

BETTER TOGETHER

A LETTER FROM OUR BOARD CHAIR

The year 2020 was a difficult one for doctors. Many cared directly for COVID-19 patients; others managed dramatic shifts in demand for services. Through all these challenges, the doctors persevered to protect and support their patients, their staffs, and their families. Thank you to these physicians for their service and dedication.

As a company owned and governed by physicians, SVMIC did its best to help with the challenges created by COVID-19. Premiums were temporarily reduced for doctors sidelined by the virus, rate increases were postponed, and payment flexibility was provided for doctors under financial duress. SVMIC employees worked diligently to provide resources and personal assistance for practices. They provided guidance on a wide variety of topics including access to stimulus funds, telemedicine, human resources, infection control, practice reopening, and vaccination processes. The risk management seminar on proper prescribing practices was moved online, and all registration fees were waived.

SVMIC remains committed to providing needed resources and addressing new concerns as they arise. The company is likewise committed to driving down claims costs with effective risk management education. Despite these efforts, the cost of providing superior medical malpractice coverage continues to increase due to both a multi-year upward trend in large losses and due to a steady rise in defense costs. After many years of either holding rates stable or reducing them, this year SVMIC's board of directors approved a small increase in all states. These increases are needed to ensure that premiums collected remain in line with the cost of providing coverage.

Though this decision is unwelcome, it has been clearly indicated since last year when the increase was postponed to support policyholders during the events of 2020. Now a rate increase must be taken. Be assured, this decision was made carefully, thoughtfully, and with the use of extensive analytics.

As we face the challenges of this new year, please know that SVMIC is here to support its policyholders. Please contact us immediately with any comments or questions.



HUGH FRANCIS, III, MD
CHAIR OF THE BOARD

FINANCIAL HIGHLIGHTS

At Year End (\$ in thousands)	2016	2017	2018	2019	2020
Cash and Invested Assets	1,165,959	1,193,190	1,208,752	1,249,626	1,294,540
Total Assets	1,211,111	1,249,290	1,243,394	1,278,382	1,321,878
Loss & Loss Adjustment Expense Reserves	491,500	472,500	469,000	455,000	456,000
Policyholders' Surplus	566,994	606,774	623,955	671,735	705,694
For The Year (\$ in thousands)	2016	2017	2018	2019	2020
Gross Written Premium	130,355	125,844	120,569	119,235	113,815
Net Investment Income	29,213	27,454	32,557	29,829	28,148
Net Paid Loss & Loss Adjustment Expenses	106,001	100,002	92,522	99,472	80,225
Policyholders' Dividends Declared	7,000	7,000	7,000	7,000	7,000
Net Income	22,365	29,646	28,542	22,074	23,853
Cumulative Dividends and Return of Capital	349,500	356,500	363,500	370,500	377,500
Outstanding Mutual Value Plan Balances	-	-	68,538	82,272	87,463

CONDENSED **BALANCE SHEETS**

(as of December 31, 2020 & 2019)

Assets	2020	2019
Cash & Investments	1,294,540,000	1,249,626,000
Premiums Receivable	13,545,000	15,690,000
Accrued Investment Income	8,540,000	8,428,000
Reinsurance Recoverable	4,484,000	4,099,000
Federal Income Taxes Recoverable	439,000	409,000
Other Assets	330,000	130,000
Total Assets	\$1,321,878,000	\$1,278,382,000
Liabilities & Policyholders' Surplus	2020	2019
Liabilities		
Loss & Loss Adjustment Expense Reserves	456,000,000	455,000,000
Unearned Premiums	63,084,000	63,825,000
Reinsurance Balances Payable	21,686,000	18,783,000
Accounts Payable and Accrued Expenses	63,529,000	61,664,000
Net Deferred Tax Liabilities	3,786,000	452,000
Dividends Payable	2,696,000	2,707,000
Other Liabilities	5,403,000	4,216,000
Total Liabilities	\$616,184,000	\$606,647,000
Policyholders' Surplus		
Expected Mutual Value Plan Obligation	29,121,000	26,033,000
Unassigned Surplus	676,573,000	645,702,000
Total Policyholders' Surplus	\$705,694,000	\$671,735,000
Total Liabilities & Policyholders' Surplus	\$1,321,878,000	\$1,278,382,000

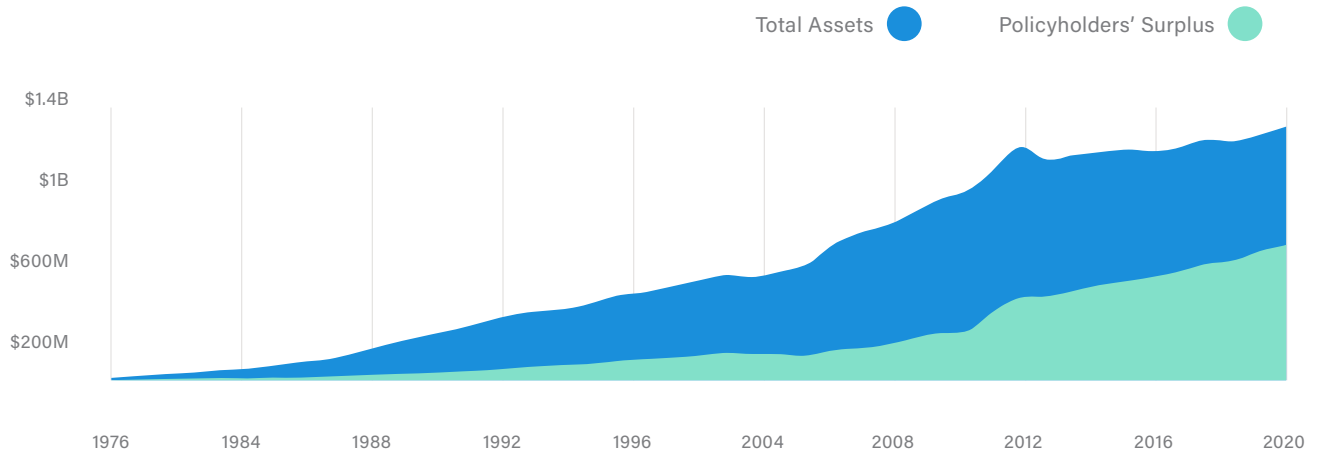
CONDENSED STATEMENTS OF INCOME

(for the years ended December 31, 2020 & 2019)

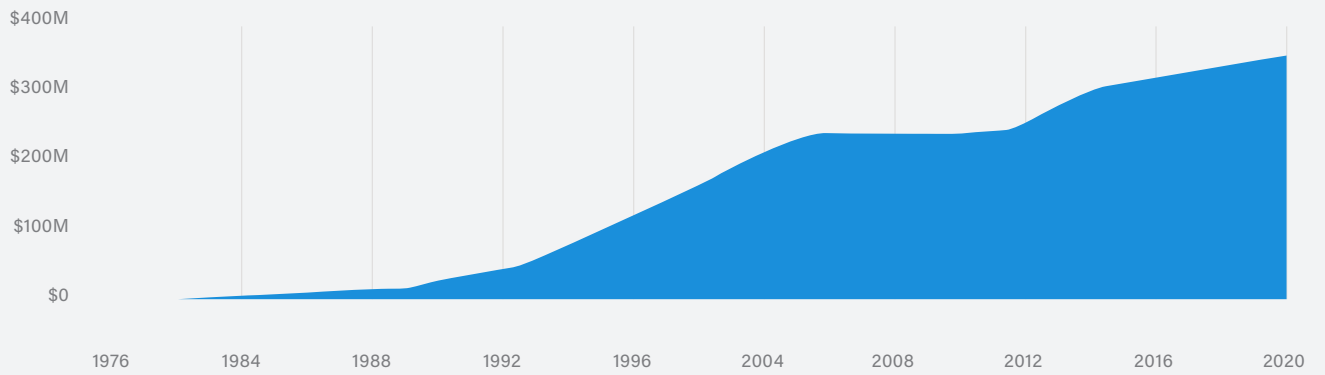
	2020	2019
Gross Written Premium	113,815,000	119,235,000
Ceded Premium	(11,537,000)	(8,895,000)
Net Written Premium	\$102,278,000	\$110,340,000
Change in Unearned Premium	742,000	633,000
Net Earned Premium	\$103,020,000	\$110,973,000
Loss & Loss Adjustment Expenses Incurred	81,225,000	85,472,000
Other Underwriting Expenses	23,816,000	23,990,000
Net Underwriting Income	(\$2,021,000)	\$1,511,000
Net Investment Income	28,148,000	29,829,000
Net Realized Capital Gains (Losses) on Investments	7,912,000	1,207,000
Net Investment Gains	\$36,060,000	\$31,036,000
Other Income (Expense)	(204,000)	(63,000)
Net Income Before Taxes and Policyholders' Dividends	\$33,835,000	\$32,484,000
Policyholders' Dividends & Federal Income Taxes Incurred	(9,982,000)	(10,410,000)
Net Income	\$23,853,000	\$22,074,000

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.

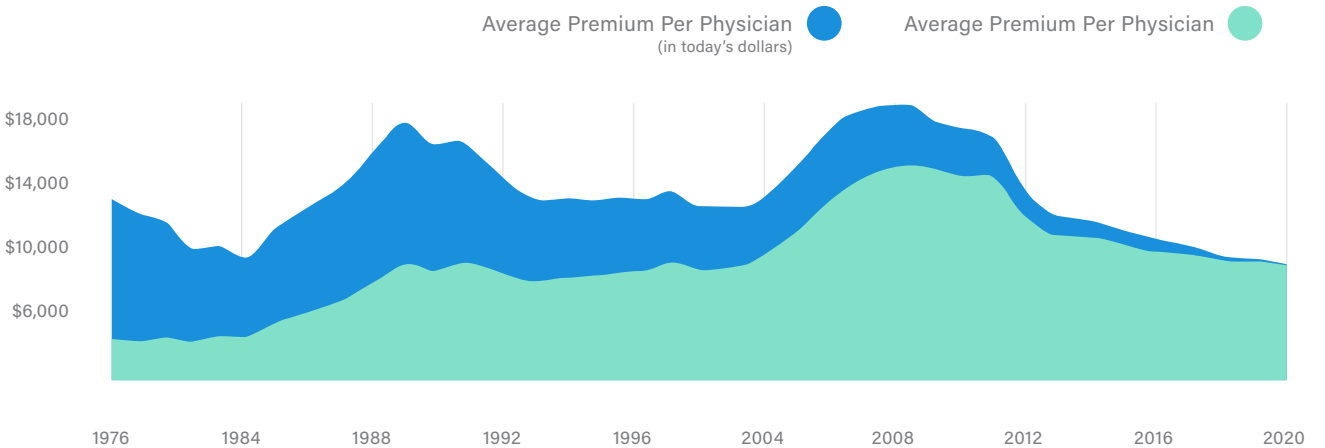
POLICYHOLDERS' SURPLUS / TOTAL ASSETS



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