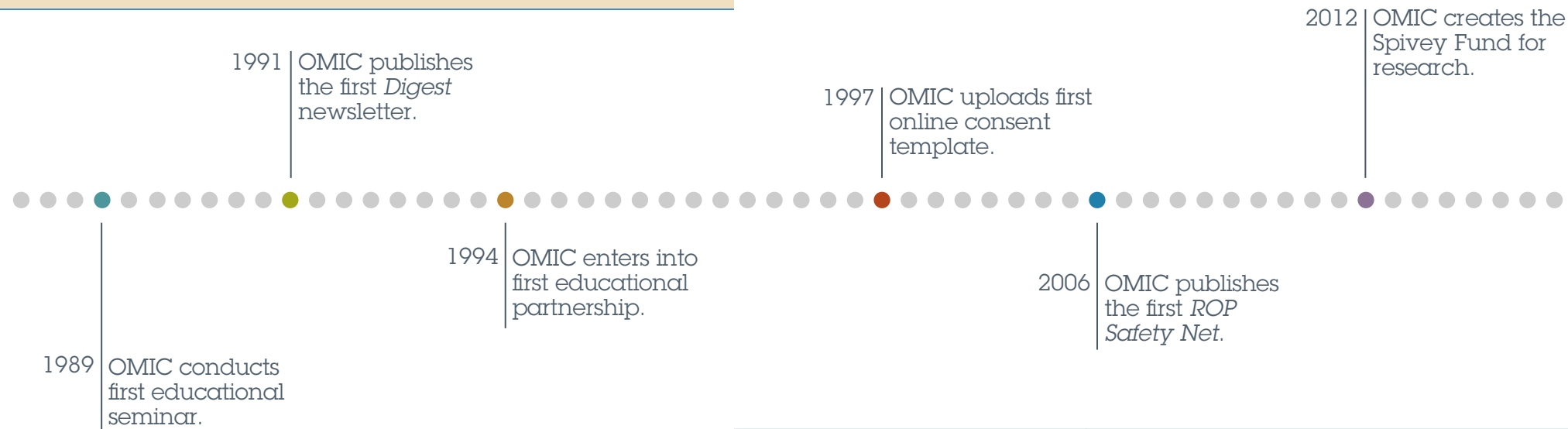
Operating ratio measures a company's overall profitability from underwriting and investment activity (pre-tax).

Statutory Basis—12 months ending December 31st	2016	2015	2014	2013	2012
Net admitted assets	\$281,977,102	\$275,088,108	\$268,509,733	\$259,923,392	\$245,951,335
Loss & LAE reserves	\$38,990,542	\$39,521,341	\$41,001,223	\$51,400,262	\$55,791,199
Total open claims	463	456	449	480	471
Policyholders' surplus	\$205,809,559	\$192,714,016	\$182,856,531	\$163,579,803	\$149,533,498
Net written premium to surplus ratio	17.7%	20.7%	22.5%	24.4%	25.9%
Direct premium written	\$40,073,603	\$44,588,084	\$44,139,753	\$43,249,762	\$42,790,167
Net earned premium	\$38,957,107	\$39,298,797	\$41,117,427	\$39,794,461	\$37,376,077
Net income	\$11,232,018	\$10,833,001	\$19,685,569	\$12,692,079	\$7,548,044
Loss & loss expense ratio	39.4%	39.9%	8.8%	30.3%	52.3%
Combined ratio	88.1%	86.5%	56.8%	79.2%	97.2%
Operating ratio	67.4%	66.0%	37.2%	60.2%	77.9%
Number of insured physicians	4,868	4,692	4,627	4,544	4,477



OMIC's favorable operating performance has made possible **significantly higher dividend returns for OMIC insureds**, averaging 20.8% per year from 2012 to 2016 compared to 6.6% for other malpractice insurance companies. It also allows for **lower rates**, most recently resulting in a 12.8% average premium decrease nationwide in 2016. We're proud that we are able to decrease rates, increase dividends, and add significantly to policyholders' surplus to protect OMIC for the future.

Robert Wiggins, MD
Chair, Finance Committee and Treasurer



Participate

Education forms the foundation for everything we do at OMIC. There is an undeniable correlation between the improvement of patient care and the decline of litigation against us. We hope you will participate with OMIC in the following ways:

1. Encourage your staff to use the *OMIC Hotline*.
2. Download updated consent forms each year.
3. Use *Recommendations* to train providers.
4. Attend an OMIC seminar or course each year.
5. Read the *OMIC Digest* articles and case studies.
6. Join state and subspecialty partner societies.

 More ideas at OMIC.com/RiskManagement

Denise Chamblee, MD
Chair, Risk Management Committee and Secretary



Steven Brown, MD
Vice Chair, Board of Directors

Did You Know?

Your OMIC policy covers several regulatory and cyber exposures:

REGULATORY ACTIONS COVERED

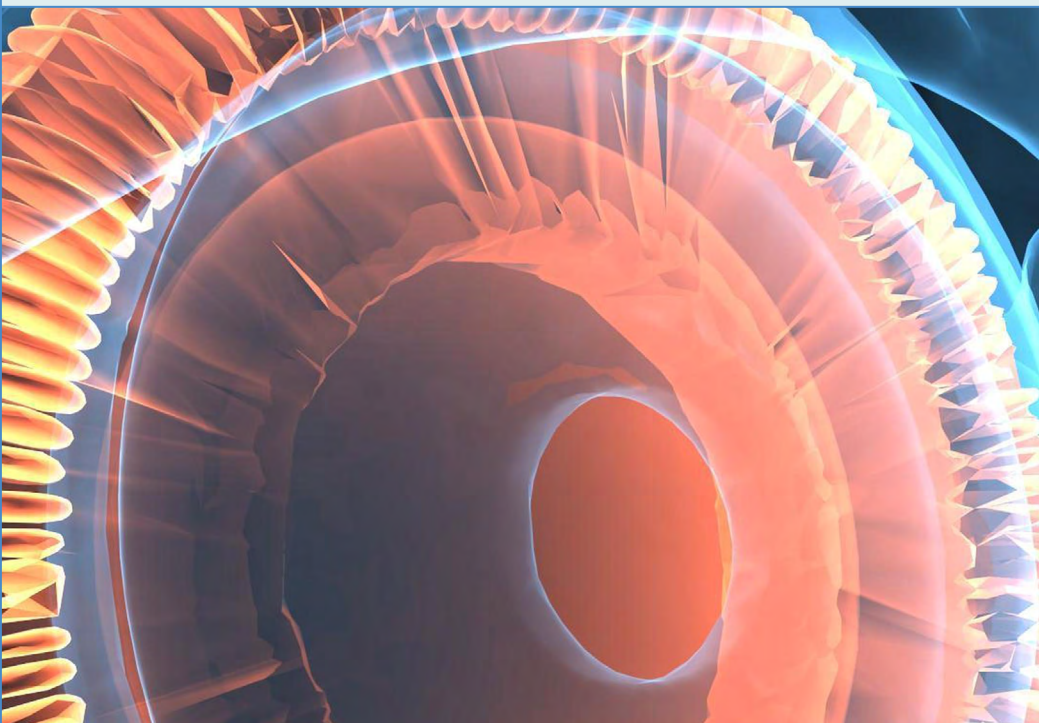
Billing errors proceedings by qui tam (whistleblower) plaintiffs, or government or commercial payers.

Investigations related to HIPAA, EMTALA, Stark Act and DEA violations, and certain licensure actions.

Peer review and actions by a review body of a hospital/other health care facility affecting privileges.



Daniel Briceland, MD
Chair, Claims Committee



CYBER (eMD®) EXPOSURES COVERED

Electronic security and privacy defense and penalties, breach response and notification expenses, and support and credit monitoring costs.

Multimedia liability claims, loss of digital assets, business interruption, reputation management expenses, and PCI/DSS credit card information security breach investigations.

Cyber extortion and terrorism loss and expenses.

 [Learn more](#)

OMIC.com/Policyholder/Benefits

Throw a pebble in a pond and the rings of ripples will attest to its impact. It is without a doubt that OMIC's entrance into the small pool of insurance companies covering physicians in 1987 caused quite a stir.

But even OMIC's early leaders and supporters could not have envisioned the tremendous effect our company would have on the practice of ophthalmology. I am so proud of the many accomplishments highlighted in this report.

In thirty years, our insureds have been richly rewarded for their support of OMIC. In virtually all financial benchmarks we have outperformed our peer companies.

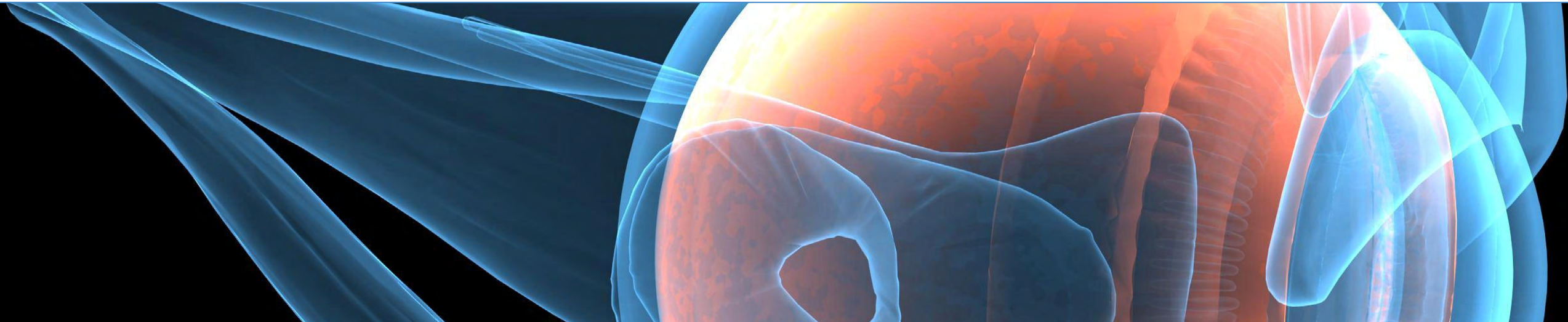
Our operating successes have resulted in lower average rates than our competitors and higher dividend returns. To put it into perspective, an average OMIC-insured ophthalmologist has received cumulative dividend credits equivalent to two years of premiums.

We could not be happier about this as we know that our impressive numbers are a reflection of our insureds' good practice of medicine.

I am pleased to report that because of another year of superior results, OMIC is extending current rates and returning a 20% dividend credit to our physician insureds who renew with OMIC in 2018.



Tim Padovese
President and CEO





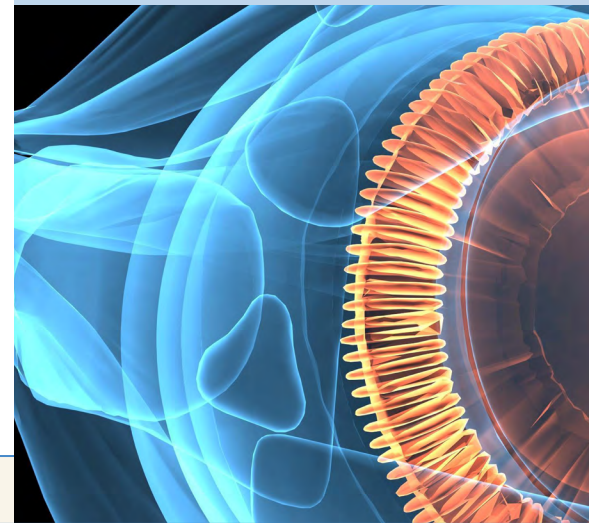
As physicians we have the primary responsibility to patients when we comanage care with optometrists.

Together we can improve patient education by obtaining prior written consent from our patients for shared care agreements and offering them an opportunity to opt out.

We should also review all pre-operative tests and examinations, perform the first post operative evaluation, and document the transfer of care in the medical record.

Finally, we must establish protocols outlining when the optometrist should consult with or refer the patient back to an ophthalmologist for evaluation.

Ann Warn, MD Chair, Underwriting Committee



COURSES

Attend a seminar and earn a premium discount worth up to 10%.

> [Learn more at OMIC.com/Courses](http://OMIC.com/Courses)



HOTLINE

Post this number and encourage staff members to call for risk management assistance.

> **Call (800) 562-6642 and Press 4**

OMIC offers the first malpractice policy written specifically for the practice of ophthalmology.

1987

OMIC is one of the first carriers in America to cover medicare fraud and abuse and HIPAA claims.

1998

OMIC covers the full scope of oculo-facial plastic surgery procedures at a standard rate.

2003

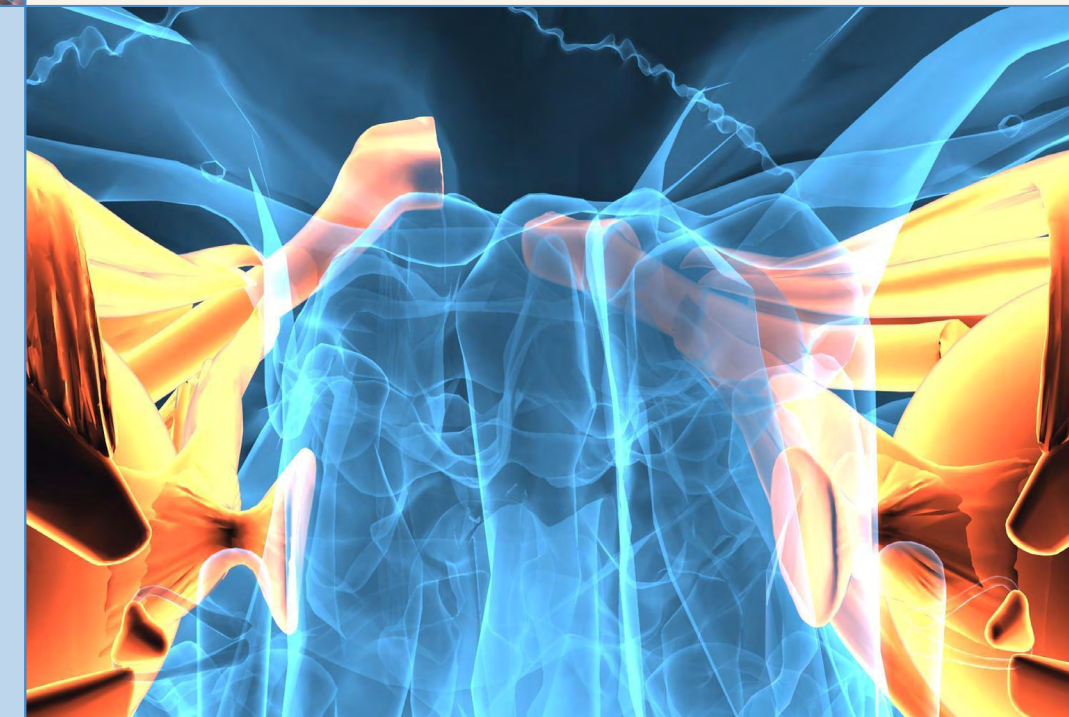
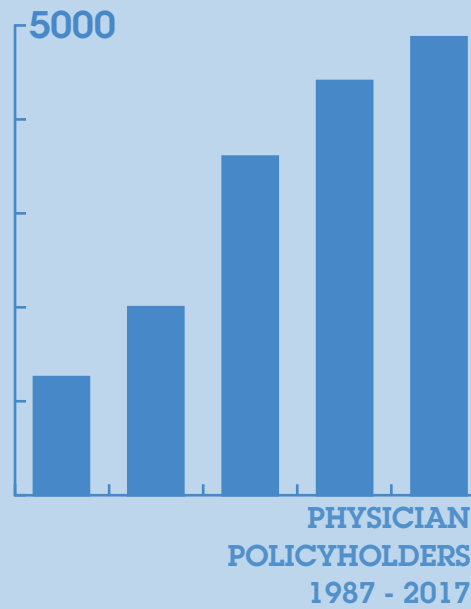
OMIC is one of the first carriers to add coverage for cyber breaches as EMRs open practices to a new exposure.

2012

OMIC expands to hire regional representatives in the Eastern and Midwestern United States.

2017

OMIC Milestones



Patient Consent Enhanced

Improve the quality and defensibility of consent.

- 1) Document your discussion.
- 2) Use procedure-specific consent forms.
- 3) Obtain the patient's signature after the consent discussion.
- 4) Do not change the form once it has been signed.
- 5) Offer the patient a copy before the day of surgery.
- 6) Examine forms yearly for accuracy and update if needed.

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