



ANNUAL REPORT 2014





Robert A. Menotti, M.D.,
President of MLMIC

2014 PRESIDENT'S REPORT

As we approach our 40th anniversary, I wanted to recount some of the major events that helped shape your Company. In 1975, a dramatic increase in claim costs drove all of the carriers writing medical liability insurance in New York out of the market. Faced with the prospect of no insurance protection, the physicians in New York, organized by the Medical Society of the State of New York, joined together to form a mutual insurer, Medical Liability Mutual Insurance Company (MLMIC).

The goal of the Company was simple: to provide the highest quality insurance at the lowest possible cost consistent with long term viability. This mission was then extended into everything the Company did: how it priced its product (at-cost, by specialty and territory, with minimal expense, declare dividends when appropriate); how it helped insureds avoid loss (with effective risk management programs that provided CME credit, a premium discount, and eligibility for free excess insurance funded by New York); and how it defended insureds against claims (vigorous defense of the standard of care, support tort reform). With this mission, the Company quickly became the leading medical liability insurer in New York.

In the ensuing years, MLMIC endured many challenges, including substantial increases in claim costs that threatened the solvency of the Company, changes in the healthcare delivery system that caused consolidation and confusion, and numerous legislative initiatives that would have adversely impacted the Company and/or its policyholder owners. Through it all, the Company focused on its mission, putting the interests of its policyholder owners first. This mission also appealed to New York hospitals, dentists, and mid-level practitioners, which the Company embraced and added to the fold. In 2001, we merged with Healthcare Underwriters Mutual Insurance Company, a New York hospital insurer with a similar mission and culture, which enhanced our capabilities.

Today, MLMIC is the leading medical and dental liability insurer in New York. We insure approximately 15,000 physicians, 5,000 mid-level and allied health practitioners, 4,000 dentists and 40 hospitals, and have about a 33% market share statewide. MLMIC proudly remains a mutual insurer, owned by our policyholders. Our mission is still to provide the highest quality liability insurance at the lowest possible cost consistent with long term viability. Our talented staff of 400 professionals work tirelessly to provide exceptional service, resulting in extremely satisfied policyholders. We have paid more than \$300 million in policyholder dividends, and continue to support tort reform with our partners.

At 40, we are proud of our past, the lessons we have learned, and the mission we maintained to sustain us. There undoubtedly will be new challenges and opportunities ahead, and we will face them with the same relentless focus - doing what's in the best interests of our policyholder owners.

Thank you for giving us the opportunity to serve you. We look forward to another successful year in 2015.

Sincerely,

A handwritten signature in black ink that reads "Robert A. Menotti, MD". The signature is written in a cursive, professional style.

Robert A. Menotti, MD
President
February 25, 2015

MEDICAL LIABILITY MUTUAL INSURANCE COMPANY



(Statutory basis, dollars in millions)	2014	2013
ADMITTED ASSETS, LIABILITIES, AND POLICYHOLDERS' SURPLUS		
Bonds and fixed maturity securities	\$ 4,862	\$ 4,785
Common stocks	515	441
Cash, short-term, and other invested assets	151	158
Cash and invested assets	5,528	5,384
Premiums receivable and other assets	353	394
Total admitted assets	<u>\$ 5,881</u>	<u>\$ 5,778</u>
Loss and loss adjustment expenses unpaid	\$ 3,465	\$ 3,620
Unearned premiums	268	293
Other liabilities and accrued expenses	364	326
Total liabilities	4,097	4,239
Policyholders' surplus	1,784	1,539
Total liabilities and policyholders' surplus	<u>\$ 5,881</u>	<u>\$ 5,778</u>
SUMMARY OF OPERATIONS AND CHANGES IN POLICYHOLDERS' SURPLUS		
Earned premiums	\$ 515	\$ 541
Loss and loss adjustment expenses incurred	404	505
Other underwriting expenses	45	46
Net underwriting gain (loss)	<u>\$ 66</u>	<u>\$ (10)</u>
Investment income (net of expenses)	\$ 129	\$ 111
Net realized capital gains (losses)	150	88
Net investment gains	<u>\$ 279</u>	<u>\$ 199</u>
Net income	\$ 264	\$ 172
Change in net unrealized gains (losses)	(13)	31
Other surplus changes	(6)	65
Net increase in policyholders' surplus	<u>\$ 245</u>	<u>\$ 268</u>
PERFORMANCE RATIOS (BASED ON EARNED PREMIUMS)		
Loss and loss adjustment expense	78.4%	93.3%
Other underwriting expense	8.7%	8.5%
Combined ratio	87.1%	101.8%

Summarized from the 2014 Statutory Annual Statement as filed with the New York State Department of Financial Services.

BOARD OF DIRECTORS



MLMIC is governed by a board of directors, which is comprised of up to 39 professionals. All but four directors must be members of MLMIC, and no more than half of the directors may be officers of MLMIC. An Executive Committee of the Board has been established to act in lieu of the full Board, to the extent permitted by law, when the full Board is not in session. The Board has established several committees, including a Finance Committee, an Underwriting Committee, a Claims Committee,

and an Audit Committee to oversee those aspects of MLMIC's business. The Board of Directors, pursuant to the by-laws of MLMIC, is divided into three classes of 13 directors each*. One class of directors is elected each year to a three-year term.

*In addition, Mary Ann Bishara, M.D., Irwin J. Cohen, M.D., and Theodore C. Max, M.D., serve as Directors Emeriti.

The present Board of Directors is composed of the following persons:

CLASS I (To serve until May 2017)

NAME	DIRECTOR SINCE	SPECIALITY/AFFILIATION
John V. Capotorto, M.D.	2008	Endocrinology
William A. Dolan, M.D.	1996	Orthopaedic Surgery
Mark J. Feldman, D.M.D. ⁽¹⁾	1992	Dentistry; Executive Director, NYSDA
Timothy F. Gabryel, M.D.	2009	Internal Medicine
Samuel M. Gelfand, M.D.	1981	Surgery
Kira Geraci-Ciardullo, M.D.	2005	Allergy, Pediatrics
Stanley L. Grossman, M.D. ⁽¹⁾	1984	Surgery; Past President, MLMIC
Samuel H. Madell, M.D.	1996	Radiology
Leah S. McCormack, M.D.	2014	Dermatology; Member Board of Trustees of MSSNY
Robert A. Menotti, M.D. ⁽¹⁾	1989	Surgery; President, MLMIC
Scott H. Perra	2012	CEO, Faxton St.Luke's Healthcare
James K. Reed, M.D. ⁽¹⁾	2005	President, St. Peter's Health Partners; Treasurer, MLMIC
Malcolm J. Rothbard, M.D.	2011	Obstetrics and Gynecology

(1) Member of the Executive Committee

BOARD OF DIRECTORS (CONTINUED)

CLASS II (To serve until May 2015)

NAME	DIRECTOR SINCE	SPECIALITY/AFFILIATION
Anthony A. Ascioti, M.D.	1993	Anesthesiology
Charles N. Aswad, M.D.	1976	Emergency Medicine
Ann M. Barbaccia, M.D. ⁽¹⁾	2000	Obstetrics and Gynecology
David W. Felton ⁽¹⁾	1982	President, Crouse Community Nursing Home
John A. Fracchia, M.D.	1991	Urology
Alvin Katz, M.D.	1988	Otolaryngology
Margaret Lewin, M.D.	2009	Internal Medicine
Joseph R. Maldonado, Jr., M.D.	2006	Urology
Joseph A. Mannino, M.D.	2014	Orthopaedic Surgery
Paul J. Okosky, M.D.	1995	Family Practice
Kenneth D. Roberts ⁽¹⁾	1987	President, John T. Mather Memorial Hospital
Salvatore S. Volpe, M.D.	1997	Pediatrics, Internal Medicine
Murray A. Yost, Jr., M.D.	2004	Obstetrics and Gynecology

CLASS III (To serve until May 2016)

NAME	DIRECTOR SINCE	SPECIALITY/AFFILIATION
Margaret R. Albanese, M.D.	2013	Orthopaedic Surgery
Beth Cady Burghardt, M.D.	2008	Otolaryngology
Duane M. Cady, M.D. ⁽¹⁾	1989	Surgery
Nameer R. Haider M.D.	2014	Physical Medicine and Rehabilitation
Richard L. Hehir, M.D.	2009	Internal Medicine
Richard H.S. Karpinski, M.D.	1992	Plastic Surgery
Edward D. Lewis, M.D.	2009	Pediatrics
John W. Lombardo, M.D. ⁽¹⁾	2004	Ophthalmology
Andrew J. Merritt, M.D.	2007	Family Practice
Richard M. Peer, M.D. ⁽¹⁾	1998	Surgery; Secretary, MLMIC
David Sibulkin, M.D. ⁽¹⁾	1985	Dermatology
Frederick W. Wetzel, D.D.S.	1998	Dentistry
Betsy Wright	2007	President and CEO, WCA Hospital

(1) Member of the Executive Committee