

A Year in Service



THE 2016 ANNUAL REPORT

Letter from the Chair

This is a challenging time for our healthcare system, particularly for doctors. Productivity pressures, reduced reimbursement, and increasingly onerous administrative and regulatory burdens are making life more difficult for physicians. Every day we strive to serve you and to help you successfully navigate through these challenging times. As your liability insurer, we understand the emotional toll that comes with being accused of medical malpractice. When this happens, we are committed to providing you absolutely the best support. This support comes both from our panel of expert defense attorneys who help defend your reputation and protect your assets and from our in-house claims staff who are available to answer your questions and address your concerns at any time. If you have had the misfortune of having had a lawsuit filed against you, then you understand the value of having SVMIC on your side. We appreciate the opportunity to serve you in this way.

While claim defense is always our primary focus, SVMIC serves our policyholders in many other ways. Our consulting group helps doctors with concerns about HIPAA requirements, dealing with electronic medical record systems, and other business issues you face daily. Our risk education and evaluation groups work tirelessly to develop relevant content for our seminars and to conduct evaluations that help you reduce risks in your practices. Our underwriting team is committed to answering your service needs personally and professionally while exceeding your expectations. Behind the scenes, many other support and infrastructure teams at SVMIC serve each day to keep the company strong and modern.

As we discuss service, I want to thank the many doctors who contribute to SVMIC's governance. Whether serving on our board or one of SVMIC's committees, these doctors provide invaluable guidance that drives SVMIC's activities and strategies focused on the current and future needs

of doctors. In particular, I would like to thank members of our recent Fellows class. These thirteen doctors are now integrated into our committees and are providing excellent new perspective to our team. Physician governance ensures that SVMIC keeps your interest at heart.

SVMIC values your feedback. You have told us clearly that you desire more online educational opportunities. Over the last year we have been working diligently to address this need. In January of this year we introduced greatly expanded online offerings, including opportunities for continuing education and easier access to the resources you need. We enjoy seeing you at our live seminars, but we hope that this offering will improve your experience when attending a live seminar is not possible.

Two thousand sixteen was another excellent year for SVMIC. We celebrated our fortieth anniversary, launched our new branding, completely revamped our website, and paid seven million dollars in policyholder dividends. We also updated our mission, vision and values statements to clarify our focus on providing the absolute best service to you, our policyholders. From a financial perspective, we are stronger than ever, and we stand ready to meet our commitments to you. We thank you for placing your trust in SVMIC, and we look forward to serving you in the future.



Hugh Francis, III, MD
Chair of the Board

Our Mission

We support, protect and advocate for physicians and other healthcare providers.

Our Vision

Be the premier provider of medical professional liability insurance, education and support in the markets we serve.

Our Values



INTEGRITY

Do the right thing, always.



RESPONSIVENESS

Act promptly and decisively, anchored by deep knowledge and careful listening.



COLLABORATION

Work enthusiastically with others and be open to different perspectives.



SERVICE

Commit to helping policyholders, team members and community.



INNOVATION

Continually seek better solutions while anticipating future needs.



STEWARDSHIP

Take good care of the resources entrusted to us.

Spotlight on Service



**Carolyn
Thompson**
MD

Carolyn C. Thompson, MD, is an OBGYN practicing in Nashville, Tennessee. She described how the SVMIC claims staff came to her defense.

“Since starting my career in Nashville 20 years ago, I have fortunately – or unfortunately – been defended by SVMIC on two occasions. While it is unfortunate that I have been involved in two lawsuits, I consider myself quite fortunate to have had SVMIC in my corner on both occasions. My experience with SVMIC has never been anything but positive; I have found the claims staff to be knowledgeable and encouraging – qualities important to someone who has just been confronted with a crisis,” said Thompson.

Thompson credited SVMIC with working seamlessly with her defense attorney to prepare her for her suits. “The claims staff, of course, set me up with my attorney in both cases. In my most recent case, there were other parties to the suit, and the claims staff helped keep my attorney and me apprised of the various ‘pieces of the puzzle’ as we navigated our way through the suit. This was particularly important as we approached the culmination of the suit, as SVMIC served as the go-between amongst the several parties. We were able to reach a favorable outcome in large part due to negotiations on the part of SVMIC with the plaintiff’s attorney and the attorney for the other defendants,” she said. Thompson noted she continues to be impressed with the availability and knowledge of the claims staff. “SVMIC service means having a culture in which the needs and best interests of the physicians are foremost.”



**Courtney
Woodmansee**
MD

Dr. Courtney Woodmansee is a dermatologist with Memphis Dermatology Clinic in Memphis, Tennessee. SVMIC’s Medical Practice Services division was able to provide support and guidance as the practice’s ownership changed hands.

“SVMIC has been instrumental in educating us on the business side of medicine.”

“Our clinic was at a point of transition when we asked SVMIC to assist us,” explained Woodmansee. “The younger physicians were buying in to the practice, and as employees we had very little knowledge of the business side. SVMIC performed a financial analysis, facilitated a strategic planning meeting, developed a pro forma and was instrumental in hiring our new Executive Director.”



**Fred
Drews**
CEO

Fred Drews is CEO of Mid-Tennessee Bone & Joint Clinic in Columbia, Tennessee. SVMIC’s Medical Practice Services division has conducted assessments and staff training and has provided ongoing support for them for almost 20 years.

"We have time and again called on SVMIC's Medical Practice Services for timely, expert consultation or guidance on topics such as governance, strategy and planning, mergers, staff training, compliance and various legal or operational issues," Drews attests. "The impact has been better decisions, better operations, less risk and greater returns."

Drews illustrates how SVMIC is able to personalize services for his group. "While I'm sure some of the service they've brought to our clinic is duplicated in other settings with other clients, it is always delivered in a customized way. They focus on meeting our needs. Other times our question requires a unique response. In addition, if our situation has gone beyond their in-house resources, they have referred us to subject matter experts that provided what we were looking for. The most outstanding example to me, as CEO, is SVMIC's annual participation in our Planning Day, an all-day affair covering a broad array of strategic and operational matters. They have provided the sound, objective, and knowledgeable point of view consistently over many, many years."



Jim Howell
Senior Vice President

Jim Howell is Senior Vice President and has been with SVMIC since 1980. Howell shared insights on how a mutually owned company has the policyholder's best interest at heart when defending claims.

"Service to our policyholder owners has always been the core of our business," said Howell. "Physicians formed

SVMIC as a mutually owned, permanent and stable source of professional liability insurance, not subject to the whims of the commercial insurance market. Our employees understand and appreciate that history, which guides our efforts to protect and support policyholders in their provision of health care to their patients."

Howell added observations on how service is handled from the Claims perspective. "Policyholder service in the Claims department, where I've spent my career, has remained essentially unchanged over the years, which is a good thing. Our primary role is to protect our insureds against medical malpractice claims and suits. SVMIC's philosophy of promptly and fairly resolving cases of liability but aggressively defending good medical care has been consistent from day one. However, the scope of the company's services to policyholders in other areas, such as Risk Education and Medical Practice Services, has greatly expanded over time in response to the increasing challenges our policyholders face in a rapidly evolving health care environment. In recent times, it seems that businesses have often evolved to value short-term profits over the long-term interests of customers and employees. It has been very gratifying to work for a company like SVMIC, whose Board of Directors has maintained the company's focus on supporting physicians and their practices over the long haul."



Lissa Baldwin
Finance Manager

As the Finance Manager of Blount Memorial Physicians Group in Alcoa, Tennessee, Lissa Baldwin has worked with SVMIC for more than 20 years.

Spotlight on Service

"For me, SVMIC service means I have a resource regardless of my question," Baldwin said. "It means having an actual person, not an automated voice, who can, without exception, provide the information I need. Though I know one should use absolutes with caution, I can firmly say that I always get what I need from SVMIC, including professionalism and a kind voice. I speak to the Underwriting department so often I feel they should be on my Christmas card list. I appreciate the personal visit to deliver our renewal each year and the opportunity to simply chat about children, grandchildren and each others' lives. I think the bottom line is that SVMIC invests in and cares about their policyholders."



Roland Gray
MD

Dr. Roland Gray is the retiring Medical Director of the Tennessee Medical Foundation. He has worked in a service-oriented role alongside SVMIC for 20 years. In 1997, he began traveling and working with SVMIC's Risk Education seminars in Tennessee, educating attendees on the importance of their own health.

"I became a policyholder in 1978 when I returned to Tennessee to practice," said Gray. "In the early years, when nobody could get coverage, we all really appreciated the early work SVMIC did. At that time, the leaders in the state realized the importance of having a mutual company rather than a company owned by shareholders and stockholders."

"My experience with SVMIC has allowed me to stay abreast of the changes in medicine and to pass on these

changes and coping mechanisms for other physicians in the state. With SVMIC, I have learned the importance of proper communication and how to deal with the stressors of medicine. SVMIC fills in the gaps - learning empathic listening, proper communication and how many lawsuits result from lack of communication. SVMIC has been a partner with me in the workshops I've given and the research and work I've done with more than 2,000 physicians in the state," he said. "It's been a pleasure for me to work with SVMIC," he added, "because we're on the same page - we both want to do what we can to help the physicians with whatever difficulties we're having. They're concerned about the physicians."



Robin Freese
MD

Dr. Robin Feese is a pediatrician with Commonwealth Pediatrics in Lexington, Kentucky. SVMIC's Medical Practice Services division has worked with Commonwealth Pediatrics for the past five years as the practice withstood leadership and organizational realignment.

"SVMIC has been very personally involved in our practice," said Feese. "They provided guidance and support during a difficult leadership transition for our practice. Tom Stearns provided needed leadership and assistance as we transitioned to a system of balanced governance."

By working with SVMIC's Medical Practice Services (MPS) division, Commonwealth Pediatrics was able to reorganize and find balance. "The restructuring of our office significantly reduced the stress involved in the day-to-day

business of running the practice. The renewed energy allowed us to focus more on patient care. The physicians, employees and patients all benefited from reducing the tension that had crept into the practice. Over the years, we had neglected to have active physician leadership running the business,” said Feese.



Shelbie Lewis
Underwriting
Service Specialist

Shelbie Lewis is an Underwriting Service Specialist with SVMIC. She worked as a temporary employee before accepting a full-time position with SVMIC’s Underwriting department in 2013.

“I think SVMIC service means to be friendly, attentive and understanding when communicating with our policyholders.”

“It also means to go above and beyond to meet our policyholders’ requests, even if it’s not the easiest or most convenient task we are being asked to do.” She added how SVMIC stands out in a call-center based world. “Something else that is unique about SVMIC is the fact that when a person calls in, they start with a real person and end with a real person. I have been told many times by policyholders they are very thankful for that.”

Lewis detailed how SVMIC constantly strives to meet policyholders’ needs. “In Underwriting, we are asked to tackle a variety of tasks on a daily basis. Sometimes they

take five minutes, and sometimes they can take weeks to complete. Overall, I think this company excels at trying to adapt to and accommodate as many different situations as possible. One big thing that comes to mind is when we rolled out cyber security coverage. We knew this was something physicians and groups needed, so we added this coverage to their existing policies without increasing the premium. We came together as a company to put together the paperwork and policy documents and to get them out in the mail.”

Lewis displayed confidence regarding the direction SVMIC is moving in. “We currently offer a lot of great, value-added services, and we are always trying to find new ways to help. We have good communication between departments, and we have a great culture, and I believe that is reflected in the services we provide. I think as long as we stick to our values and continue to hire great employees, our customer service will only improve over time.”

Financial Highlights

The financial strength of our company is crucial in allowing us to continue to deliver on our mission and vision. We continue to build an impressive financial position that

directly enables us to serve you, our policyholders. Financial strength provides you with the confidence that we will be here to protect your reputation when you need us.

Condensed Balance Sheets

	2016	2015
Assets		
Cash & Investments	1,165,959,000	1,144,648,000
Premiums Receivable	17,492,000	19,202,000
Accrued Investment Income	8,747,000	9,210,000
Reinsurance Recoverable	6,685,000	6,072,000
Net Deferred Tax Assets	12,032,000	13,781,000
Other Assets	196,000	294,000
Total Assets	\$1,211,111,000	\$1,193,207,000
Liabilities & Policyholders' Surplus		
Loss & Loss Adjustment Expense Reserves	491,500,000	508,000,000
Unearned Premiums	68,154,000	69,207,000
Reinsurance Balances Payable	31,115,000	29,582,000
Accounts Payable and Accrued Expenses	45,806,000	39,963,000
Taxes Payable	521,000	539,000
Dividends Payable	2,649,000	2,670,000
Other Liabilities	4,372,000	5,271,000
Total Liabilities	\$644,117,000	\$655,232,000
Policyholders' Surplus	566,994,000	537,975,000
Total Liabilities & Policyholders' Surplus	\$1,211,111,000	\$1,193,207,000

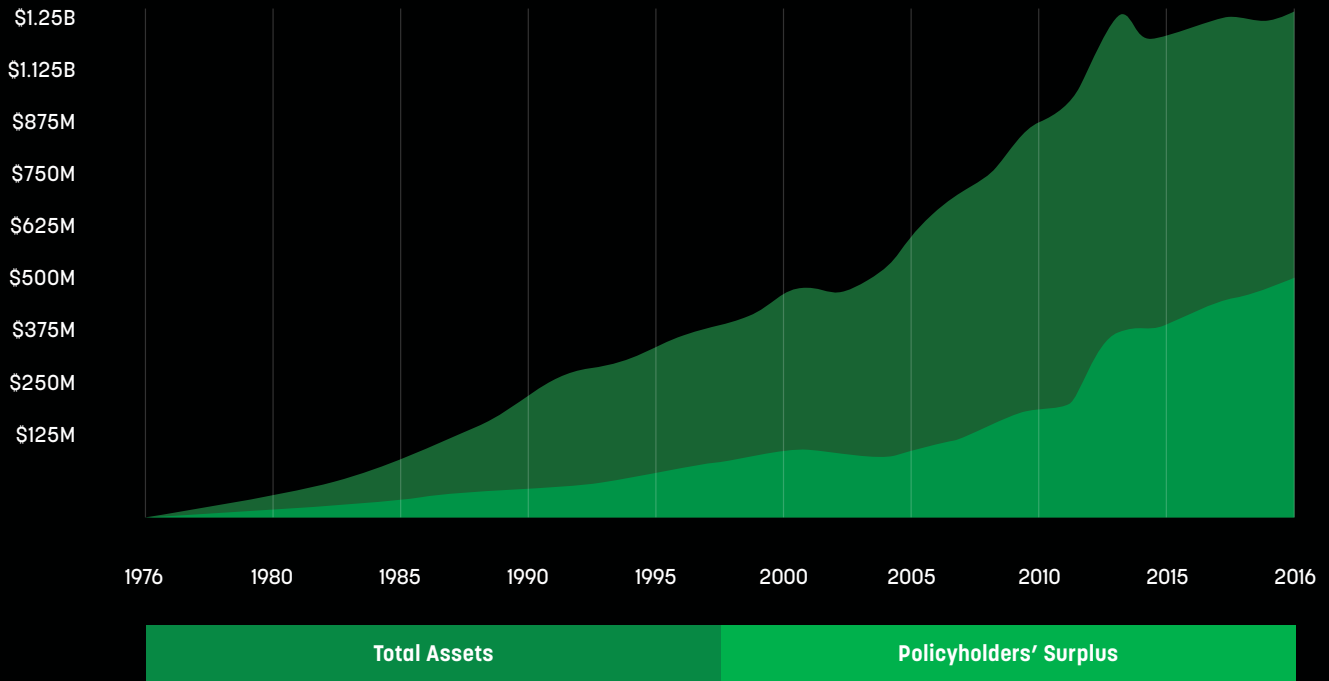
Condensed Statements of Income

	2016	2015
Gross Written Premium	130,355,000	133,966,000
Ceded Premium	(18,507,000)	(20,567,000)
Net Written Premium	111,848,000	113,399,000
Change in Unearned Premium	1,053,000	832,000
Net Earned Premium	112,901,000	114,231,000
Loss & Loss Adjustment Expenses Incurred	89,502,000	90,812,000
Other Underwriting Expenses	21,865,000	22,157,000
Net Underwriting Income	1,534,000	1,262,000
Net Investment Income	29,213,000	31,797,000
Net Realized Capital Gains (Losses) on Investments	1,654,000	1,892,000
Net Investment Gains	30,867,000	33,689,000
Other Income (Expense)	(50,000)	(81,000)
Net Income Before Taxes and Policyholders' Dividends	32,351,000	34,870,000
Policyholders' Dividends & Federal Income Taxes Incurred	(9,986,000)	(9,387,000)
Net Income	\$22,365,000	\$25,483,000

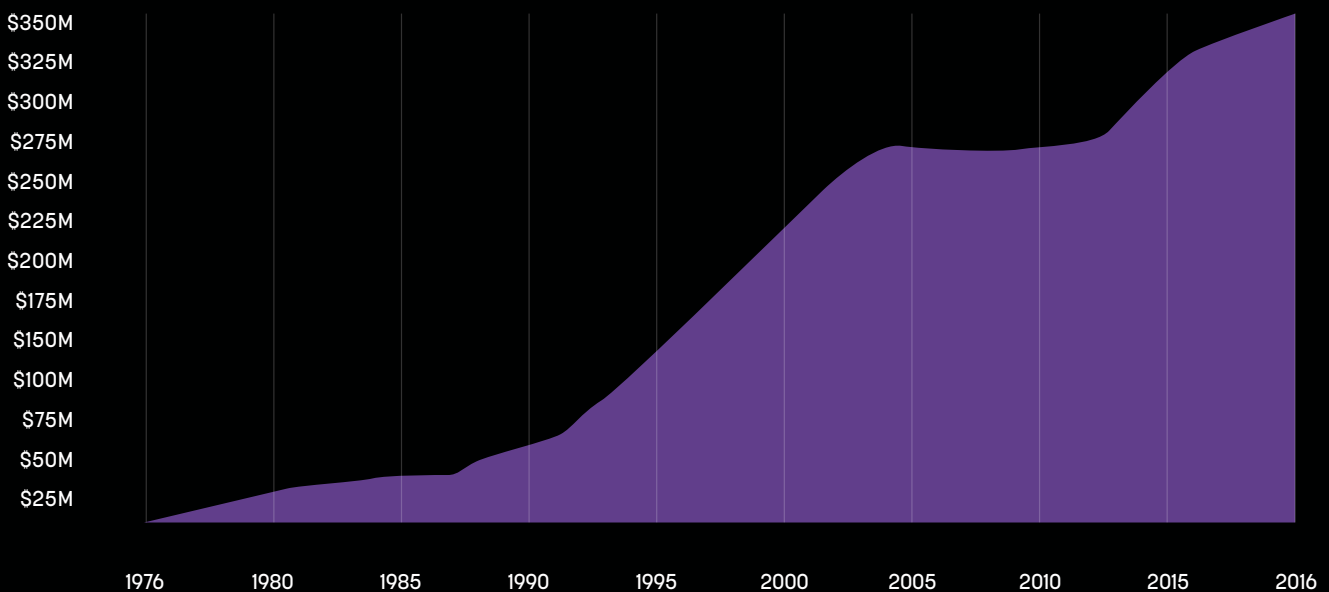
The financial statements have been prepared in conformity with the accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance. The condensed financial information has been derived from the complete statutory-basis financial statements which were audited by Ernst & Young LLP, our independent auditors. A complete set of audited financial statements is available upon request.

Financial Highlights

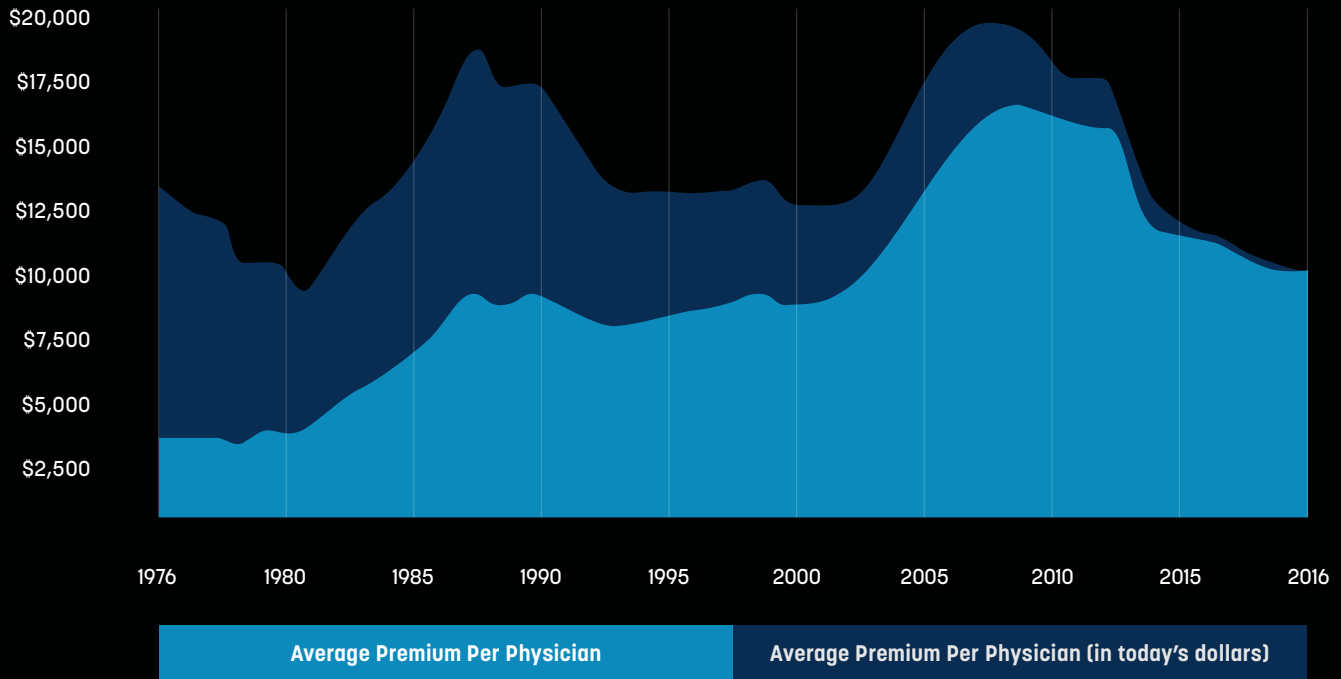
Policyholders' Surplus/ Total Assets



Cumulative Dividends Declared and Return of Capital



Premiums Per Physician



“From a financial perspective, we are stronger than ever. And this financial strength means we are always ready to meet our commitment to you.”

Board of Directors

Hugh Francis, III, MD

Chair of the Board

General and Vascular Surgery
Memphis Surgery Associates
Memphis, Tennessee
Director Since 1997

John O. Lytle, MD

Vice Chair of the Board

Orthopedic Surgery
South Arkansas Orthopaedic Center
Pine Bluff, Arkansas
Director Since 2006

Katrina M. Hood, MD

Secretary of SVMIC

Pediatrics
Pediatric and Adolescent
Associates PSC
Lexington, Kentucky
Director Since 2009

Matthew L. Perkins, MD

Treasurer of SVMIC

Internal Medicine and Pediatrics
Tennessee Medicine and Pediatrics PC
Smyrna, Tennessee
Director Since 2008

Robert J. Berkompas, MD

Internal Medicine

Chief Medical Officer
Alive Hospice
Nashville, Tennessee
Director Since 2010

Chad T. Couch, MD

Urology

Chief Medical Officer
Bristol Regional Medical Center
Bristol, Tennessee
Director Since 2008

Wayne A. Hudec, MD,

General Surgery

Ozark Surgical Associates
Fayetteville, Arkansas
Director Since 2009

William I. Mariencheck, Jr., MD

Pulmonary and Critical Care Medicine

The Jackson Clinic
Jackson, Tennessee
Director Since 2012

Raymond S. Martin, III, MD

General and Vascular Surgery

The Surgical Clinic PLLC
Nashville, Tennessee
Director Since 1994

Michael A. McAdoo, MD

Family Medicine

Milan Medical Center PC
Milan, Tennessee
Director Since 2002

Paul C. McNabb, II, MD

Internal Medicine/Infectious Disease

St. Thomas Midtown Hospital
Nashville, Tennessee
Director Since 1996

Gary E. Meredith, MD

Pediatrics

Pediatric Diagnostic Associates
Chattanooga, Tennessee
Director Since 2000

Russell E. Miller, CAE

Chief Executive Officer

Tennessee Medical Association
Nashville, Tennessee
Director Since 2013

John H. Mize, FCAS, MAAA

President and Chief Executive Officer

SVMIC
Brentwood, Tennessee
Director Since 2013

Elise E. Schriver, MD

Pulmonary and Critical Care Medicine

University Pulmonary
and Critical Care
Knoxville, Tennessee
Director Since 2002

Jane M. Sneed, MD

Pediatrics

The Children's Clinic
Jonesboro, Arkansas
Director Since 2013

Lisa J. Young, MD

Invasive Cardiology

Sutherland Cardiology Clinic
Germantown, Tennessee
Director Since 2013

Officers

Hugh Francis, III, MD
Chair of the Board

John O. Lytle, MD
Vice Chair of the Board

Katrina M. Hood, MD
Secretary

Matthew L. Perkins, MD
Treasurer

John H. Mize, FCAS, MAAA
President and Chief Executive Officer

Michael A. Ricciardelli, CPA
Chief Financial Officer

James W. Howell, JD
Senior Vice President

James E. Smith, CPCU
Senior Vice President

Robert E. Byrd
Vice President, Chief Analytics Officer

Sherie L. Edwards, JD, MBA
Vice President, Corporate and Legal

Raymond M. Meador, Jr., MBA
Vice President, Business Development

Kenneth W. Rucker, JD
Vice President, Claims

D. Mart Sesler
Vice President, Information Systems

Charmy M. Shrode, CIC
Vice President, Underwriting

Thomas H. Stearns, FACMPE
Vice President, Medical Practice Services

Rochelle E. Weatherly, JD
Vice President,
Risk Education and Evaluation Services

Jackie P. Boswell, MBA, FACMPE
Assistant Vice President,
Medical Practice Services

Kathy Cartwright, BSN, RN, CPHQ, LNCC
Assistant Vice President,
Risk Education & Evaluation Services

Susan Decareaux, CPCU, CISR, RPLU
Assistant Vice President,
Underwriting, Pricing and Risk Analysis

Stephen A. Dickens, JD, FACMPE
Assistant Vice President,
Medical Practice Services

Brian Fortenberry
Assistant Vice President, Underwriting

Dan Himmelberg, JD
Assistant Vice President, Claims

Julie Loomis, RN, JD
Assistant Vice President,
Risk Education and Evaluation Services

Andy Meyers
Assistant Vice President,
Information Systems

Judy Musgrove
Assistant Vice President,
Marketing and Communications

Deborah D. Rose, RN, LNC
Assistant Vice President,
Medical Information Services

Judy Vinson, RN, BSN, CPHQ, LNCC
Assistant Vice President,
Risk Education and Evaluation Services

Alisa S. Wamble, JD
Assistant Vice President, Claims

Susan L. Bennett
Director of Finance and
Assistant Corporate Secretary

Amy J. Turbeville, MBA
Controller

Renee A. Lewis
Assistant Corporate Secretary
and Administrator, Claims

Committees

ARKANSAS ADVISORY COMMITTEE

Wayne A. Hudec, MD, Chair
John G. Elders, MD
E. Scott Ferguson, MD
John O. Lytle, MD
David M. Mego, MD
Brenda N. Powell, MD
Juan C. Roman, MD
Jane M. Sneed, MD
Dennis B. Yelvington, MD

AUDIT COMMITTEE

Robert J. Berkompas, MD, Chair
Katrina M. Hood, MD
Michael A. McAdoo, MD
David A. Curbo, CPA
(Non-member Consultant)

BUDGET COMMITTEE

Raymond S. Martin, III, MD, Chair
Hugh Francis, III, MD
John O. Lytle, MD
William I. Mariencheck, Jr., MD
Michael A. McAdoo, MD
Paul C. McNabb, II, MD
Gary E. Meredith, MD
Matthew L. Perkins, MD
Elise E. Schriver, MD

CLAIMS MANAGEMENT CORE COMMITTEE

Raymond S. Martin, III, MD, Chair
Hugh Francis, III, MD
John O. Lytle, MD
Paul C. McNabb, II, MD
Gary E. Meredith, MD
Elise E. Schriver, MD

CLAIMS MANAGEMENT COMMITTEE CONSULTANTS

R. Louis Adams, MD
Neal S. Beckford, MD
Richard A. Belden, MD
David A. Ciochetto, MD
Jon S. Cohen, MD
William H. Edwards, Jr., MD
Daniel S. Ely, MD
William D. Falvey, MD

James C. Fleming, MD
Keith L. Goldberg, MD
J. Lou Manning, MD
Phyllis E. Miller, MD
Robert H. Miller, II, MD
Alan P. Mullins, MD
Frank J. Murabito, MD
David J. Soll, MD
Jane M. Thomas, MD

COMPENSATION COMMITTEE

William I. Mariencheck, Jr., MD, Chair
Hugh Francis, III, MD
John O. Lytle, MD
Raymond S. Martin, III, MD
Michael A. McAdoo, MD
Paul C. McNabb, II, MD
Gary E. Meredith, MD
Matthew L. Perkins, MD
Elise E. Schriver, MD
Kye Hudson (Non-member Consultant)

EXECUTIVE COMMITTEE

John O. Lytle, MD, Chair
Chad T. Couch, MD
Hugh Francis, III, MD
Katrina M. Hood, MD
Raymond S. Martin, III, MD
John H. Mize, FCAS, MAAA
Matthew L. Perkins, MD
Elise E. Schriver, MD

INVESTMENT COMMITTEE

Matthew L. Perkins, MD, Chair
Hugh Francis, III, MD
John O. Lytle, MD
William I. Mariencheck, Jr., MD
Raymond S. Martin, III, MD
Michael A. McAdoo, MD
Paul C. McNabb, II, MD
Gary E. Meredith, MD
Elise E. Schriver, MD

RISK MANAGEMENT COMMITTEE

Elise E. Schriver, MD, Chair
J. Michelle Allmon, MD
Melanie B. Blake, MD
Michael S. Dolan, MD

Daniel S. Ely, MD
JimBob Faulk, MD
Scott R. Fowler, MD
Hugh Francis, III, MD
Katrina M. Hood, MD
Charles S. Joels, MD
John O. Lytle, MD
Paul C. McNabb, II, MD
Douglas O. Olsen, MD
Antwan D. Robinson, MD
Matthew P. Willis, MD

SUCCESSION PLANNING COMMITTEE

Hugh Francis, III, MD, Chair
John O. Lytle, MD
Paul C. McNabb, II, MD
John H. Mize, FCAS, MAAA
Michael A. Ricciardelli, CPA
Elise E. Schriver, MD
Kye Hudson (Non-member Consultant)

UNDERWRITING COMMITTEE

Chad T. Couch, MD, Chair
Brady W. Allen, MD
Robert J. Berkompas, MD
Mark E. Bigler, MD
Ravi D. Chauhan, MD
Anthony T. Everhart, MD
Hugh Francis, III, MD
Benjamin L. Huff, MD
Robert C. Hughes, MD
Christine L. Kasser, MD
Shauna Lorenzo-Rivera, MD
John O. Lytle, MD
William I. Mariencheck, Jr., MD
Paul C. McNabb, II, MD
Ryan D. Mire, MD
Craig A. Myers, MD
Matthew L. Perkins, MD
Jason A. Weaver, MD
Lisa J. Young, MD

“At the end of the day, physician involvement and physician governance ensures that SVMIC will always have your interests at heart.”

Hugh Francis, III, MD





101 Westpark Drive, Suite 300
Brentwood, Tennessee 37027

Phone: 800.342.2239

Fax: 615.370.1343

Email: ContactSVMIC@svmic.com

svmic.com

svmic.com/2016