



BEST'S COMPANY REPORT

OPHTHALMIC MUTUAL INSURANCE COMPANY

A Risk Retention Group

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AMB #: 010844

NAIC #: 44105

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Best's Credit Rating Effective Date
April 17, 2025

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Information
[Best's Credit Rating Methodology](#)
[Guide to Best's Credit Ratings](#)
[Market Segment Outlooks](#)

Financial Data Presented
The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Ophthalmic Mutual Insurance Company (A Risk Retention Group)

AMB #: 010844 | **NAIC #:** 44105 | **FEIN #:** 94-3047990

Best's Credit Ratings

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

a
Excellent
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Rationale

Balance Sheet Strength: **Strongest**

- Strongest level of risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR).
- Long-term history of organic surplus growth despite substantial policyholder dividends, which are a function of the RRG business model and commitment to its members.
- Conservative investment portfolio that primarily consists of high-quality fixed-income securities.

Operating Performance: **Adequate**

- Underwriting performance, prior to policyholder dividends, has been adequate and in line with the medical professional liability (MPL) composite average.
- Investment performance has generated consistent income and moderate capital gains.
- Positive net income in each of the most recent five years.

Business Profile: **Neutral**

- Ophthalmic Mutual Insurance Company (a Risk Retention Group) (OMIC) is a Vermont-domiciled risk retention group that specializes in providing MPL insurance to ophthalmologists.
- The company maintains a dominant position in the US ophthalmic MPL market.
- Although concentrated in terms of specialty, the book of business is well diversified across the US.
- Long-tenured management team with significant depth of experience.

Enterprise Risk Management: **Appropriate**

- Risk management framework and capabilities are appropriate for the company's risk profile.
- Risks are identified in core areas: underwriting, claims, finance, and technology.
- Significant involvement by the board of directors.
- Disaster recovery plans are in place.

Outlook

- The stable outlooks reflect the expectation that OMIC will maintain its overall balance sheet strength assessment supported by risk-adjusted capitalization at the strongest level, including a stabilization in prior year reserves, while ongoing strategic initiatives implemented by management will maintain stable operating performance metrics that are in line with the company's adequate-assessed MPL peers.

Rating Drivers

- Negative rating movement may occur following further adverse reserve development on prior years, leading to a decline in the balance sheet strength assessment.
- Negative rating action may also occur if operating performance trends deteriorate and start to compare unfavorably to the industry and/or its medical professional liability peers.
- While unlikely in the near term, positive rating action may occur through a sustained period of producing operating results that outperform peers in the medical professional liability composite.

Credit Analysis

Balance Sheet Strength

OMIC's balance sheet strength primarily reflects its risk-adjusted capitalization at the strongest level, quality of invested assets, sound liquidity, and adequate reserving practices.

Balance Sheet Strength (Continued...)**Capitalization**

Risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is at the strongest level. The capital position is of the highest quality, composed entirely of retained earnings. Underwriting leverage was fairly stable over the prior five-year period and remains below those of the MPL composite. Surplus increased 4.5% in 2024 and 16.1% over the most recent five-year period through profitable results and generally favorable changes in unrealized gains/(losses).

The company paid annual policyholder dividends in each of the prior five years, which have averaged approximately 7% of net premiums earned. In addition to dividends, OMIC issued partial returns of contributed surplus to policyholders that have left due to death, disability or retirement. The company advises the Vermont Department of Financial Regulation each year that a partial surplus return is anticipated. As of December 31, 2024, all remaining contributed surplus was fully returned to eligible former policyholders.

OMIC maintains sound balance sheet liquidity as non-affiliated invested assets exceed overall liabilities. In addition, the current, quick and overall liquidity ratios compare favorably to the peer group composite. Furthermore, 72% of invested assets were in highly liquid bonds, short-term investments and cash as of December 31, 2024. Operating cash flow has been positive in each of the most recent five years.

Asset Liability Management - Investments

Invested assets of \$389.8 million at year end 2024 consist of fixed income, equities, cash & short-term investments and other investments. The bond portfolio is primarily corporate (47.7%), municipals/US Govt Agency securities (42.2%) and US Treasuries (10%). The municipal portfolio is well diversified across multiple states. Mortgage-backed securities of \$53.6 million account for about 20% of surplus. Overall, credit quality is very high with ~99% of bonds in NAIC class 1 or 2. Equities consist of US large cap, mid cap and small cap ETFs as well as an international fund. OMIC recently completed deploying some of its excess capital by reinvesting a portion of its maturing bonds and coupon payments into equities, within guidelines. As of year-end 2024, equities were 41.3% of surplus. The company's target allocation for equities is 42% of surplus, which is roughly in-line with the MPL composite average.

Reserve Adequacy

Reserves are evaluated on an annual basis by an independent actuarial consultant, with quarterly true-ups. As of year end 2024, net reserves of \$97.5 million are carried at the midpoint of the independent actuary's reasonable range of estimates. Reserve development has been mixed with strengthening in seven of the past nine calendar years, through 2024. From an accident year perspective, development has generally been favorable although AY 2018 has seen a 23.1% increase from original estimates and AY 2022 has experienced a 5.8% increase. In 2023 and 2024, OMIC reported a small amount of adverse development. Estimated ultimates were consistent with the independent actuary's prior analysis.

Operating Performance

Premium growth has been strong in recent years driven by the company's expanded market presence and geographic reach. The number of states where it writes over \$1 million in direct premiums increased from 11 at year-end 2018 to 21 by year-end 2024. In addition, OMIC has developed relationships with private equity (PE) organizations that have acquired ophthalmologist groups in recent years. Premium collected from PE groups in 2024 was nearly 18.5% of the book.

Underwriting performance over the most recent five-year period has been adequate. OMIC's five-year average combined ratio before policyholder dividends is close in-line with the MPL composite average. The company's loss ratio compares favorably while the underwriting expense ratio lags. The elevated expense ratio reflects higher costs associated with writing business across the US and the lower premiums charged for ophthalmologists compared to other physicians and surgeons. Policyholder dividends have been consistently paid on an annual basis, averaging 7 points on the combined ratio.

Investment performance has been solid and is the primary source of pretax earnings over the period. OMIC has consistently generated \$8.4 - 10.9 million of income in each of the most recent five years. Cumulative investment income of \$46 million has more than offset \$29.8 million of cumulative post-dividend underwriting losses. In 2024, OMIC reported \$10.9 million of net investment income, the highest of the period. Yield and total return on invested assets are roughly in-line with the composite average. Realized capital gains have typically been modest, although gains of \$1 million were reported in 2024. Unrealized gains and losses have fluctuated alongside market conditions, but have typically been favorable with 2022 being the exception. In 2024, investment market conditions were favorable with a +\$6 million change in unrealized gains and losses reported.

Pretax earnings have been generated in four of the most recent five years. The exception is 2020 due to the magnitude of underwriting loss exceeding investment and other income, resulting in a pretax loss of \$1.4 million. Cumulatively, OMIC generated

Operating Performance (Continued...)

\$23.6 million of pretax earnings over the five year period. Net income has been consistently positive, with the 2020 pretax loss being more than offset by realized gains. In 2024, the company reported solid results with pretax earnings of \$5.3 million and net income of \$5.2 million. AM Best's expectations are for similar results in 2025.

Business Profile

OMIC specializes in underwriting professional liability insurance for ophthalmologists throughout the United States. Its mission is to protect American Academy of Ophthalmology (AAO) members, eye care entities, and patients by providing comprehensive, affordable liability insurance and best-in-class risk management and claims defense services. OMIC's vision is to remain the sole long-term market leader by continuously anticipating the needs of eye care professionals and providing them with unique and innovative solutions. The company is licensed in Vermont and operates in other states under the authority of the Liability Risk Retention Act of 1986.

Coverage is marketed to individual practitioners, group practices, and networks. OMIC offers coverage to ophthalmologists, employed optometrists and nurse anesthetists, and professional entities, including eye banks and surgery centers. The vast majority of business is produced on a direct basis.

All policies are issued on non-assessable, claims-made forms. Typical limits are \$1 million per claim and \$3 million in the aggregate; however, limits up to \$5 million per claim and \$10 million in the aggregate are offered. The company also provides tail coverage to qualified insureds upon death, disability, or retirement. Other insureds may purchase extended reporting period coverage is also offered to insureds upon termination.

The professional liability policy includes \$25,000 in defense coverage for disciplinary proceedings. There are an additional sixteen benefits covered under a single \$100,000 limit, which is 100% reinsured. Reimbursement coverage is provided for seven regulatory proceedings under the Broad Regulatory Protection (BRPR) provision. BRP covers billing errors investigations and violations of the HIPAA privacy and security regulations as well as EMTALA, DEA, STARK Act, covered licensure, and peer review actions. The benefit provides nine cyber liability coverages that address multimedia liability; security and privacy liability and breach response costs; security and privacy regulatory defense and penalties; network asset protection; cyber extortion; non-compliance with PCISS; and cyber terrorism.

OMIC is operated by a staff of insurance professionals at its main administrative offices in San Francisco, California, headed by the president and chief executive officer, Bill Fleming. A small home office in Burlington, Vermont, is maintained through Strategic Risk Solutions.

Enterprise Risk Management

OMIC has implemented an enterprise risk management (ERM) identification process with emphasis on the core areas of its operations. The impact of the identified risks is evaluated by the board of directors. The risk management framework includes interaction between committees, operational departments, and the company's centralized decision makers. Excess capital is available to provide for increased capacity in the future and/or when a hard market develops, exhibiting attention to cycle management. Management is very seasoned and has been consistent at OMIC for over 10 years. Disaster recovery plans are in place and data is backed up at an off-site location.

Examples of critical identified risks include a single \$15 million loss, stock/bond market crash, ransomware and loss of business to private equity groups. OMIC has developed mitigation plans to address each one of these key risk factors, accordingly.

Reinsurance Summary

OMIC maintains excess of loss reinsurance that provides coverage for losses up to \$5 million per occurrence subject to a retention of \$1 million. A clash cover provides additional protection of \$5 million in excess of \$5 million. The company also maintains an Awards Made cover (95% placed) which provides coverage up to \$5 million per occurrence and includes protection for prior years. The first layer of \$4 million in excess of \$1 million is flat rated. The principal reinsurance providers are Lloyd's of London syndicates, TransRe, and Hannover Re.

Environmental, Social & Governance

AM Best views the main ESG risks to OMIC to be governance and social inflation. Governance includes all decision-making matters, such as policy setting, underwriting, reserving, risk mitigation, claims management, setting corporate strategy, and hiring practices, as

Enterprise Risk Management (Continued...)

well as establishing risk tolerances and risk appetites that are appropriate for the company and its stakeholders. Assessment of good corporate governance depends on how well management and the board at OMIC execute on these matters. At this point, governance at OMIC has been appropriate.

Social inflation in the US, as defined by AM Best, is the rise in current or future claims caused by higher court awards and legislated increases in claims payments driven by societal behavior, including changes in demographics, litigation financing, a perceived decay in the public trust of corporations, and changes in tort reform. As a medical professional liability insurer, social inflation could present some challenges in the future.

OMIC's exposure to material environmental risks is considered to be low.

Financial Statements

	Year End - December 31			
	2024		2023	
Balance Sheet	USD (000)	%	USD (000)	%
Cash and Short Term Investments	25,146	6.1	28,891	7.5
Bonds	257,619	62.6	262,792	67.8
Preferred and Common Stock	107,036	26.0	79,013	20.4
Total Cash and Invested Assets	389,800	94.7	370,696	95.7
Premium Balances	17,860	4.3	14,049	3.6
Other Assets	4,048	1.0	2,648	0.7
Total Assets	411,709	100.0	387,393	100.0
Loss and Loss Adjustment Expense Reserves:				
Net Reported Loss Reserves	25,962	6.3	21,368	5.5
Net IBNR Loss Reserves	38,356	9.3	34,009	8.8
Net LAE Reserves	33,152	8.1	33,747	8.7
Total Net Loss and LAE Reserves	97,470	23.7	89,124	23.0
Net Unearned Premiums	37,400	9.1	34,515	8.9
Other Liabilities	17,905	4.3	16,042	4.1
Total Liabilities	152,775	37.1	139,681	36.1
Paid-In and Contributed Surplus	23	...
Unassigned Surplus	258,934	62.9	247,688	63.9
Total Policyholders' Surplus	258,934	62.9	247,712	63.9
Total Liabilities and Surplus	411,709	100.0	387,393	100.0

Source: BestLink® - Best's Financial Suite

Last Update

April 17, 2025

Identifiers**AMB #:** 010844**NAIC #:** 44105**FEIN #:** 94-3047990**Contact Information**Administrative Office:655 Beach Street, San Francisco,
California 94109-1336
United StatesDomiciliary Address:159 Bank Street Fourth Floor,
Burlington, Vermont 05401
United States**Web:** www.omic.com**Phone:** +1-800-562-6642**Fax:** +1-415-771-7087**Financial Data Presented**

The financial data in this report reflects the most current data available at the time the report was printed.

Filing Date History

February 27, 2025 (March Annual)
November 12, 2024 (9-Month)
August 14, 2024 (6-Month)
May 15, 2024 (3-Month)
May 07, 2024 (April Annual)

Ophthalmic Mutual Insurance Company (A Risk Retention Group)

Operations

Date Incorporated: August 27, 1987 | **Date Commenced:** September 30, 1987**Domiciled:** Vermont, United States

Licensed: (Current since 11/15/2001). 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. The company is licensed in Vermont.

Business Type: Property/Casualty**Organization Type:** Mutual - RRG (Risk Retention Group)**Marketing Type:** Direct Response**Best's Financial Size Category:** IX (USD 250 Million to Less than 500 Million)

Best's Credit Ratings

Rating Relationship**AM Best Rating Unit:** 010844 - Ophthalmic Mutual Insurance Co (A RRG)**Best's Credit Rating Effective Date:** April 17, 2025

Refer to the [Best's Credit Report for AMB# 010844 - Ophthalmic Mutual Insurance Company \(A Risk Retention Group\)](#) for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

Best's Credit Rating History

AM Best has assigned ratings on this company since 1994. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Best's Credit Rating History (Continued...)

Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Outlook	Action	Rating	Outlook	Action
Current -						
Apr 17, 2025	A	Stable	Affirmed	a	Stable	Affirmed
Apr 19, 2024	A	Stable	Affirmed	a	Stable	Affirmed
Apr 21, 2023	A	Stable	Affirmed	a	Stable	Affirmed
Apr 13, 2022	A	Stable	Affirmed	a	Stable	Affirmed
May 5, 2021	A	Stable	Affirmed	a	Stable	Downgraded

Management

OMIC is operated by a staff of insurance professionals at its main administrative offices in San Francisco, California, headed by President and Chief Executive Officer, William A. Fleming. A small home office in Burlington, Vermont, is maintained through SRS Insurance Services. Since April 1993, all underwriting and claims activities have been performed in-house.

Officers

Chair: Robert S. Gold, M.D.

Vice Chair: Michael C. Tigani, M.D.

President, CEO: Bill Fleming

CFO, Vice President: Les Scacalosi

Chief Information Officer, Chief Investment Officer, Vice President: Ricci Rascoe

Vice President: Ray E. Fontenot

Vice President: Linda D. Harrison, PhD

Vice President: Mary E. Kelley

Vice President: Ryan M. Bucsi

Vice President: Neil E. Simons

Vice President: Robert J. Widi

General Counsel, Vice President: Kimberly K. Wynkoop

Secretary: Steven I. Rosenfeld, M.D.

Treasurer: Ronald W. Pelton, M.D., PhD

Directors

Russell A. Young, Esq.

Daniel M. Berinstein, M.D.

Jeremiah Brown, Jr, M.D.

Robert G. Fante, M.D.

Laura C. Fine, M.D.

Andrew G. Iwach, M.D.

Robert S. Gold, M.D.

Pauline T. Merrill, M.D.

Christie L. Morse, M.D.

Ronald W. Pelton, M.D.

Christopher J. Rapuano, M.D.

Steven I. Rosenfeld, M.D.

Gaurav K. Shah, M.D.

Gregory L. Skuta, M.D.

Michael C. Tigani, M.D.

History

OMIC 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. Prior to November 1, 1992, each policyholder upon acceptance by OMIC 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 annual mature claims-made premium. Beginning in 1994, the company has returned contributions based on its operating performance and financial condition. At December 31, 2023, Paid-in Surplus of approximately \$23,000 remains and is refundable at the discretion of the company.

Professional Service Providers

Investment Managers, Advisors, Brokers/Dealers:

- Kayne Anderson Rudnick Investment Management, LLC (Unaffiliated Firm)
- Sun Life Capital Management (U S) LLC (Unaffiliated Firm)

Principal Law Firm: Primmer Piper Egglestone & Cramer

Visit [Best's Insurance Professional Resources](#) to search for additional Attorneys, Adjusters, and Expert Service Providers with experience serving the insurance industry.

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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