

# OPHTHALMIC MUTUAL INSURANCE COMPANY

A Risk Retention Group sponsored by the  
American Academy of Ophthalmology

## 2018 MEMBERS REPORT



# DRAWING LINES

Ophthalmic practice is changing. There's no debate about that. We draw the lines that will connect us, protect patients, and define the business of medicine for the future.

## 2018 MEMBERS REPORT

Help us improve our  
products and services.  
Give us your feedback on the  
issues covered in this report  
by contacting OMIC at:

800.562.6642  
www.omic.com  
omic@omic.com

 OMICPage  
 MyOMIC

# CONTENTS

HIGHLIGHTS 3

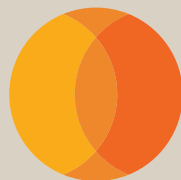
DRAWING LINES 5

THREE “Rs” THAT ADD VALUE 6

PATIENT DATA SECURITY 8

TWO METRICS TO CONSIDER 10

HOW WE LINE UP 12



## HIGHLIGHTS

OMIC updated its bylaws to allow for coverage of additional ownership structures and organizations including **private equity partnerships**.

OMIC reached \$214 million in policyholders' surplus, \$294 million in admitted assets, and \$41 million in direct written premium.

OMIC's declared policyholder dividend as a percentage of **net earned premium was 20% in 2017** vs. the industry average of 6%. OMIC's ten year average of 18% far exceeds the 6% industry average.

OMIC's cumulative declared dividend returns **surpassed \$80 million** in 2017 and averaged approximately **10% of premium** since inception.

OMIC was awarded an **A "Excellent" rating from AM Best** due to "the risk-adjusted capital given the strongest possible rating" and "the five and ten year returns on revenue performance measures that are significantly better than the industry."

OMIC achieved net policy growth of 4%, **eclipsing 5,000 physician insureds** for the first time. OMIC is the dominant carrier in the market space and the largest insurer of ophthalmologists in the United States.

Financial results  
as of Dec 31, 2017.  
AM Best Report available  
at [OMIC.com/AMBest](http://OMIC.com/AMBest).





## CLAIMS

DANIEL BRICELAND, MD

OMIC beat the industry in all claims defense benchmarks during the past five years including total and average indemnity paid, average cost per claim, and percent of claims settled without a payment to the plaintiff.



## RISKS

DENISE CHAMBLEE, MD

OMIC has the only comprehensive ophthalmic risk management program in the industry. Our patient education materials are used by ophthalmologists across the country and in many countries around the world.



## POLICIES

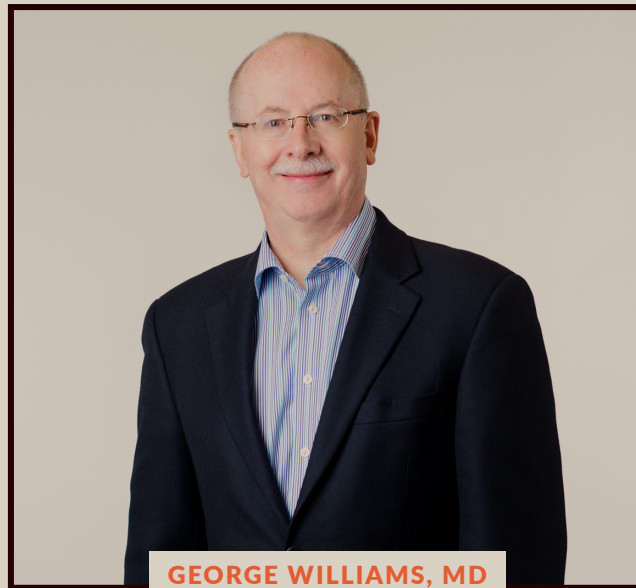
ANN ACERS-WARN, MD

OMIC's loss prevention materials are integrated into our risk assessment and underwriting process. Using the leverage of OMIC's market share, we've helped to improve hospital systems' and practice protocols.

# LEADERSHIP

IN OPHTHALMOLOGY





**GEORGE WILLIAMS, MD**  
**BOARD CHAIR**

**“Change is the law of life and those who only look to the past or the present are certain to miss the future.”**  
**John F. Kennedy**

## Drawing lines

The line between the American Academy of Ophthalmology and OMIC has always been strong yet flexible. If it weren't for the Academy, there would be no OMIC. Our genesis and capitalization came not only from our initial insured ophthalmologists, but also from the leaders of ophthalmology's largest and most influential body. Over thirty years ago, these leaders recognized and responded to the changing world of medical liability insurance.

And we should all thank our lucky stars for their vision. The Academy-OMIC partnership has continually paid dividends, both literally and figuratively, for both organizations, but most importantly for our patients.

That said, OMIC must remain independent of the Academy. OMIC's Board of Directors understands that our primary fiduciary obligation is to our insured ophthalmologists. This obligation means that we will often be presented with difficult decisions. That is where we find ourselves today. Ophthalmology is changing. We all can see change in our daily practice. Scope battles are pushing the limits of reason. Private equity firms are knocking on our doors. Pre-authorization, step therapy, increasing drug prices, compounded drug rules, and declining reimbursement threaten patient access. And don't even get me started on the arcane regulatory morass in the name of value and transparency.

Tomorrow and in the coming years, OMIC will be at the head of the line, as we've always been, learning how to best protect evolving practice models. Through the

inevitable twists, turns, and surprises of change both OMIC and the Academy will continue to emphasize patient safety as a core mission.

The Academy supports OMIC by advocating for our patients and profession. Protecting sight and empowering lives is what we do. And OMIC supports the Academy by providing the very best in risk management products and medical liability perspective to all Academy members. Improved clinical outcomes and patient safety is not just good medicine, it's good business.

As ophthalmology evolves, there will surely be some “lines in the sand” beyond which we believe patient safety is compromised. There will be risks we cannot and will not assume, but one tenet is certain. We will never waver in our commitment to protect our most valuable asset: our policyholders.

With change comes transition and it is that time at OMIC. I am delighted to announce that lifelong advocate for ophthalmology, Dr. Dan Briceland, will be the next OMIC Chair. Under Dan's leadership and vision, OMIC will continue to lead the way.

Serving as Board Chair of our amazing company has been a highlight of my career. The dedication and professionalism of our committee members, staff, and Board is unsurpassed. It humbles me every day to be able to lead such remarkable people. I thank you all.

The background is a dark brown gradient. On the left, there are several interlocking gears in shades of orange and yellow. Overlaid on these gears are strings of binary code (0s and 1s) in a light yellow color. A large, stylized profile of a human head is outlined in a thick orange line, facing right. The head's interior is a solid dark brown. A white rectangular box is positioned within the head's profile, containing the main title and a paragraph of text.

## THREE “Rs” THAT ADD VALUE TO YOUR INSURANCE POLICY

Get the most out of your policy. Use OMIC resources to improve patient education. Inform staff what to do when difficult situations arise. Finally, view your coverage as an investment. We want you to find value beyond expectations.

**The business of medicine** requires that an ophthalmologist understand all that might affect the bottom line of the practice. He or she needs trusted business advisors and administrators that will keep an eye on inefficiencies and correct them. The goal should be to implement strategies that maximize profits, without compromising patient safety.



Good planning often translates into a thriving and successful practice.

Whether you are an ophthalmologist who is intimately involved in the administration of the practice, an office manager, a CEO, or a private equity firm charged with the financial and operational management of the practice, OMIC has a solution for you. Engage with us and learn how OMIC can help ophthalmology practices like yours lower risks and mitigate errors.

Below we identify some specific advantages of being an OMIC insured that can improve your practice's bottom line while at the same time protect your most important asset - your patient's health, safety, and well being.

01

## Resolutions

Successful businesses put good planning and contingencies into place. Make sure your staff knows who to call during or after an adverse outcome or a difficult encounter.

Enterprise and vendor risk management will arm employees with the tools to mitigate risks to the practice.

OMIC's best-in-class ophthalmic loss prevention services center around a hotline staffed by managers who deal with issues specific to the practice of ophthalmology. No other similar organization exists in America.

Often the assistance is routine: how to craft a stronger patient consent document or when to notify patients of changes in practice. Sometimes the need is urgent: when a procedure goes wrong or a patient is aggressive or threatening.

We are uniquely able to help protect you. **Call 800.562.6642 and Press 4.**

02

## Resources

Experience matters. In the course of managing over 5,500 ophthalmic claims we continually perfect OMIC materials to put insureds in the best defensive position should a claim or lawsuit develop in the future.

OMIC's web site records thousands of visits each week from ophthalmologists around the world.

Ask employees to check the OMIC web resources for the latest patient education materials, sample office protocols, and loss prevention recommendation guides.

We have seen just about every kind of adverse event in ophthalmology, which enables us to help you protect your business.

Bookmark **OMIC.com** for easy access to the tools and resources your staff may need in the future.

03

## Returns

The bottom line is your insurance is an investment in your practice.

Review the policy to make sure the practice is getting all available discounts and incentives each year. OMIC will provide yearly reminders of ways to reduce costs.

In this report, we have identified several ways in which your practice benefits financially by maintaining OMIC insurance, including a significant dividend return advantage over multi-specialty companies. Check the OMIC calendar for upcoming events near you or inquire about online options that qualify you for reduced premiums.

See more about the ways we help to keep your costs as low as possible at **OMIC.com/financials.**



# PATIENT DATA SECURITY

OMIC WEB RESOURCES

**PROTECT YOUR  
PATIENTS' DATA IN  
THE SAME WAY YOU  
PROTECT THEIR  
EYE HEALTH**

**As an insured you have a comprehensive package of cyber liability coverage and risk management resources.**

In 2018, OMIC launched a new cyber liability risk management web site exclusively for policyholders.

CyberNet® is a comprehensive state-specific library of forms, documents, and suggested protocols that can be found under the Risk Management section at OMIC.com.

This policyholder resource is included free of charge to insureds and complements OMIC's broad portfolio of e-MD® benefits. See section V.II.C in your policy booklet for more information on all of the cyber benefits included within your standard malpractice coverage.

In addition to sample policy and procedure templates, the site offers cyber training for staff including online training courses, guides, awareness posters, and webinars. Insureds will find suggested data security policies, plans, procedures, and sample third party and healthcare policy agreements. In addition to forms, there are instructions on putting together an incident response team, teaching staff to recognize cyber threats, and testing for scenarios.

Finally, best practices for protecting your data are defined and suggestions for mitigating risks are outlined. To access the OMIC CyberNet® resources, visit OMIC.com and follow the link under the Cyber Liability Resources page to the risk management portal, or go to [OMIC.com/cyber-liability-resources](https://OMIC.com/cyber-liability-resources). The current password is: omic2018.

For security purposes, OMIC will periodically change this global password and notify policyholders accordingly.

Insureds needing assistance with the new cyber resources may contact their OMIC representative or the risk manager on duty.





## What is covered?

Recognizing that these emerging cyber exposures are a threat to our insureds, coverage was added to the Additional Benefits of your OMIC professional liability policy.

OMIC provides 9 Cyber/e-MD® benefits subject to a per policy period limit of \$100,000 per claim and in the aggregate per ophthalmologist and insured entity. For a summary of these benefits visit [OMIC.com/policy/benefits](https://OMIC.com/policy/benefits).

- **Multimedia Liability**
- **Security and Privacy Liability**
- **Security and Privacy Regulatory Defense and Penalties**
- **PCI DSS Assessment**
- **Security and Privacy Breach Response, Notification, Support, and Credit Monitoring**
- **BrandGuard®**
- **Network Asset Protection and Business Interruption**
- **Cyber Extortion**
- **Cyber Terrorism**



## TWO METRICS SHOW YOUR COMPANY'S OPERATING ADVANTAGE VS. THE MULTI-SPECIALTY INDUSTRY

As Treasurer and Chair of OMIC's Finance Committee, my responsibility is first and foremost to be a good steward of your money. As policyholders, you and I are the owners of OMIC, and therefore my interest in this role is also personal.

OMIC's ultimate goal is to collect only enough premium dollars from insureds as it takes to conservatively operate the company. If we have determined that we have more funds than were needed for a given year, we promise to return them to you as soon as prudently possible.

Fortunately we have lots of help in determining the amount of money we need to pay claims, pay employees, and pay bills. Our excellent team of advisors carefully analyzes operations in order to identify opportunities to return money through dividends to insureds as renewal premium credits.

Another goal of OMIC's leadership is to protect the company. Although the medical professional liability industry has enjoyed very favorable conditions for the better part of a decade, there will be difficult times ahead. We know this because all insurance markets rise and fall eventually, we just don't know when.

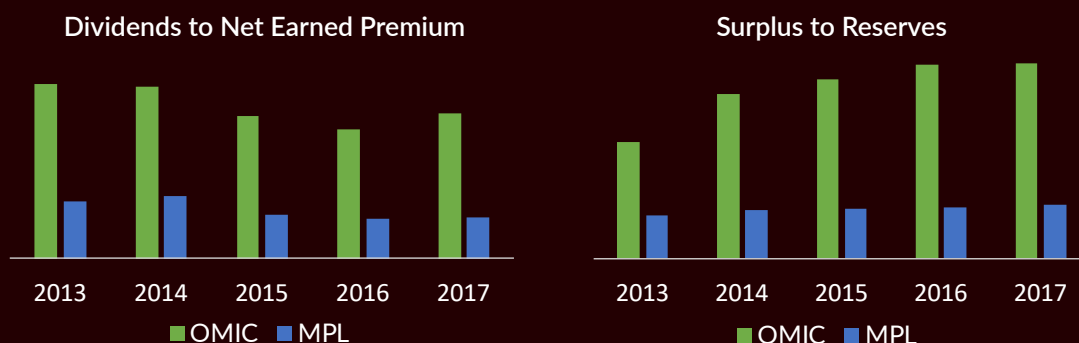
To plan for this, we have funded the company conservatively. We feel that this is the best way to make sure OMIC is here for you when you need us the most.

The two metrics described below illustrate how OMIC achieves these two important financial goals. A 5-year history is shown graphically on the accompanying page.

***Dividends to net earned premium*** is a measure of how high a company's dividends are relative to the price that they charge (i.e., their premium). OMIC's 2017 ratio was 20% of premium, while the MPL (Medical Professional Liability Association) average has fallen significantly in recent years after hitting a high of 9% in 2014, and just 6% in 2017.

***Surplus to reserves*** is a measure of how financially strong a company is, as it shows how much surplus a company has to pay its losses. OMIC's 2017 ratio of 5.3 to 1 is much better than the industry's 1.4 to 1 ratio. This metric indicates that OMIC has the financial strength and resources available to pay not only expected losses but also the unexpected or higher than expected claims of its members.





## RESULTS

OMIC's financial results continue to outperform peer companies. Growth in insured count, direct written premium, surplus, and admitted assets was in line with expectations. Recent claim trends show continued low relative frequency with some signs of rising severity (i.e., the amount paid per claim).

Years	2017	2016	2015
Net Admitted Assets	294,413,336	281,977,102	275,088,108
Loss & LAE Reserves	40,268,519	38,990,542	39,521,341
Total Open Claims	471	463	456
Policyholders' Surplus	213,869,340	205,809,559	192,714,016
Net Written Premium to Surplus	17.4%	17.7%	20.7%
Direct Written Premium	41,254,404	40,073,603	44,588,084
Net Earned Premium	35,830,065	38,957,107	39,298,797
Net Income	2,303,076	11,232,018	10,833,001
Loss & Loss Expense Ratio	63.0%	39.4%	39.9%
Combined Ratio	117.7%	88.1%	86.5%
Operating Ratio	95.4%	67.4%	66.0%
Insured Physicians	5054	4868	4692

## HOW WE LINE UP

### OMIC REMAINS STRONG AS THE OUTLOOK FOR OUR INDUSTRY SHOWS SOME SIGNS OF STRESS

After more than a decade of unusually strong balance sheets and healthy income statements, there are some indications that results are coming back in line with historical norms. While claim frequency remains stable, severity continues to climb. Furthermore, loss reserve “takedowns” from prior years have run their course and are no longer available to mask some carriers’ operating deficiencies.

Takedowns occur when more money was set aside to pay for claims than was ultimately needed. As losses came in lower than expected industry-wide, some of the money set aside to pay claims was released and flowed directly to the company’s bottom line as income.

OMIC’s business itself has consistently earned a profit over many years. Since 2007 our combined ratio, which measures a company’s underwriting profitability, averaged 70. A ratio below 100 indicates that we are profitable based on our operations alone, before any income or gains from investments are considered.

Despite an increase in 2017, OMIC’s combined ratio has always been significantly lower than the multispecialty insurance industry. We credit this to a better understanding of how to run our business. Multispecialty carriers struggle to identify potential risks in ophthalmology because they fundamentally do not understand the specialty like we do.

A good example of OMIC’s advantage lies within our claims defense results. Since inception, OMIC has settled 25% fewer of the cases reported, and paid 27% lower than the industry when a settlement or judgment was made.

We now have some indications of deteriorating performance, at least with regard to larger settlements and judgments. OMIC’s Board and executive staff will closely monitor these trends moving forward.

The good news is that OMIC was built for the long term. We have planned and prepared many years for this exact scenario. Our conservative approach to evaluating risk, investing wisely, and funding surplus adequately will continue to pay dividends for both you and your company in the future.

## ASSETS

Net admitted assets increased 4% to \$294 Million.

Historical Asset Growth  
5 Year 20% 10 Year 57%

## POLICIES

Active physician policy count grew 4% to 5054.

Historical Policy Growth  
5 Year 13% 10 Year 35%

## SURPLUS

Policyholders' surplus rose by 4% to \$214 Million.

Historical Surplus Growth  
5 Year 43% 10 Year 165%

## DIVIDENDS

Dividend was 20% of earned premium (as a percentage of annual premium).

Cumulative Dividends  
5 Year 78% 10 Year 182%

Financial results  
as of Dec 31, 2017.



TIMOTHY PADOVESE  
PRESIDENT & CEO

It is hard to imagine how OMIC's bottom line could be stronger.

Our surplus position is arguably the best in the industry. A premium-to-surplus ratio of 0.17 to 1 is almost unheard of.

At the same time, OMIC's rates in the vast majority of the U.S. are significantly lower than our competitors' and our average dividend returns during the past decade have averaged nearly three times higher than the industry.

We are able to achieve these results primarily due to our better defense of claims, lower relative operating costs, and superior investment returns.

Thank you for your continued support of our company.

**Due to OMIC's continued healthy balance sheet, I am pleased to report that current insurance rates will be extended through 2019 in all states and territories and your Board has approved another significant policyholder dividend to be paid in 2019, equal to 15% of your 2018 annual premium.**





# COMMUNITY

ENGAGE WITH OMIC AND LET US KNOW HOW WE ARE DOING



## Let's be social.

Followers of OMIC social media pages and blog will be alerted to relevant news, updates, and announcements from OMIC, including notification whenever new patient consent documents or loss prevention resources are published.

OMIC's Twitter feed @MyOMIC will link OMIC's Facebook fans and LinkedIn network with associated content.

**[OMIC.com/community](http://OMIC.com/community)**



## See you around.

OMIC conducts live seminars for physicians and ancillary staff at locations throughout the country.

View upcoming live events on OMIC's online calendar, organized under the following categories: audio conferences, physician seminars, staff courses, webinars, and events.

**[OMIC.com/courses](http://OMIC.com/courses)**



## And also online.

OMIC maintains a comprehensive online library of ophthalmic educational tools and sample patient education forms in both English and Spanish.

**[OMIC.com](http://OMIC.com)**

# 2018 Board and Committees

## Officers

Chair  
George A. Williams, MD  
Royal Oak, MI

Vice Chair  
Steven V.L. Brown, MD, FACS  
Glenview, IL

Secretary  
Denise R. Chamblee, MD  
Newport News, VA

Treasurer  
Robert E. Wiggins Jr., MD  
Asheville, NC

## Directors

Daniel J. Briceland, MD  
Sun City West, AZ

Bradley D. Fouraker, MD  
Brandon, FL

Robert S. Gold, MD  
Maitland, FL

David W. Parke II, MD  
San Francisco, CA

Ronald W. Pelton, MD, PhD  
Colorado Springs, CO

Steven I. Rosenfeld, MD  
Delray Beach, FL

Gregory L. Skuta, MD  
Oklahoma City, OK

Michael C. Tigani, MD  
McLean, VA

Ann Acers-Warn, MD  
Lawton, OK

Russell A. Young, Esq.  
Burlington, VT

## Committees

Daniel M. Berinstein, MD  
Washington, DC

Jeremiah Brown Jr, MS, MD  
San Antonio, TX

Ho Sun Choi, MD  
San Jose, CA

Robert G. Fante, MD  
Denver, CO

Laura C. Fine, MD  
Boston, MA

Andrew G. Iwach, MD  
San Francisco, CA

Pauline T. Merrill, MD  
Oak Park, IL

Christie L. Morse, MD  
Concord, NH

Christopher J. Rapuano, MD  
Philadelphia, PA

Gaurav K. Shah, MD  
St. Louis, MO

Michelle S. Ying, MD  
Ladson, SC

## Executive Staff

Timothy J. Padovese  
President & CEO

Ryan M. Bucsi  
Manager, Claims

Ray E. Fontenot  
Vice President, Underwriting

Linda D. Harrison, PhD  
Director, Risk Management

Betsy Kelley  
Vice President, Product Management

Ricci A. Rascoe  
Vice President & CFO

Robert J. Widi  
Vice President, Marketing & Sales

Beth M. Wilson  
Director, Human Resources

Kimberly K. Wynkoop, Esq.  
General Counsel

## Advisors

Ballantyne, McKean & Sullivan, Ltd. (BMS Group)  
Reinsurance Broker

Moss Adams LLP  
Independent Auditor

Prime Advisors, Inc.  
Investment Manager

Primmer Piper Eggleston & Cramer PC  
Vermont Counsel

Willis Towers Watson  
Actuary

## Report

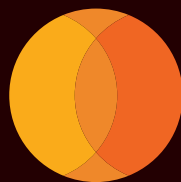
Robert Widi  
Design and Editorial

Benjamin Krantz  
Photography

© 2018 Ophthalmic Mutual Insurance Company (A Risk Retention Group)



Sponsored by  
**AMERICAN ACADEMY™  
OF OPHTHALMOLOGY**  
Protecting Sight. Empowering Lives.



There is only one.

Multispecialty companies just don't know eyes like we do. Every day we are committed to one goal - protecting the practice of ophthalmology.

**OPHTHALMIC MUTUAL  
INSURANCE COMPANY**