The NORCAL Group —
building bridges to the future of medical professional liability insurance.
To My Fellow Policyholders:

It is best said that 2011 was a year of significant change for the companies comprising the NORCAL Group. It was my distinct honor to be named Chairman of the NORCAL Group of companies in June, taking the helm from Dr. Holley, who, with great insight and leadership, had served as Chairman of the Board for three years. I believe I speak for all of my fellow board members when I thank Dr. Holley for his stellar service.

The responsibility of any board of directors is to ensure a solid leadership team is in place now and into the future. We accomplished our mission this year by naming NORCAL Mutual’s Chief Operating Officer, Scott Diener, NORCAL Mutual’s new President & CEO in late 2011, when Jim Sunseri announced his retirement. Among Jim’s notable accomplishments was heading the acquisition of Austin-based Medicus Insurance Company. A board also has responsibility for setting the organization’s strategic direction and ensuring that the management team is staying the course with fulfilling the components of that direction. In 2011, two important objectives were met: expanding our market presence and improving our e-business capabilities.

The decision to grow through acquisition met the objective of expanding our market presence. What that means to you, the policyholders of NORCAL Mutual, PMSLIC and Medicus, is that we are better poised to serve you, as your practice and insurance needs change. We are also in a position to offer a suite of coverage options to policyholders who serve in integrated delivery systems throughout the country. These new opportunities strengthen the financial and operational core of our business, which allows us to continue as a leading insurer in the medical professional liability arena.

We also continued our e-business strategy and implemented significant upgrades to the policyholder-only section of NORCAL’s and PMSLIC’s websites. Policyholders have 24/7 on-line access to policy documents, continuing medical education offerings, claims support and other services. You can also keep up to date with all three companies of the NORCAL Group via Facebook, Twitter and LinkedIn.

Among our strategic objectives for 2012 will be continuing to strengthen the NORCAL Group of companies, while leveraging that strength to better serve our policyholders in our growing markets. We will look at developing new products to serve a changing base of policyholders. We also plan to do more to solicit quality feedback from you, our customers, on exactly how we are performing and help us to determine if we are meeting your needs and identify what we should be doing better. And we will continue to further e-business efforts by providing policyholders with information more quickly, while also saving money on postage and printing costs.

Your board members are men and women who have distinguished themselves in medicine and business. I look forward to working with them and the leadership team as we accomplish the goals of providing outstanding insurance products and services to the nation’s healthcare industry. While we have made strategic decisions to grow the organization, we remain firmly rooted in our intent to meet your needs today and into the future.

Jaan E. Sidorov, MD, MHSA, FACP
Chair of the Board, NORCAL Mutual Insurance Company
President & Chair of the Board, PMSLIC Insurance Company
President & Chair of the Board, Medicus Insurance Company
Dear Policyholders:

It is my honor to present my first annual report letter as Chief Executive Officer to the policyholders of NORCAL Mutual, PMSLIC and Medicus insurance companies – together the NORCAL Group. I took on this role in October of 2011 with the retirement of Jim Sunseri. Jim led our organization for eight years, and saw us through many difficult challenges within the industry and the economy. His leadership benefited our policyholders, employees and business partners.

Taking on the role of CEO comes after more than 10 years with the NORCAL Group. In 2001, I was appointed President and COO of PMSLIC Insurance Company in Mechanicsburg, Pennsylvania, and was named Chief Operating Officer of NORCAL Mutual in 2009. This progression was the culmination of a succession plan that was designed to ensure a smooth transition in executive management.

With the benefit of more than a decade in leadership with the NORCAL Group, I have the distinct advantage of knowing firsthand the commitment our staff members bring each and every day to meet and exceed the needs of our policyholders. As you look ahead in the report, you will read testimonials of policyholders who speak to the assurance they receive from our vigorous claims-handling philosophy and the proactive support services provided by our Risk Management Specialists. You will also read profiles of employees who are doing the real work of these companies. They are the people you speak to and who answer your questions and ensure that the quality of services that we are best known for are delivered to you on a personal level.

The mission of the NORCAL Group of companies will remain focused on the needs of policyholders, and offering the highest quality service. We also have a great opportunity, with the acquisition of Medicus, to introduce the services of the NORCAL Group of companies to physicians and healthcare providers throughout the country. As I look to the future of all three companies, it is clear to me that in order to remain a leading medical professional liability insurer, we must be able to address the unique insurance needs of larger groups of physicians and related healthcare providers, individual practice associations, and management service organizations. We are ready to meet these consolidation trends and a changing healthcare delivery system.

Protecting the Art of Medicine is the commitment of the NORCAL Group and it speaks to what the employees of the NORCAL Group of companies accomplish every day. It is my distinct honor to lead the operational efforts of these three outstanding companies, and I offer you our heartfelt thank you for entrusting each of us with your medical professional liability insurance needs. If we ever fail in our mission to provide the highest quality medical professional liability insurance products and services at the lowest responsible cost, I ask you to please let us know. All staff members, including myself, stand ready to help you.

Scott Diener
Chief Executive Officer
NORCAL Mutual • PMSLIC • Medicus Insurance Companies
Board of Directors for the NORCAL Group of Companies

1. Sandra L. Beretta, MD
2. Jaan E. Sidorov, MD, MHSA, FACP
3. Alice H. Gannon, FCAS, MAAA, CPCU
4. Roger M. Hayashi, MD
5. M. Diane Koken, JD
6. Scott C. Syphax
7. Harry B. Richardson Jr., MD
8. Rebecca J. Patchin, MD
9. Michael D. Stephens
10. Patricia A. Dailey, MD
The NORCAL Group

The NORCAL Group is a trio of A rated medical professional liability insurance companies united to meet the needs of physicians and related healthcare professionals and organizations in more than 30 states. Together we maintain a national presence, yet as separate companies we address the needs of our individual policyholders in a changing healthcare landscape.

The NORCAL Group, which includes NORCAL Mutual Insurance Company, PMSLIC Insurance Company and Medicus Insurance Company, is growing to accommodate emerging trends in the practice of medicine. In the face of uncertainty in our market and the overall healthcare environment, the NORCAL Group of companies seeks to anticipate insurance needs resulting from new practice arrangements, healthcare reform, emerging technology and other factors. We are identifying and seizing opportunities in the market as they emerge.

All three of the companies in the NORCAL Group are rated “A” (Excellent-Stable) by A.M. Best. Together, these companies comprise the ninth largest provider of medical professional liability insurance in the nation, according to data compiled by A.M. Best.

 Governed by a board of directors comprised of physician and business leaders in insurance and healthcare, the NORCAL Group exists to serve physicians. Operating from a position of strength, we are prepared and determined to be the medical professional liability provider of choice for today’s physicians and healthcare professionals, medical groups, clinics, individual practice associations, management service organizations and hospitals, as well as the next generation of healthcare providers.

NORCAL Mutual serves California, Alaska and Rhode Island. Headquartered in San Francisco, CA, the policyholder-owned mutual company was founded in 1975 by California county medical societies, whose members were determined to take charge of their liability insurance needs.

NORCAL Mutual also operates a special program for community healthcare clinics in California and New Mexico, the Clinic Purchasing Group.

The company serves over 10,000 policyholders, providing coverage for nearly 20,000 physicians and other healthcare professionals in solo practice, medical groups, hospitals, clinics and allied healthcare facilities.

NORCAL Mutual Insurance Company
560 Davis Street, Suite 200
San Francisco, CA 94111
800-652-1051
www.norcalmutual.com

Our Passion Protects
Your Practice
PMSLIC serves Pennsylvania and Delaware. Based in Mechanicsburg, PA, PMSLIC was formed by the Pennsylvania Medical Society in 1976. The company was acquired by NORCAL Mutual in 1998. Currently, PMSLIC serves approximately 2,700 policyholders, providing coverage for approximately 4,300 physicians in solo practice, medical groups, clinics and allied healthcare facilities.

PMSLIC Insurance Company  
1700 Bent Creek Boulevard  
P.O. Box 2080  
Mechanicsburg, PA 17055-0787  
800-445-1212  
www.pmslic.com

MEDICUS offers products and services in 26 states, and is licensed in 33 states, pending rate and forms approvals, with plans to expand its coverage in the near future. Most of the rapidly growing business is presently being written in Texas, Illinois, Nevada and West Virginia. Based in Austin, TX, the company was formed in 2006, and currently serves approximately 3,500 policyholders and 4,100 physicians.

Medicus Insurance Company  
4807 Spicewood Springs Road, Bldg. 4-100  
Austin, TX 78759  
866-815-2023  
www.medicusins.com
Financial Results for NORCAL Group

2011

The NORCAL Group of companies, through prudent management of resources, maintained outstanding financial strength and stability. Our combined Policyholders’ Surplus stood at approximately $580 million at year’s end. Our Admitted Assets grew to $1.5 billion. The Direct Written Premium for NORCAL Group was more than $286 million, with a net income of $40 million.

The NORCAL Group is comprised of NORCAL Mutual Insurance Company, PMSLIC Insurance Company and Medicus Insurance Company. The 2011 financial statements include all three companies of the Group, while the 2010 comparative results include only NORCAL Mutual and PMSLIC.

Statutory-Basis Income Statements

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net premiums earned</td>
<td>$ 264,584</td>
<td>$ 233,740</td>
</tr>
<tr>
<td>Net investment income</td>
<td>37,697</td>
<td>35,343</td>
</tr>
<tr>
<td>Net realized gains on investments</td>
<td>26,771</td>
<td>42,731</td>
</tr>
<tr>
<td>Total income</td>
<td>329,052</td>
<td>311,814</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses &amp; loss adjustment expenses incurred</td>
<td>188,788</td>
<td>152,670</td>
</tr>
<tr>
<td>Other underwriting expenses</td>
<td>54,013</td>
<td>39,029</td>
</tr>
<tr>
<td>Acquisition costs, net</td>
<td>15,121</td>
<td>9,995</td>
</tr>
<tr>
<td>Other expense (income)</td>
<td>1,110</td>
<td>(972)</td>
</tr>
<tr>
<td>Total expenses</td>
<td>259,032</td>
<td>200,722</td>
</tr>
<tr>
<td>Income before dividends and federal income taxes</td>
<td>70,020</td>
<td>111,092</td>
</tr>
<tr>
<td>Dividends declared to policyholders, net</td>
<td>18,890</td>
<td>19,390</td>
</tr>
<tr>
<td>Income before federal income taxes</td>
<td>51,130</td>
<td>91,702</td>
</tr>
<tr>
<td>Federal income tax expense</td>
<td>11,458</td>
<td>24,017</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>$ 39,672</td>
<td>$ 67,685</td>
</tr>
</tbody>
</table>

* NORCAL and PMSLIC only, excludes Medicus
### Admitted Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash &amp; investments:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt securities</td>
<td>$935,575</td>
<td>$928,838</td>
</tr>
<tr>
<td>Equity securities</td>
<td>317,200</td>
<td>298,722</td>
</tr>
<tr>
<td>Cash, cash equivalents &amp; short-term investments</td>
<td>68,001</td>
<td>74,333</td>
</tr>
<tr>
<td>Other invested assets</td>
<td>72,836</td>
<td>79,659</td>
</tr>
<tr>
<td><strong>Total cash &amp; investments</strong></td>
<td>1,393,612</td>
<td>1,381,552</td>
</tr>
<tr>
<td>Investment income receivable</td>
<td>11,924</td>
<td>9,919</td>
</tr>
<tr>
<td>Premiums receivable</td>
<td>43,267</td>
<td>18,175</td>
</tr>
<tr>
<td>Reinsurance recoverables</td>
<td>3,337</td>
<td>–</td>
</tr>
<tr>
<td>Federal income tax recoverable</td>
<td>1,429</td>
<td>–</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>32,136</td>
<td>17,294</td>
</tr>
<tr>
<td>Other admitted assets</td>
<td>30,287</td>
<td>1,030</td>
</tr>
<tr>
<td><strong>Total Admitted Assets</strong></td>
<td>$1,515,992</td>
<td>$1,427,970</td>
</tr>
</tbody>
</table>

### Liabilities & Policyholders’ Surplus

<table>
<thead>
<tr>
<th>Description</th>
<th>2011</th>
<th>2010*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses &amp; loss adjustment expenses</td>
<td>$660,971</td>
<td>$615,355</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>112,055</td>
<td>82,042</td>
</tr>
<tr>
<td>Premiums collected for future renewals</td>
<td>42,518</td>
<td>42,788</td>
</tr>
<tr>
<td>Dividends payable to policyholders</td>
<td>19,764</td>
<td>20,279</td>
</tr>
<tr>
<td>Reinsurance premiums payable</td>
<td>1,699</td>
<td>741</td>
</tr>
<tr>
<td>Reinsurance payable on paid losses &amp; loss adjustment expenses</td>
<td>6</td>
<td>961</td>
</tr>
<tr>
<td>Federal income tax payable</td>
<td>–</td>
<td>13,616</td>
</tr>
<tr>
<td>Funds held under reinsurance treaties</td>
<td>23,435</td>
<td>21,326</td>
</tr>
<tr>
<td>Retroactive reinsurance reserve</td>
<td>17,857</td>
<td>–</td>
</tr>
<tr>
<td>Notes payable</td>
<td>9,375</td>
<td>–</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>48,837</td>
<td>48,417</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>936,517</td>
<td>845,525</td>
</tr>
<tr>
<td><strong>Policyholders’ surplus:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution certificates</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Unassigned surplus</td>
<td>554,475</td>
<td>557,445</td>
</tr>
<tr>
<td><strong>Total policyholders’ surplus</strong></td>
<td>579,475</td>
<td>582,445</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Policyholders’ Surplus</strong></td>
<td>$1,515,992</td>
<td>$1,427,970</td>
</tr>
</tbody>
</table>

* NORCAL and PMSLIC only, excludes Medicus
NORCAL Mutual

NORCAL Mutual Insurance Company was founded during the medical professional liability insurance crisis of the mid-1970s. A coalition of California county medical societies created the company in 1975 to ensure that California physicians would no longer be subject to unpredictable rate swings and unstable carriers.

Decades later, NORCAL Mutual is stronger than ever thanks to core principles that have sustained the physician-owned mutual company through economic downturns, political influences on the healthcare system and the constant evolution of medicine itself.

Today, NORCAL Mutual offers products and services in California, Alaska and Rhode Island. We also are offering specialty-specific insurance products to obstetricians, OB Protect, and to bariatric and general surgeons, the Novus Insurance Program.

In 2011, NORCAL Mutual was able to declare a 2012 dividend of 10 percent for California and Alaska, and three percent for Rhode Island. This is the 32nd dividend declared in the past 34 years, bringing the total declared dividend to date to nearly $430 million.

Corporate Officers

Scott Diener
President & Chief Executive Officer

Katherine H. Crocker
Executive Vice President, Chief Legal Officer & Secretary

Michael L. Pautler
Executive Vice President & Chief Financial Officer

Julie L. Burns
Vice President, Human Resources

Denis J. Dillon
Vice President, Finance & Controller

Paul R. Gabel
Vice President, Claims

Douglas M. Hall
Vice President, Information Technology

Keith Hui
Vice President, Business Development

Dennis A. Meisel
Vice President, Finance & Treasurer

Dustin A. Shaver
Vice President, Risk Management

Neil E. Simons
Vice President, Underwriting & Policyholder Services

Lucy D. Sam
Associate Vice President, Underwriting & Policyholder Services

Jane M. Tishkoff
Associate Vice President & Assistant General Counsel

Bruce Williams
Associate Vice President, Actuarial

Advisory Council

William C. Parrish Jr., Chair
Santa Clara County Medical Association

Dolores L. Green
Riverside County Medical Association

Sue U. Malone
San Mateo County Medical Association
2011 NORCAL Mutual at a Glance

88 Percent of formal claims closed in 2011 were closed without indemnity payments

103 Live risk management presentations were made

86 Percent of claims that went to trial were won by NORCAL Mutual

49 Million dollars was spent on the direct defense of our policyholders’ claims

98 Percent of policyholders renewed their coverage

22,800 Callers were assisted by NORCAL’s Policyholder Services Department

3,299 Risk management consultations and assessments were delivered onsite, by phone or email

60 Million dollars was paid for indemnity (settlements and plaintiff judgments) on behalf of our insureds

22,689 CME credits were awarded to NORCAL Mutual insureds

31 Organizations continued to endorse NORCAL Mutual as the preferred medical professional liability insurer for their members

“Everyone we’ve worked with really understands that we expect more than just ‘insurance.’”

“Every department at NORCAL has been instrumental in developing a real partnership with the Sutter-affiliated medical groups to provide the full spectrum of services we need in order to manage our claims and truly reduce our risks, so that we prevent claims from happening in the first place.

Everyone we’ve worked with really understands that we expect more than just ‘insurance.’ We want a partner to help us reduce our risks and improve our practices by providing inherently better care to our patients.”

Steven Levenberg, DO
Rohnert Park, CA
Achievement by Core Service Areas

For NORCAL Mutual policyholders, the measure of satisfaction comes down to exceptional service in the broadest sense of the word. We resolve issues swiftly, and give you the peace of mind that comes from knowing we are committed to protecting you, your practice and your reputation.

Focused on Superior Service

In a given year, only a small percentage of policyholders require claims support, but customer service touches everyone. NORCAL Mutual understands how important great service is to our policyholders, so our Underwriting and Policyholder Services teams constantly seek better ways to serve you.

In 2011, as part of a broad upgrade to MyNORCAL, the policyholder-only section of www.norcalmutual.com, we greatly expanded online access to billing and policy documents. Now, policyholders and brokers can access MyNORCAL to:

- View billing history and the current roster.
- Generate and download policies, certificates of insurance (COIs) and credentialing letters.
- See billing documents, including billing statements, billing plan summaries and payment reminders.
- Review policy documents, including declaration pages, endorsement forms and past COIs.

We also provided physicians and administrators with the ability to share online access to policy information with staff members. Now, authorized staff can go online to pay bills, generate credentialing letters, check on the status of CME activities and more.

New Channels for Risk Management

The Risk Management and Continuing Medical Education programs at NORCAL Mutual are built on the core belief that the best defense against liability risk is ongoing education, aimed at behavioral and systemic improvements. Given the high value of policyholders’ time, we look for new communication channels that better accommodate busy schedules.

In 2011, we enhanced our CME programs to policyholders by posting three new webcast activities, available on demand for CME credit, on MyNORCAL:

- How to Successfully Launch Your EHR System — The webcast outlines strategies for converting to an electronic health record (EHR) system while maintaining patient safety and the integrity of the patient record.
- Hand-offs Along the Continuum of Care — Based on NORCAL Group case studies, the webcast offers many tips for safely transferring patient care from one provider to another.
- Disclosing Unanticipated Outcomes — Focusing on one of the most difficult issues faced by healthcare providers, the webcast offers best practices for both disclosing and documenting unanticipated outcomes.

NORCAL Mutual has been a leader in educating policyholders on EHRs and risk, producing a series of highly regarded articles on the subject and posting them as EHR Tools on MyNORCAL. Last year, we combined the articles into a 78-page book, Your Electronic Health Record System: How to Purchase, Implement and Optimize. The book is posted on MyNORCAL, and is available in print. To request a copy, call Risk Management at 800-652-1051, ext. 2244.
Another enhancement to our CME program in 2011 was the increased period of time our monthly CME publication, Claims Rx, is available to our insureds for CME credit. The availability for credit was extended from one year to two. Each issue of Claims Rx now includes a brief, online quiz that must be taken after reading the publication to earn CME credit, in compliance with a recent change to American Medical Association rules.

Our Risk Management Discount Program allows eligible insureds to enjoy a premium discount when they earn CME credits for NORCAL Mutual activities. In 2011, 3,863 eligible insureds took part in NORCAL Mutual’s discount program.

Updated Claims Support

NORCAL Mutual is legendary among its policyholders for its claims support. We embody the belief that the physician, the defense attorney and the insurance carrier should function as a true partnership. While the attorney provides leadership, all three partners work together to decide the course of action. Of formal claims closed in 2011, we closed 88 percent without indemnity payment. Our trial win ratio was 86 percent.

In 2011, we upgraded MyNORCAL to include a Claims Support page, where policyholders will find many resources, including a new series of five booklets titled Litigation Support for Healthcare Professionals. The booklets help a doctor, who is unfamiliar with litigation, prepare for an initial meeting with a defense attorney; understand the litigation process; prepare for a deposition; prepare for a trial; and prepare for a deposition as a non-defendant witness. The Claims team provides print copies of individual booklets to policyholders as needed. The Claims Support page also includes relevant journal articles and Internet resources for policyholders.

A Partner with Organized Medicine

The history of NORCAL Mutual is inextricably tied to that of organized medicine. We work with our 28 endorsing California county medical societies, as well as the Rhode Island Medical Society, Alaska Physicians & Surgeons, and Osteopathic Physicians & Surgeons of California, to jointly protect and defend physicians.
As always, we were busy in 2011 supporting our medical society partners with live risk management events and other professional meetings. An especially notable event was the Ethnic Physician Leadership Summit, which we co-sponsored with the California Medical Association. Held September 16-18, and hosted by the Network of Ethnic Physician Associations, the event brought together more than 100 physicians.

“there is a distinction with a difference… When I am performing surgery, I want the best healthcare team supporting me, and I expect the same of my medical professional liability insurance. While as busy physicians we may prefer to never have to think about being sued, it is, realistically, inevitable, and having the best medical professional liability insurer behind you is truly critical.

Your malpractice insurance should not be seen as just a ‘product’ to be priced, but rather as a vital service. Once you’ve been with or compared other insurers, you realize how unique NORCAL really is: NORCAL Mutual offers the best in Claims Specialists and most importantly, defense attorneys. Any company can offer you standard coverage, but NORCAL delivers a personal service far above the standard of care!”

Lorne King Rosenfield, MD
Burlingame, CA

Endorsing Organizations

Medical Societies & Associations

Butte-Glenn
Fresno-Madera
Humboldt-Del Norte
Imperial
Inyo-Mono
Kern
Kings
Lassen-Plumas-Modoc-Sierra
Mendocino-Lake
Merced-Marioposa
Monterey
Napa
Placer-Nevada
Riverside
San Benito
San Bernardino
San Joaquin
San Luis Obispo
San Mateo
Santa Clara
Santa Cruz
Sierra Sacramento Valley
Sonoma
Stanislaus
Tehama
Tulare
Tuolumne
Yuba-Sutter-Colusa
Rhode Island Medical Society

Professional Organizations

Alaska Physicians & Surgeons, Inc.
Osteopathic Physicians & Surgeons of California
PMSLIC

PMSLIC Insurance Company was founded by the Pennsylvania Medical Society in 1976 to provide superior and enduring liability insurance products and services to Pennsylvania physicians. Since then, the company has zealously defended its policyholders, while remaining strong and stable.

The employees of PMSLIC take pride in delivering friendly, personalized service to policyholders — one reason that 97 percent of policyholders renewed their coverage in 2011. As a measure of PMSLIC’s excellent continuing medical education (CME) program, the majority of policyholders earned CME credits and a premium discount by completing the Loss Prevention Discount Program.

Today, the company insures approximately 4,300 insured risks in Pennsylvania and Delaware. With an active program of support for organized medicine, PMSLIC annually sponsors and attends dozens of professional meetings to support its medical society partners.

In 2011, PMSLIC was able to declare a 2012 dividend of 10 percent in Pennsylvania and five percent in Delaware. This was the sixth year in a row that PMSLIC declared a Pennsylvania dividend.

Corporate Officers

Scott Diener  
Chief Executive Officer

Jaan E. Sidorov, MD, MHSA, FACP  
President & Chair, Board of Directors

Katherine H. Crocker  
Executive Vice President, Chief Legal Officer & Secretary

Michael L. Pautler  
Executive Vice President & Chief Financial Officer

Timothy J. Friers  
Senior Vice President, Underwriting & Policyholder Services

Julie L. Burns  
Vice President, Human Resources

Denis J. Dillon  
Vice President, Finance & Controller

Douglas M. Hall  
Vice President, Information Technology

Dennis A. Meisel  
Vice President, Finance & Treasurer

Theodore G. Otto III  
Vice President & General Counsel

John Zdanowicz  
Vice President, Claims

Physician Panel

Jaan E. Sidorov, MD, MHSA, FACP, Chair  
Internal Medicine

David A. Csikos, MD  
Internal Medicine

Leo M. Hartz, MD  
Family Practice

Gwendolyn Poles, DO  
Internal Medicine

Mark S. Reuben, MD  
Pediatrics

Martin D. Trichtinger, MD  
Internal Medicine
### 2011 PMSLIC at a Glance

| Percent of formal claims closed in 2011 were closed without indemnity payments | 88 |
| Live risk management presentations were made | 11 |
| Percent of claims that went to trial were won by PMSLIC | 86 |
| Million dollars was spent on the direct defense of our policyholders’ claims | 15 |
| Percent of policyholders renewed their coverage | 97 |
| Million dollars was paid for indemnity (settlements and plaintiff judgments) on behalf of our insureds | 28 |
| Risk management consultations and assessments were delivered onsite, by phone or email | 726 |
| Medical organizations continued to sponsor PMSLIC as their preferred medical professional liability insurer | 14 |
| CME credits were awarded to PMSLIC insureds | 22,266 |

“Risk Management Specialists are always accessible by phone, and are prompt with a response when I have a question or concern.”

“When I started my own practice in August of 2009, I asked other physicians about medical professional liability insurers, and they strongly recommended PMSLIC Insurance Company. PMSLIC has always provided me with the support I need. Risk Management Specialists are always accessible by phone, and are prompt with a response when I have a question or concern. I’ve even had a Risk Management Specialist come to my office to review my files and office practices, and offer me guidance for making improvements. I am very happy with the services I am receiving from PMSLIC.”

Sophie Hanna, MD, FAAPMR
Mars, PA
Service Excellence When and Where it Counts

In addition to sustaining financial strength and delivering extraordinary service, PMSLIC is constantly improving its core operational services — Underwriting and Policyholder Services, Risk Management, and Claims. We also carefully maintain our partnerships with local medical societies and other healthcare organizations, a vital part of our overall effort to protect the interests of physicians and other healthcare professionals.

Enhanced Customer Service

In 2011, PMSLIC upgraded its online services to policyholders at www.pmslic.com, and renamed it MyPMSLIC. One of the new features of MyPMSLIC is the ability to pay premiums and Mcare assessments online. We also now offer online access to billing and policy documents.

You can:
- View your billing history.
- Generate and download credentialing letters (claim history reports) and certificates of insurance (COIs).
- View litigation support materials.

Online Risk Management Tools

As part of the MyPMSLIC upgrade in 2011, we created Risk Solutions, a policyholder-only repository of risk management and CME resources. Here you will find current and back issues of Consult, our monthly risk management publication with CME credit.

Other valuable tools include:
- MyCME – Online CME, with industry-leading articles, webcasts and course books.
- Risk Resources – More than 110 resource documents, sample forms and sample policies and procedures specific to the state in which you practice.
- Electronic Health Record (EHR) Tools – User-friendly guidance on EHR systems.

We introduced three new webcasts in 2011: Hand-offs Along the Continuum of Care; Disclosing Unanticipated Outcomes; and How to Successfully Launch Your EHR System. The 45-minute presentations are posted on MyPMSLIC in the Risk Solutions section. The webcasts use many PMSLIC and NORCAL Mutual closed claims to illustrate the issues, as well as the importance of risk management strategies and recommendations.

For more than two years, PMSLIC has provided policyholders insightful guidance on how to transition to electronic health record (EHR) systems. These articles, stored online as EHR Tools, have now been combined into a 78-page book, Your Electronic Health Record System: How to Purchase, Implement and Optimize. The book is posted at MyPMSLIC, and is available to policyholders in print. To request a copy, call Risk Management at 800-492-7898.

Beginning with the November-December 2011 issue of Consult, the period during which an issue of Consult provides CME credit was extended from one to two years. Now you can go to MyPMSLIC to read an issue; complete the online, post-activity quiz and evaluation; and receive your CME credit immediately.

One of the PMSLIC resources most valued by our insureds is the Annual Loss Prevention Discount program. In 2011, 3,411 PMSLIC insureds participated in the discount program, completing over 22,266 CME activities to not only earn CME credits, but to save money on their 2012 premium.
Outstanding Claims Support

As a medical professional liability insurer, we listen to policyholders and respect the importance of physician consent in the settlement of claims. We foster a culture of disclosure and transparency. If the decision is made to go to trial, we will provide policyholders with support from beginning to end, including experienced, specialized defense attorneys and expert witnesses.

PMSLIC’s Claims Specialists work closely with the policyholder, the defense attorney and expert witnesses to develop the strongest possible defense. We guarantee your right to consent to settle.

In 2011, 88 percent of closed formal claims closed without indemnity payment, and our trial win ratio was 86 percent.

In 2011, we produced a series of five booklets to help prepare policyholders for the various stages of litigation. Titled Litigation Support for Healthcare Professionals, the booklets help a doctor, who is unfamiliar with litigation, prepare for an initial meeting with a defense attorney; understand the litigation process; prepare for a deposition; prepare for a trial; and prepare for a deposition as a non-defendant witness. The Claims team provides print copies of individual booklets to policyholders as needed. The Claims Support page on MyPMSLIC includes the series of booklets, as well as relevant journal articles and Internet resources for policyholders.

Support for Organized Medicine

In 2011, PMSLIC added the York County Medical Society to the list of sponsoring medical societies and organizations in Pennsylvania and Delaware, bringing the total to 14.

County Medical Societies

Allegheny County Medical Society
Berks County Medical Society
Dauphin County Medical Society
Delaware County Medical Society
Lancaster City and County Medical Society
Montgomery County Medical Society
Philadelphia County Medical Society
York County Medical Society

State Medical Societies

Medical Society of Delaware
Pennsylvania Medical Society

Professional Organizations

American Academy of Pediatrics, Pennsylvania Chapter
Pennsylvania Academy of Family Physicians
Pennsylvania Osteopathic Medical Association
Urological Association of Pennsylvania
“When you know you’re with a good company, you stay.”

"PMSLIC was my first job, and I’ve never looked for another place to work. When you know you’re with a good company, you stay.

Underwriting is a perfect fit for my personality. I like the challenge of figuring out what’s right for the customer. We have to get it right, since we’re responsible for understanding what the physician needs and the nature of the practice.

My attention to detail helps me do the job. What I especially love is getting to know all the people behind the account, including the producers and office staff. Each person contributes something to the process, then I pull it all together. Over the years I’ve built relationships that really matter to me.

I’ve been a fan of youth soccer and have watched my two kids play soccer since they were young. I also helped start a premier playing level division within our local soccer club. Even outside of work I love getting my fingers into things."

Ann Alexander
PMSLIC Underwriting, since 1979

NORCAL Mutual and PMSLIC
Begin Using Social Media

In 2011, NORCAL Mutual and PMSLIC established a presence on the leading social media sites to help keep policyholders, employees and business stakeholders up to date on what is going on in our companies.

We began posting events we attend, reminders regarding Risk Management CME materials arriving in the mail and other news alerts from the company. More announcements and updates will be coming in 2012.

Be sure to look for us on Facebook and Twitter, at NORCAL Mutual Insurance Company and PMSLIC Insurance Company. You can also find us on LinkedIn at NORCAL Mutual Insurance Company and PMSLIC Insurance Company.
Medicus Insurance Company
Located in the scenic Texas Hill Country, Medicus was founded in 2006 in Austin, Texas. Medicus was established to be a company that serves physicians from three foundational pillars: financial strength; medical leadership and insurance expertise; and strong independent agency partnerships. Medicus serves physicians with a superior insurance product; valuable related benefits; and caring, personal service.

From its founding, Medicus has consulted closely with its medical advisory panel to ensure that it is meeting the needs of its physician insureds. A guiding principle has been to provide this exceptional insurance at a competitive price.

Another service-related principle of Medicus is to stand up for their insureds and provide vigorous claims defense. Medicus fights to protect its doctors and settles only when warranted by the facts of the individual cases. Medicus has a proven track record of continually, strongly defending its physicians. Medicus wants its doctors to be able to relax, have peace of mind and focus on practicing medicine. This peace of mind is especially relevant in today’s complex healthcare environment.

Medicus Insurance Company is one of the fastest growing medical professional liability insurance carriers in the country. Rapid growth and success come hand in hand with a dynamic environment. One very noteworthy change for Medicus in 2011 was receiving an “A” (Excellent) rating by A.M. Best. This rating came as a result of Medicus being purchased by NORCAL Mutual Insurance Company in October 2011. With this purchase, Medicus proudly joined the NORCAL Group of companies.

Medicus focuses on traditional medical professional liability insurance for individual physicians and practice groups across all specialties. Medicus is an admitted carrier in 33 states across the country.

Corporate Officers

Scott Diener
Chief Executive Officer

Jaan E. Sidorov, MD, MHSA, FACP
President & Chair, Board of Directors

Eugenie Shea
Executive Vice President & Chief Operating Officer

Mark Johnson
Vice President & Chief Financial Officer

Katherine H. Crocker
Vice President & Secretary

Bill Bailey, MD, JD
Vice President, Medical Relations

Julie L. Burns
Vice President, Human Resources

Michael L. Pautler
Vice President
“A key point in our switching to Medicus was that they were able to accommodate our new operational structure and premium pricing.”

“River City Emergency Physicians changed to Medicus in September 2009, after being with another company for 15+ years. A key point in our switching to Medicus was that they were able to accommodate our new operational structure and premium pricing. Plus, the administrative and application process was easy on my staff (and me). I was amazed at how simple Medicus made the process.

I encourage physicians or medical groups to contact a Medicus Insurance Company representative to compare their services to your current professional liability insurance coverage.

From the COO to every level, I have found the Medicus Insurance Company staff to be helpful, professional and courteous.”

Tom Tidwell, CMPE
Chief Operating Officer
River City Emergency Physicians
San Antonio, TX

2011
MEDICUS at a Glance

4,648
Provided indications to 4,648 practitioners consisting of groups and solo physicians

12
Offered our policyholders access to 12 equal payments when they enrolled in ACH direct bill

298
Underwriting staff processed 298 million dollars in policy indications and quotations

8
Decreased policyholder rates in eight states (AZ, GA, KS, MO, NV, OH, TX, and VA)

20
Grew our physician base and direct written premium in 20 different states

“A”
Achieved “A” (Excellent) rating from A.M. Best in our sixth year of business

26
Offered physician policies in four new states, increasing our total to 26 states

14
Grew our direct written premium 14 percent over 2010
Service Excellence to Meet Our Growing Needs

The past year marked significant growth and improvement for Medicus. Our pledge, “Great rates. Personal service,” remains what we deliver to our clients. In a broader sense, we work every day to deliver peace of mind. Our goal is to ensure our clients are pleased with our care for them, and work to ensure they are satisfied and secure.

"A" (Excellent) Rating by A. M. Best

One of the most important achievements for Medicus in 2011 was receiving a rating of "A" (Excellent) by A.M. Best. We were able to achieve this rating through our union with NORCAL Mutual. This increases our ability to ensure peace of mind for our clients. They now have a leading, independent voice assuring them of our excellent financial position, which protects their financial well being.

Growth

Medicus is also pleased to share that we experienced very solid growth in 2011. We grew our direct written premium an impressive 14 percent over 2010. This is a result of focused and dedicated teamwork by Medicus employees and a belief in our mission to provide physicians with the highest quality service. Our growth validates we are delivering on our promises.

State Expansion

Medicus believes that physicians from coast to coast can benefit from our great rates and personal service. Toward that end, our strong teamwork paved the way to expansion into four new states in 2011. Physicians in Florida, Kentucky, Oregon and Washington now have the opportunity to experience superior service and protection at an affordable price.

EasyPay

In 2011, Medicus rolled out our EasyPay billing option. This convenient choice allows physicians to pay insurance premiums in 12 automated, equal payments—helping to streamline their practice, stabilize cash flow and add peace of mind as timely payments are delivered automatically. This is one of several billing options offered by Medicus, and another way we demonstrate our superior service to our insureds.

Focused Communication

Medicus made a concentrated effort in 2011 to more clearly communicate the exciting news coming out of Austin, Texas, about Medicus. So we created a new website that allows physicians to easily access the latest news about Medicus and what new services we offer. We also created new print communication material that communicates the benefits of being insured by Medicus. The new website and new collateral material work together to communicate our brand.
Underwriting Moves More and Faster

The Medicus Underwriting Department has always been an impressive example of smart, dedicated professionals motivated to help our clients succeed. They produce results quickly and positively. Medicus Underwriters travel to agents’ offices around the country to quickly underwrite large numbers of policies on location.

In 2011, the Underwriting team was actively improving its service to agents and insureds, which includes almost 5,000 physicians and other healthcare professionals. Additionally, we enhanced our program of offering 24-hour turnaround time on credentialing requests. We also increased our cyber liability coverage from $50,000 to $100,000 with no additional cost to policyholders.

Information Technology Improves Service

In 2011, the Information Technology team designed a new system to allow Medicus to improve service to agents and insureds with more information and faster response times. This enabled Medicus Underwriters to more efficiently underwrite policies when traveling across the country visiting agents. It also gave Sales & Marketing and Underwriting teams 24/7 access and reliability for their around-the-clock work schedule. This new system also provided better security and protection for Medicus’ data. The IT team developed a client management system that enables the Marketing and Sales team to more efficiently serve our clients.

“Having insurance is vital to their welfare.”

“My work is important because I’m dealing with physicians’ livelihoods. Having insurance is vital to their welfare, and I am here to help and protect them.

I love my work, especially the opportunity to learn new things about medicine and insurance. I enjoy the more complicated submissions, whether they involve a large group, past claims, a complex practice arrangement or some other factor. I view these submissions as a sort of puzzle requiring critical thinking.

I stay motivated by taking one submission at a time. The environment here is that of a true team. If I’m swamped, others step up to help me. I love the support I receive. I’m lucky to be here — we’re all in it together.

Outside of work, I enjoy playing on the Medicus softball team, mostly as the catcher. It’s the first time I’ve played the game, so my main goal is to get the ball back to the pitcher!”

Katie Pederson
Medicus Underwriting, since 2007