



2018 ANNUAL REPORT

An Inside Perspective

A Letter from our Board Chair

SVMIC had another successful year in 2018. We launched the Mutual Value Plan, which recognizes policyholders for their loyalty with a financial reward. We significantly expanded our online capabilities, which give our policyholders even more flexibility to interact with SVMIC. SVMIC also enjoyed excellent financial results: expenses remained well below industry averages, net income was strong, and surplus grew 2.8%. As all this happened, we continued to issue dividends and to fund the new Mutual Value Plan accounts. Your company is strong, and it is constantly striving to serve you better.

One of SVMIC's core values is responsiveness. To SVMIC, this means acting promptly and decisively, anchored by deep knowledge and careful listening. In this annual report, we highlight examples of responsiveness at SVMIC – from those employees dedicated to knowledgeably answering your phone calls to those who go onsite to help you address specific risks. Our goal is to be there when you need us.

From the team of physicians that comprises your Board of Directors to every member of our staff, we are honored to serve you. Thank you for placing your trust in SVMIC. This company is here both to protect you and to help you successfully navigate the business of practicing medicine. If there is a way for SVMIC to serve you better, please let us know.

Sincerely,



Hugh Francis, III, MD
CHAIR OF THE BOARD



Shared values
for shared success.



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 our policyholders,
team members, and community.



INNOVATION

Continually seek better solutions
while anticipating future needs.



STEWARDSHIP

Take good care of the resources
entrusted to us.



RESPONSIVENESS

Better awareness means
we always respond quickly
and with precision



Education Offerings

1

EXPANDING ACCESS TO POLICYHOLDER EDUCATION

Several years ago, SVMIC surveyed policyholders to develop a better understanding of their needs across a wide spectrum of areas. One clear area of opportunity involved improving the quality and quantity of our online education. SVMIC immediately responded with a brand new learning management platform called the SVMIC Education Center which provided the technological framework for future course expansion.

From 2017 to the present, SVMIC has focused intently on expanding the course offerings in the Education Center, increasing to over 35 courses for physicians and staff. Seven of those courses are eligible for CME and premium discounts for our policyholders and are 2 hours in length to match our live seminars. In an ongoing effort to provide more interesting and engaging content, several of our courses are available in video format, and we will be exploring additional course formats in the future to make learning more interesting for policyholders.

The Education Center began in response to a clear mandate from our policyholders to provide greater capabilities in education, expanded offerings, and an improved user experience. While we are certainly proud of how far we have come, SVMIC's education program will continue to evolve and grow with more new courses and improved integration with our other systems.



Mutual Value Plan

2

REWARDING OUR POLICYHOLDERS IN A BRAND NEW WAY

SVMIC's Board of Directors has long wrestled with the challenge of balancing a growing policyholders' surplus and the desire to return excess surplus to our policyholders. Further, the Board felt a deep need to recognize and reward the loyalty and commitment of our physician policyholders. In response to these complementary objectives, in 2018 SVMIC launched the Mutual Value Plan (MVP), a loyalty program designed to set aside funds for policyholders to be paid upon retirement after the age of 50, death, or disability.

With this program in place, SVMIC is able to recognize our loyal policyholders by making an initial allocation into their MVP account that is roughly equal to the annual premium for their specialty at \$1 Million/\$3 Million limits. Physicians are also earning approximately 1% of their actual paid premium quarterly. The MVP account remains SVMIC's until the policyholder has a qualifying event, at which point, the funds are disbursed according to the rules of the program. The MVP is one more way our policyholders are able to share in the success of the company they own.

STREAMLINING REIMBURSEMENTS BY CREATING A NETWORK OF SUPPORT

The pace of change in physician reimbursement has accelerated dramatically in the last few years. Due to rising healthcare costs, an aging population, and expanding business pressures, employers are demanding lower health insurance costs and increased value. As a result, payers are responding by decreasing provider reimbursement. The payers' access to data, advanced algorithms, and teams of analysts often leave physicians at a great disadvantage.

In response, SVMIC is stepping up to assist our policyholders and their practices. Our Medical Practice Services consultants possess an extensive skillset focused on helping our physicians analyze payer reimbursement, mine data from current systems, and evaluate and improve practice operations. We team with practice managers to help practices approach negotiations from a position of strength. Depending on the practice's needs, our consultants will customize a plan that may include one or more of the following services:

- Detailed analysis of practice reimbursement
- Operational assessments
- One-on-one contract negotiation training
- On-site education and workshops
- Seminars

This complimentary consulting service demonstrates SVMIC's commitment to helping physicians and their practices succeed in the rapidly changing healthcare environment. Our goal is to provide real-world solutions that produce immediate and meaningful results.



Payment Reform

Stable, strong, and ready to answer

Financial Highlights

At Year End (in thousands)	2014	2015	2016	2017	2018
Cash and Invested Assets	1,140,078	1,144,648	1,165,959	1,193,190	1,208,752
Total Assets	1,199,120	1,193,207	1,211,111	1,249,290	1,243,394
Loss & Loss Adjustment Expense Reserves	530,000	508,000	491,500	472,500	469,000
Policyholders' Surplus	516,579	537,975	566,994	606,774	623,955
For The Year (in thousands)	2014	2015	2016	2017	2018
Gross Written Premium	142,757	133,966	130,355	125,844	120,569
Net Investment Income	31,975	31,797	29,213	27,454	32,557
Net Paid Loss & Loss Adjustment Expenses	117,984	112,812	106,001	100,002	92,522
Policyholders' Dividends Declared	7,500	7,000	7,000	7,000	7,000
Net Income	21,471	25,483	22,365	29,646	28,542
Cumulative Dividends and Return of Capital	335,500	342,500	349,500	356,500	363,500
Outstanding Mutual Value Plan Balances	-	-	-	-	68,538

Condensed Balance Sheets

(As of December 31, 2018 & 2017)

Assets	2018	2017
Cash & Investments	1,208,752,000	1,193,190,000
Premiums Receivable	15,124,000	17,183,000
Accrued Investment Income	8,996,000	8,677,000
Reinsurance Recoverable	1,390,000	26,978,000
Federal Income Taxes Recoverable	2,425,000	-
Net Deferred Tax Assets	6,246,000	3,011,000
Other Assets	461,000	251,000
Total Assets	\$1,243,394,000	\$1,249,290,000
Liabilities & Policyholders' Surplus	2018	2017
Loss & Loss Adjustment Expense Reserves	469,000,000	472,500,000
Unearned Premiums	64,459,000	66,175,000
Reinsurance Balances Payable	24,450,000	37,779,000
Accounts Payable and Accrued Expenses	53,704,000	53,511,000
Taxes Payable	-	5,799,000
Dividends Payable	2,778,000	2,705,000
Other Liabilities	5,048,000	4,047,000
Total Liabilities	\$619,439,000	\$642,516,000
Expected Mutual Value Plan Obligation	20,781,000	-
Unassigned Surplus	603,174,000	606,774,000
Total Policyholders' Surplus	\$623,955,000	\$606,774,000
Total Liabilities & Policyholders' Surplus	\$1,243,394,000	\$1,249,290,000

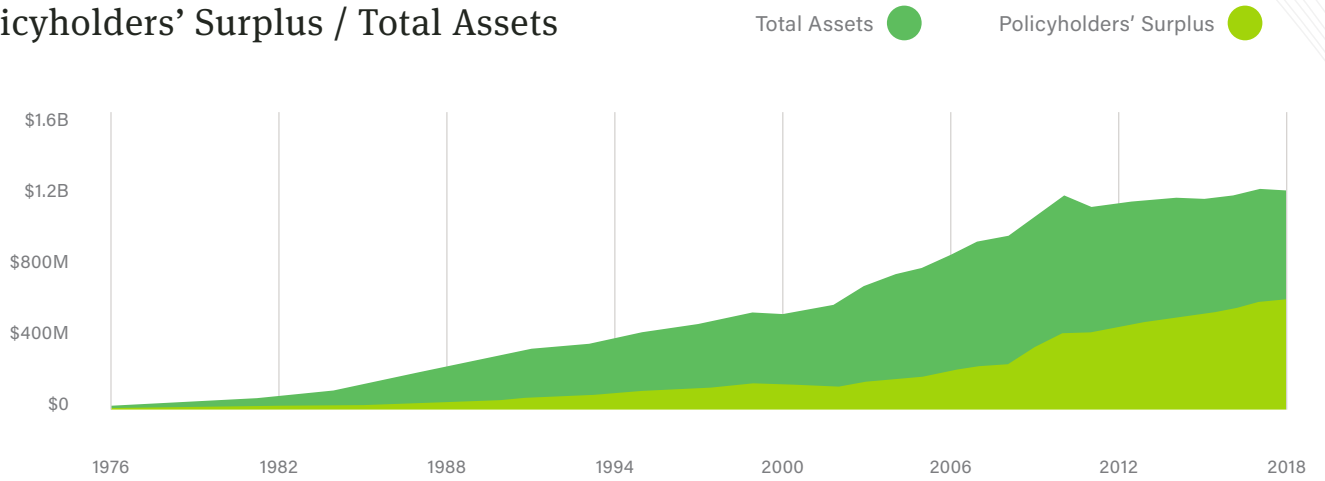
Condensed Statements of Income

(For the years ended December 31, 2018 & 2017)

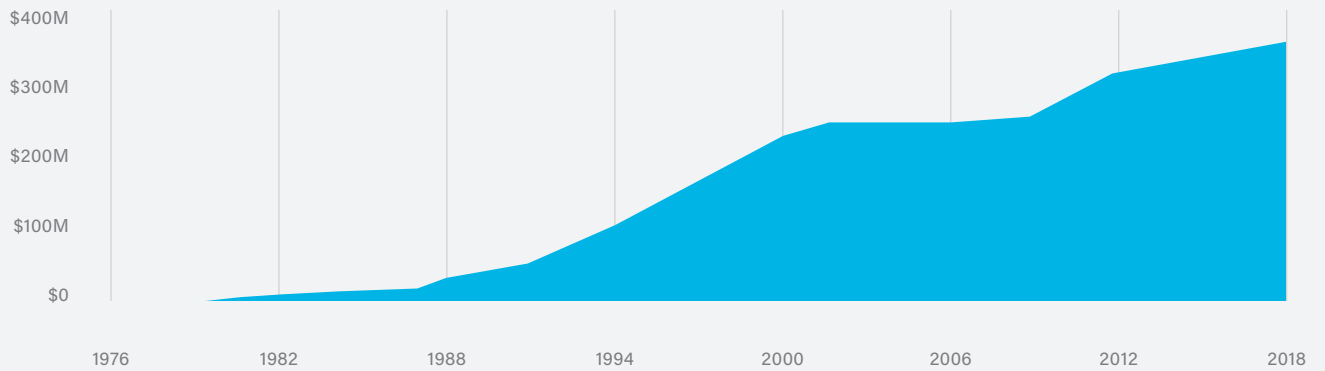
	2018	2017
Gross Written Premium	120,569,000	125,844,000
Ceded Premium	(2,575,000)	(6,953,000)
Net Written Premium	117,994,000	118,891,000
Change in Unearned Premium	1,717,000	1,978,000
Net Earned Premium	119,711,000	120,869,000
Loss & Loss Adjustment Expenses Incurred	89,022,000	81,002,000
Other Underwriting Expenses	23,610,000	22,436,000
Net Underwriting Income	7,079,000	17,431,000
Net Investment Income	32,557,000	27,454,000
Net Realized Capital Gains (Losses) on Investments	1,150,000	1,177,000
Net Investment Gains	33,707,000	28,631,000
Other Income (Expense)	(24,000)	(24,000)
Net Income Before Taxes and Policyholders' Dividends	40,762,000	46,038,000
Policyholders' Dividends & Federal Income Taxes Incurred	(12,220,000)	(16,392,000)
Net Income	\$28,542,000	\$29,646,000

Note: The financial statements have been prepared in conformity with 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.

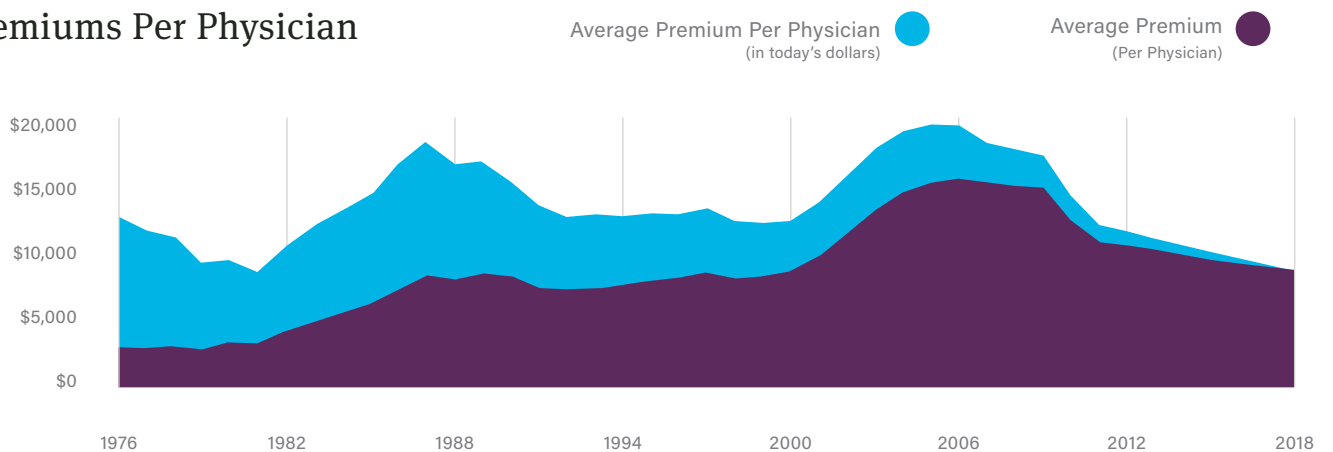
Policyholders' Surplus / Total Assets



Cumulative Dividends Declared and Return of Capital



Premiums Per Physician



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Memphis Surgery Associates PC
Memphis, Tennessee
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Orthopaedic Surgery
South Arkansas Orthopaedic Center
Pine Bluff, Arkansas
Director Since 2006

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Pediatric and Adolescent Associates PSC
Lexington, Kentucky
Director Since 2009

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

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INTERNAL MEDICINE

Saint Thomas Medical Group
Nashville, Tennessee
Director Since 2010

Melanie B. Blake, MD

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Chief of Medicine
Erlanger Health System
Chattanooga, Tennessee
Director Since 2018

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Bristol Regional Medical Center
Bristol, Tennessee
Director Since 2008

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GENERAL SURGERY

Ozark Surgical Associates
Fayetteville, Arkansas
Director Since 2009

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PULMONARY AND CRITICAL CARE MEDICINE

The Jackson Clinic
Jackson, Tennessee
Director Since 2012

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GENERAL AND VASCULAR SURGERY

Physician Director of Surgical Services
Saint Thomas Health
Nashville, Tennessee
Director Since 1994

Michael A. McAdoo, MD

FAMILY MEDICINE

Milan Medical Center PC
Milan, Tennessee
Director Since 2002

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INTERNAL MEDICINE/ INFECTIOUS DISEASE

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Tennessee Medical Association
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PULMONARY AND CRITICAL CARE MEDICINE

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Mutual insurance created by doctors *for* doctors

Our mission is to protect, support and advocate
for physicians and other healthcare providers.

SVMIC is 100% owned and governed by our policyholders.

We provide medical malpractice insurance and return
an annual share of profits to policyholders. Physician
involvement and physician governance mean that we
are able to always keep your interests at heart.



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