



2015 ANNUAL REPORT



Michigan Professional Insurance Exchange is a provider of medical professional and general liability insurance, organized under the insurance laws of the state of Michigan as a reciprocal insurance exchange. It is licensed and domiciled in Michigan. A reciprocal insurance exchange is an unincorporated association controlled by its members called subscribers.



Contents

MESSAGE FROM PRESIDENT & CHAIRMAN	4
GOVERNANCE & BOARD OF DIRECTORS	6
AM BEST RATING UPGRADE TO A-	8
RISK MANAGEMENT & PATIENT SAFETY INCENTIVE PROGRAMS	9
RISK MANAGEMENT & EDUCATION SERVICES	10
CLAIMS MANAGEMENT SERVICES	12
WHAT CLIENTS ARE SAYING	14
PROFITABILITY & SURPLUS	15
FINANCIAL STATEMENTS	16
COMMUNITY SUPPORT	18
MPIE PARTNERSHIPS	19

Strategy, Results & PURPOSE

MPIE is focused on executing the strategic plan set by the Board of Directors, delivering results and reinforcing our purpose. In relation to strategy, MPIE continues to perform very well and is able to serve our subscribers from a strong position. The top three strategic goals and initial results include:

1. **Growth** - The purpose of growth is to assist MPIE with long-term sustainability from a position of strength. Growth has included adding clients in additional territories in Michigan; increasing both subscriber base and premium.

Results include:

- **Increasing client base and premium by 20%.**

2. **Infrastructure** - The focus on infrastructure is to provide a framework for delivering best practices and to position for future opportunities to serve MPIE clients. Infrastructure efforts have included a focus on technology, talent and excellence in customer service.

Results include:

- **Progressing on the implementation of a fully integrated technology system with advanced analytics to drive down risk/enhance patient safety and aid in identifying key areas that contribute to patient satisfaction.**
- **Adding several talent additions, especially in relation to building an experienced and sophisticated claims management team with a mixture of clinical expertise and in-house attorneys.**
- **Achieving a 98% client satisfaction rate with MPIE services. Excellence in service is a core value and focus by all team members every day. We continue to enhance our process to ensure rapid response, high level expertise and the best protection for MPIE clients.**

3. **Strong Balance Sheet** - The purpose of ensuring a strong balance sheet is to maintain competitive rates and long-term sustainability. MPIE strives to collect just enough premium to cover losses and operate the company. Profit after paying losses

and operational expenses are returned to subscribers. A primary strategic goal was to obtain another AM Best rating upgrade.

Results include:

- **Maintaining a strong balance sheet, while returning profits to premium paying subscribers and keeping rates competitive.**
- **Achieving an AM Best upgrade to A- with AM Best indicating the following: MPIE has "excellent risk-adjusted capitalization, historically profitable operating performance, stable loss reserving trends, and expertise in a niche market. Supporting these results included the growing level of enterprise risk management and the execution of the proactive strategic initiatives to enhance MPIE's business profile."**

EXCELLENCE IN SERVICE

MPIE's focus on excellence in service and delivering value to our clients also includes:

Returning profits to subscribers:

- \$71 million has been placed in subscriber savings accounts since inception of the company.
- Profits have been allocated to subscriber savings accounts (SSA) every year since inception, with the highest individual pay out of an SSA at nearly \$420,000.
- Profits are returned without any retribution (such as policy termination).

Expert claims management:

- Trial results are consistent with national benchmarks for defense verdicts, prevailing over 80% of the time.
- The Early Resolution Program continues to abate litigation against our clients, assisting in maintaining provider/patient relationships, enhancing patient satisfaction and preventing financial loss.
- Consent to settle is a client's right. MPIE aggressively defends the practice of good medicine and respects a provider's right to determine resolution.
- Litigation stress management is a core component of the MPIE claims management process and our investment in our subscribers' well-being.

Risk management and patient safety:

- MPIE allocates a higher percentage of premium dollars towards risk management and patient safety than most all other insurance companies.
- Over 80% of clients indicate changing practice related to MPIE risk management efforts.
- Top national risk management and patient safety experts provide guidance and consultation to subscribers.
- Medication safety was a focus in 2015 and was supported by the Institute for Safe Medication Practices.

2016 - LOOKING AHEAD

MPIE's future includes:

- Supporting clients as they prepare for the new healthcare delivery and compensation models, specifically with a focus on value and quality.
- Supporting analytical approaches to assist providers in improving clinical outcomes and reducing the frequency of professional liability claims.
- Further expansion of an education center and consulting resources.

MPIE PURPOSE

The question of purpose is one that companies often revisit. When MPIE thinks of purpose, we think the following:

MPIE's purpose is to align with our subscribers in a manner that allows them to pursue their missions and goals with confidence. **What we do** is provide insurance and exceptional services; allowing our clients to transfer risk, but most importantly helping them to prevent risk and assisting them in enhancing patient safety. **How we do this is our purpose:** to protect clients from loss and damage, to be the very best at customer service and to contribute to positive patient outcomes.

The MPIE team is focused on this purpose every day; it is what inspires us to serve you to the very best of our ability.



MICHELLE HOPPES, RN,
MS, AHRMQR, DFASHRM
President



DONALD JONES, DO
Chairman of the Board



*Every year of operation
has produced net income*



*Profits have been returned
to insureds through SSAs*

\$71

M I L L I O N

has been placed in SSAs

\$41

M I L L I O N

*has been paid out to
insureds from these SSAs*

2,067

*physicians insured
by MPIE in 2015*

20

*hospital campuses
are insured by MPIE*

Governance & VALUES

MPIE is governed by insured physicians and hospitals (subscribers). Governance and leadership provided by subscribers keep us focused on meeting the needs of our customers. As a subscriber governed company, MPIE focuses on understanding and meeting your needs and concerns because it shares your values. MPIE's Board of Directors, which is comprised of physicians and healthcare management executives, provide unparalleled expertise to MPIE. Additional physicians and healthcare risk managers make significant contributions by serving on MPIE committees. Together, they help us focus our efforts on customer service, risk management education, patient safety initiatives, competitive premium rates, financial stability, return of profit to the insureds and vigorous defense of the appropriate practice of medicine.

The MPIE Board of Directors believe, and 27 successful years validate, that the business plan of insuring hospitals and medical staff physicians is the most efficient model for providing medical professional liability insurance. The model properly aligns motivations, which reduces costs and aids in returning financial rewards to our subscribers. Administrative costs to operate the company are equal to or lower than other comparable medical professional liability companies.

BOARD *of* DIRECTORS



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*Chairman of the Board
Anesthesiology*



JOHN THROOP, MD
*Vice-Chairman of the Board
Emergency Medicine*



TERRENCE ENDRES, MD
Orthopedic Surgery



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*Health System
General Counsel*



JOSEPH JUNEWICK, MD
Radiology



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*Mental Health Services
Chief Financial Officer*



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Health System
 SVP, Chief Financial Officer



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Pediatrics



SAMUEL LOGAN, MD
Surgeon



A. ROBERT VAN TUINEN, MD
Chairman of Nominating Committee
Internal Medicine



KIMBERLY MCCOY, RN
Health System
 VP, Chief Risk Officer



SHELLEYE YAKLIN
Health System
 Chief Executive Officer

COMMITTEES

EXECUTIVE COMMITTEE

Donald Jones, DO
Committee Chair
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 Ron Knaus
 John Throop, MD
 A. Robert Van Tuinen, MD

FINANCE COMMITTEE

Ralph Rogers, MD
Committee Chair
 Terrence Endres, MD
 Jill Ferris
 Paul Karsten
 John Throop, MD

RISK ASSESSMENT/ CLAIMS ADMINISTRATION COMMITTEE

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Committee Chair
 Terrence Endres, MD
 Jackie Hansen, RN
 Sam Logan, MD
 Michael Jabara, MD
 Joseph Junewick, MD
 Van Maas
 M. Ashraf Mansour, MD
 Mary Ann Pater, RN, JD
 John Throop, MD
 A. Robert Van Tuinen, MD
 Michael Werkema, MD

NOMINATING COMMITTEE

A. Robert Van Tuinen, MD
Committee Chair
 Donald Jones, DO
 Joseph Junewick, MD
 Ron Knaus
 Kimberly McCoy, RN

MICHIGAN PROFESSIONAL EXCHANGE SERVICES BOARD OF DIRECTORS

John Koetsier, MD
Chairman of the Board
 Joseph Junewick, MD
 Ron Knaus
 John Throop, MD
 A. Robert Van Tuinen, MD
 Shelleye Yaklin

AM Best Rating UPGRADE TO **A-**

AM Best Rating Upgrade

On June 1, 2016, AM Best upgraded MPIE's financial strength rating from B++ (Good) to A- (Excellent). The rating actions reflect MPIE's strong risk-adjusted capitalization, historically profitable operating results, stable loss reserving trends and its expertise in Michigan's medical

professional liability market. Additionally, supportive rating factors include an expansion of MPIE's enterprise risk management programs and underwriting performance that compares favorably with its peer companies.



Risk Management & Patient Safety INCENTIVE PROGRAMS

The MPIE Board of Directors and Management are committed to risk management education for our subscribers. Therefore, MPIE offers several premium discount programs developed for hospital and provider subscribers.

Physician

THE PROVIDER LOSS PREVENTION PROGRAM

This program offers a 15% premium discount to physicians and advanced practice professionals that complete one risk management/patient safety activity annually. Approximately 95% of our insured providers receive this discount and participate in MPIE's risk management reduction activities.

Hospital

THE RISK MANAGEMENT BEST PRACTICES REBATE PROGRAM

This program is designed to encourage continued and ongoing risk mitigation and patient safety educational support for the hospital risk manager and risk management team.

THE HOSPITAL RISK MITIGATION DISCOUNT PROGRAM

This program is designed to recognize the hospital's overall participation and performance on national and state level patient safety, quality measurements, and initiatives. The program is heavily focused on outcome measurements either reported publicly or within the institution.



Risk Management & EDUCATION SERVICES

MPIE offers a variety of risk management and educational services designed to promote risk reduction, improve patient care, quality, and enhance patient safety. These services are provided for hospital risk managers, physicians, practice managers, and physician office staff members.

Risk Reduction

RISK MANAGEMENT HOTLINE

Risk management experts available for real-time questions and assistance.

AMBULATORY RISK REDUCTION

MPIE provides proactive self-assessment tools and toolkits to improve patient safety practices in the ambulatory setting. These tools are interactive and available on the MPIE website.

CLINICAL COLLABORATIVE

One high-risk clinical area or practice collaborative assessment is provided to our healthcare organizations annually. Selection of a collaborative focus area is done with organization risk manager input, claim trends, and national data. The collaborative experience is a way for MPIE member organizations to share best practices, network, and learn from one another. MPIE partners with top experts in the risk and patient safety industry in order to bring the most current and cutting edge knowledge to our members.

RISK MANAGEMENT/PATIENT SAFETY CONSULTING SERVICES

Services may range from critical event investigation support and root cause analysis to interim staffing support.

Resources

MEMBERS ONLY SECTION OF WEBSITE

A members section of our website at mpie.org allows access to many resources including:

- Physician Office Risk Management Manual
- Quality Improvement Manual
- Ambulatory care safety assessment and tool kits
- Answers to commonly asked questions
- Current and archived FACETS Newsletters
- Early Resolution Program materials
- Litigation Stress Support Program information
- Recorded risk management webinars and live presentations
- A schedule of upcoming events and links to online educational partner programs
- Quick links to authoritative websites, sample documents, and tools

RISK MANAGER'S LIBRARY

Risk managers have access to MPIE resources through a loan and sharing program.

Education

LIVE

Several times throughout the year MPIE partners with national and local presenters to offer educational live seminars on topics of risk reduction, patient safety, and quality of care practices.

WEBINARS

We also provide a number of risk management webinars in both live and recorded formats. Webinar content is specifically developed based on subscriber feedback and in response to claims data trends.

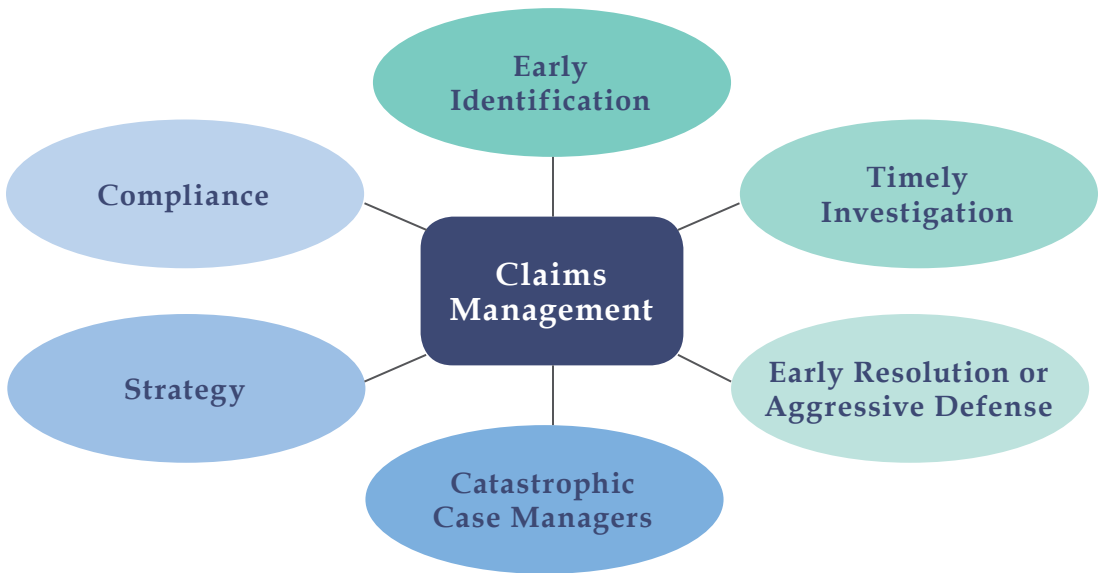
ONLINE

MPIE offers high quality, cutting edge education in an online, self-paced and on-demand format to better fit the busy lives of our subscribers.

EDUCATIONAL TOPICS

- Medical Malpractice: A Hotbed of Litigation
- New Risks for Physicians Prescribing Narcotic Pain Medication
- Catastrophic and Complex Events and Claims Management
- E-Discovery and EMRs
- Closed Claims Reviews
- Cyber Liability
- Minor Consent
- Operating Room Safety
- And many more!





Claims Management SERVICES

Protecting your reputation and financial stability is our priority. Our approach to claims and litigation management is collaborative. The key to this support is early identification and reporting. Our goal is to provide value through expert claims management including timely resolution for those issues that we manage.

Common Defense

DEFENDING THE PHYSICIAN AND HOSPITAL

Few things in a healthcare provider’s professional life generate more stress and disruption than an allegation of medical malpractice. The best approach to help alleviate the stress and anxiety that accompanies a malpractice claim is a strong defense and at MPIE that starts with effective claims management. Our experienced claims management team starts out with a prompt review of the claim and a rapid response to assist our clients in understanding the process and our support.

MPIE has relationships with attorneys who are experienced and experts in the field of medical malpractice defense. If the standard of care was met, we vigorously defend the physician and healthcare facility. Together, we also support fair and timely compensation when the facts of the case support resolution.

MPIE and the attorney assigned for you will work closely with you or a representative of the hospital to explain and discuss the options and course of action as the case matures. The MPIE team includes in-house legal and clinical experts to support the claims management approach and we provide experienced defense counsel to work on your behalf.

CLAIMS OUTCOMES

MPIE trial outcomes are consistent with the national average of greater than 80% defense verdicts (PIAA).

Litigation Stress Support

Litigation is a stressful experience for a healthcare provider. Litigation stress support provides the resources needed to understand and cope with the personal and professional stress created by a medical error, a medical professional liability claim, or an adverse outcome that may result, or has resulted in litigation. Referral to professional assistance is available. Participation is voluntary, anonymous, and confidential. All expenses are paid by MPIE.

Early Resolution Program

The Early Resolution Program is a unique MPIE program that prevents litigation and assists in resolving events before claims occur. Hospitals and physicians call MPIE to request our assistance in working directly with patients to prevent litigation and resolve patient issues that could result in litigation.

The program addresses issues related to known, but unexpected, complications associated with medical and surgical care. We focus on preserving the physician-patient relationship, provide support to the physician on how to express empathy to the patient and family, and provide financial support to the patient to deal with expenses related to the complication. The Early Resolution Program addresses the patient's needs in a supportive, non-adversarial manner, which allows the patient to focus on recovery.

The Early Resolution Program further supports and fosters the maintenance of the physician-patient relationship to avoid the often experienced breakdowns that are associated with complications of care and the patient's perceptions regarding that care.

The program is almost 10 years in existence and has been successful in managing hundreds of cases. The response from physicians, patients, and families has been overwhelmingly positive.



What Clients ARE SAYING

"In my many years of working side by side with MPIE, I have been immensely impressed with not only their collaborative approach but also with the thoughtful and responsive nature of their customer service. My colleagues at MPIE quickly respond to my every need and question; **their timely and thorough guidance has helped to foster a strong Risk Management program at my organization and made my job much easier to do!**"

KATHY EARLY, CPHRM
System Risk Manager
Holland Hospital

On behalf of Grand Rapids Women's Health, we want to express our sincere gratitude for all that MPIE has done to support us with a recent patient claim. **MPIE went above and beyond all expectations from the very beginning through very unusual circumstances. We recognize how unlikely that support would have been with any other carrier and we are so appreciative of your actions and protection.** The attorney assigned by MPIE surpassed all of our expectations with his professionalism, passion and knowledge. With much gratitude, we will remember MPIE's support and hard work to give us a victory. Thank you so much!!"

DAWN CARPENTER, CPC, ACS-OR, CMPE
Administrator, Grand Rapids Women's Health

"It has been a pleasure to work with MPIE staff and receive your assistance when issues have arisen for our staff around our clinic network. **Your responses to our requests are always prompt and professional and you've been particularly helpful in providing attorney intervention for our clinicians when requested.** We greatly value our relationship with MPIE and look forward to your continued support of our staff.

TOM GRAHAM, LMSW, LLP.
Clinical Director
Pine Rest Professional Practice Group

"Michigan Professional Insurance Exchange (MPIE) is a great partner in managing risk across a large complex integrated delivery system. Their expertise in proactive clinical risk management, reactive claims management, and financial stewardship related to risk management assist their stakeholders in becoming the best they can be. MPIE provides resources that are at the best practice level for all their insureds and stakeholders. They assist in improving day to day operations as well as in times of crisis by providing expertise, connection to national experts, and compassion at reasonable costs. **The level of customer service MPIE provides is second to none. Thank you for partnering with Spectrum Health to improve the safety and care we provide to our communities.**"

KIM MCCOY, RN, BSN, MSA, HRM
CPHRM, FASHRM, CHC
Vice President, Chief Risk/Compliance Officer
Spectrum Health

Profitability & SURPLUS

Strong Surplus

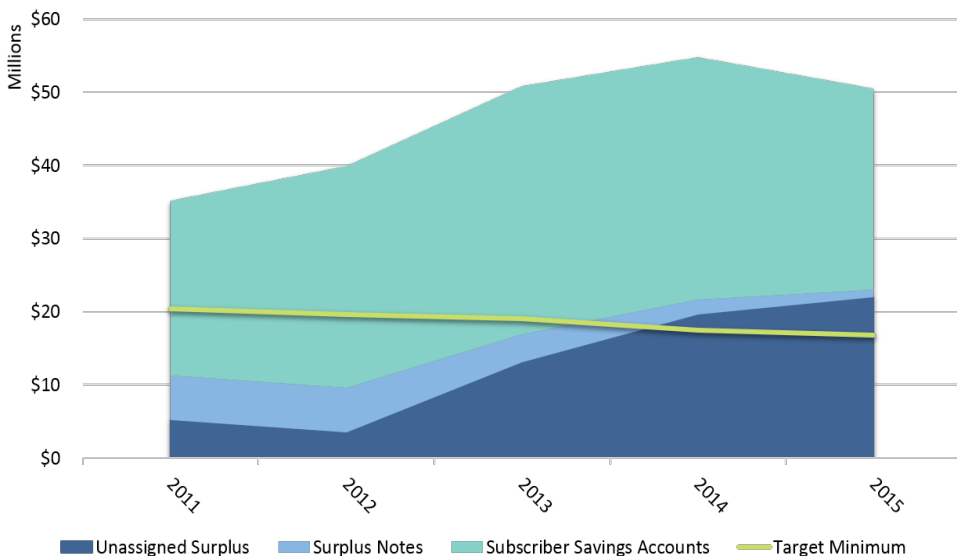
The MPIE Board of Directors is pleased to report another profitable year for our subscribers. The Board approved allocating \$2,500,000 of income to Subscriber Savings Accounts (SSAs) for 2015. Of this allocation, \$750,000 was distributed to current subscribers in April 2016. In an effort to keep SSAs relevant to current claim liabilities, allocations made in 2001 through 2003 were also returned to subscribers.

MPIE continues to have a very strong surplus position when compared to other medical professional liability insurance companies. This surplus protects our subscribers from unexpected volatility

in claims experience and provides an opportunity for offering additional products and services to the healthcare community.

A common measure of surplus position is the Risk Based Capital (RBC) ratio. It measures the point at which insurance regulators become concerned about the ability of a company to meet their obligations to policyholders. MPIE's minimum RBC ratio target is 400% or four times the ratio where the State of Michigan could take control of the insurer. MPIE's current RBC ratio is 1203%, which indicates its surplus is very strong. This is a stronger position than all of the competing medical professional liability insurers in Michigan.

POLICYHOLDERS' SURPLUS



Financial STATEMENTS

BALANCE SHEETS (Statutory Basis)

DECEMBER 31

2015

2014

Admitted Assets		
Cash and short-term investments	\$ 2,420,367	\$ 11,125,532
Long-term invested assets	93,170,061	92,501,844
Other assets	3,356,197	2,993,769
TOTAL ADMITTED ASSETS	\$ 98,946,625	\$ 106,621,145
Liabilities and Policyholders' Surplus		
Reserves for unpaid losses and loss adjustment expenses	\$ 37,653,331	\$ 37,758,505
Reserve for unearned premiums	4,825,464	4,530,474
Deposit premiums held	2,042,624	6,222,569
Other liabilities	3,929,945	3,336,508
TOTAL LIABILITIES	48,451,364	51,848,056
Policyholders' Surplus		
Subscriber savings accounts	27,505,010	33,106,491
Surplus note with accrued interest	1,000,000	2,000,000
Unappropriated surplus	21,990,251	19,666,598
TOTAL POLICYHOLDERS' SURPLUS	50,495,261	54,773,089
TOTAL LIABILITIES AND POLICYHOLDERS' SURPLUS	\$ 98,946,625	\$ 106,621,145

STATEMENTS OF INCOME (Statutory Basis)

YEAR ENDED DECEMBER 31	2015	2014
Premiums earned	\$ 11,735,145	\$ 11,804,532
Losses and loss adjustment expenses	(8,580,610)	(6,003,169)
Underwriting expenses	(1,611,140)	(2,662,759)
NET UNDERWRITING INCOME	1,534,395	3,138,604
Net investment income earned and realized capital gains and losses (net of tax of \$577,820 in 2014 and \$821,538 in 2013)	3,019,769	3,147,465
Deposit agreement administration and interest	81,835	2,350,869
INCOME BEFORE FEDERAL INCOME TAXES	4,636,000	8,636,938
Federal income taxes	(157,713)	22,776
NET INCOME	\$ 4,478,487	\$ 8,659,714

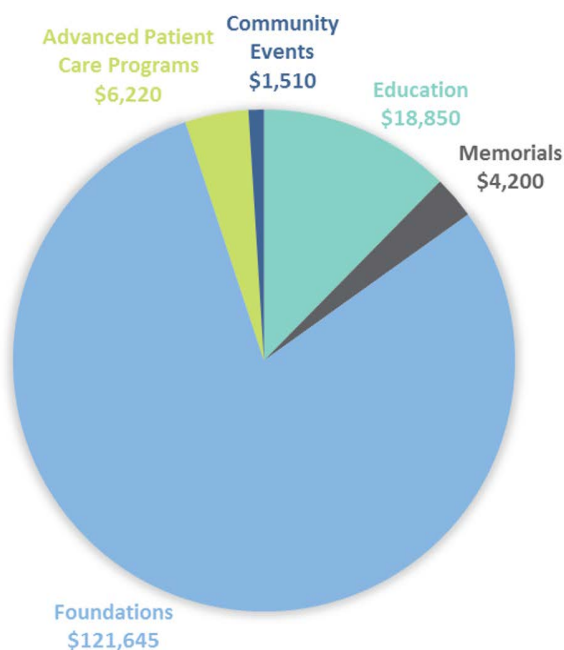
The 2015 and 2014 condensed financial statements have been derived from complete statutory-basis financial statements, which were audited by our independent auditors, Andrews Hooper Pavlik PLC. A complete set of audited financial statements may be obtained upon request. These financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services.

Community SUPPORT

Since 1989, \$41 million of MPIO profits have been returned to hospital and physician subscribers. Profits remain in our own communities, rather than going to anonymous shareholders.

Charitable Donations Since 2005

Type	Amount	Purpose
Education	\$18,850	Sponsor risk management education
Foundations	\$121,645	Health system galas and golf outings
Advanced Patient Care Programs	\$6,220	Pine Rest mother/baby program Helen DeVos Children's Hospital PEWS program
Memorials	\$4,200	Remembering physicians and staff families in times of loss through charitable gifts
Community	\$1,510	Various charity events
Time		Volunteer time for associations, charities, and participation in foundation events



MPIE

Partnerships

Business Partners

ANDREWS HOOPER PAVLIK PLC
Independent Audit and Tax Services

ASSET ALLOCATION &
MANAGEMENT (AAM)
Fixed Income Investment Manager

FIFTH THIRD BANK
Treasury Management and Custody Services

FUND EVALUATION GROUP
Investment Advisory Services

GUY CARPENTER & COMPANY LLC
Physician Reinsurance Broker

NAS INSURANCE
Cyber Insurance Broker

SEDGWICK, INC
Risk Management Services

WARNER NORCROSS & JUDD
Corporate Counsel

WILLIS TOWERS WATSON
Actuarial and Brokerage Services

Defense Partners

AARDEMA WHITELAW PLLC

FOSTER SWIFT

GARAN LUCOW MILLER PC

HACKNEY GROVER HOOVER & BEAN

KITCH ATTORNEYS & COUNSELORS

RHOADES MCKEE PC

SMITH HAUGHEY RICE & ROEGGE



333 Bridge Street NW Suite 810

Grand Rapids MI 49504

616 202 2288

MPIE.ORG