

2020

EMPOWERING MEDICAL EXCELLENCE
IN A PANDEMIC YEAR



Innovation and reinvention inspired by a year like no other.

To paraphrase Charles Dickens, it was the best of times and the worst of times. A virulent nightmare swept across the globe, virtually shutting down our world while taking away over 500,000 American lives. Yet the heroic actions of caregivers and responders—going about their calling of healing and saving lives in the face of mortal danger—was a shining example of courage, humanity, and medicine at its finest. We dedicate this report to all the caregivers we directly support and all healthcare professionals. You'll see many of them in these pages. As one of the nation's leading medical liability providers, their stories are entwined with ours.

Coverys is here to help medical professionals reduce the distractions that come between them and medical excellence, allowing caregivers and administrators to remain focused on the delivery of exceptional care and outcomes. Our report is one of overcoming challenges through reinvention, innovation, and inspiration.

The past year has shown it's time to expect more from a medical liability provider. Coverys' insights on risk have helped us become a market leader. We saw the potential of our deep claims data and analytical tools to unlock value for organizations transitioning to predictive risk processes and to embrace opportunities like value-based care. Our Archway Health partnership means we are one of the few, and maybe the only, medical liability providers to offer a unified combination of data analytics and risk management services.

We saw major growth in Programs and Allied Health, overcoming the year's challenges. Coverys Community Healthcare Foundation pivoted to directly support front-line providers and pressing community issues like food insecurity. We also took an unflinching look at ourselves, embarking on a journey to become a more diverse, equitable, and inclusive organization.

Looking forward, we will continue to grow as a medical liability leader, helping providers and administrators focus on delivering the highest standards of evidence-based medical care. We're proud of everyone at Coverys for meeting the challenges of 2020 with professionalism, determination, and imagination. Thank you for empowering medical excellence when healthcare needed it most.

Very yours truly,



Brenda E. Richardson, MD

Brenda E. Richardson, MD
Chair of the Board



Gregg L. Hanson

Gregg L. Hanson
CEO & President

As part of a planned transition, Gregg Hanson, CEO and President, announced his retirement, effective as of March 31, 2021. Joseph Murphy, COO, will succeed Gregg as CEO and President effective April 1, 2021.

"It has been a pleasure, both personally and professionally, to have worked beside Gregg over the course of my time with Coverys," said Dr. Brenda E. Richardson, Chair of the Board. "The Board and I recognize that under Gregg's leadership, Coverys has grown into the successful international medical professional liability company that it is today. We wish Gregg and his wife, Deb, much happiness in this next phase of their lives."

"Joe came to Coverys with a wealth of knowledge and experience. He has proven to be a great asset as COO, so this was a natural transition and a long-standing part of Coverys' succession planning process. The Board is confident of our continued success with Joe leading Coverys into the next chapter," said Dr. Richardson.



**REINVENTION
NOV
INSPIRATION**



EMBRACING A JOURNEY TOWARD

**DIVERSITY
EQUITY &
INCLUSION**

First Steps

2021 efforts will include:

Developing a multi-year
Roadmap to guide
the DEI path forward

Honoring holidays that
reflect diversity within
the company, our country,
and our world

Growing our talent
pool with DEI in mind,
with appropriate support
and mentorship to
underrepresented
populations

Establishing DEI metrics
to track our progress

As 2020's pandemic took too many lives, another recurrence jarred the American conscience: the persistent racial injustice that factored into the killings of George Floyd, Breonna Taylor, Ahmaud Arbery, and many more. This has been a time of reckoning in workplaces everywhere, including ours, where many recognize the opportunity for action.

To answer the call and determine what could be done to “be the change you wish to see in the world,” a Diversity, Equity, and Inclusion (DEI) advisory council was formed, with José Zorola, Chief Underwriting Officer (CUO), chosen to lead the group. The council sought clarity on how to be more active advocates in our communities and to create safe spaces for conversations across our company.

“All the data shows that the most diverse organizations, those that truly value and include diverse voices, are the most successful,” José said. “Our goal was to engage in candid conversations at all levels to understand ways we can become more diverse, more equitable, and more inclusive.”

With guidance from Leading Culture Solutions, a culture transformation consultancy, the DEI advisory council leveraged the LCS 4L (Listen, Learn, Lean-In, and Live) framework. During the Listen phase, a companywide survey was conducted, along with one-on-one interviews and focus groups to assess employees' thoughts on the current state of DEI. Coverys policies, procedures, and documents were also reviewed through a DEI lens.

Working closely with the Coverys Community Healthcare Foundation, funds were allocated to support DEI efforts, including a \$50,000 grant to the NAACP Legal Defense Fund, with a pledge to continue it for the next four years. We have also informed employees who want to support, through directed donations, organizations serving underrepresented communities.

“Recognizing inequity is not enough. We want to proactively support people trying to realize their individual desired level of achievement—whatever that might be,” said José.

One aspect that resonates internally is the idea of increased diversity of staff at all levels, especially in leadership roles. DEI Project Lead, Ariel Crohn, said that part of the DEI advisory council's role will be to expand engagement and collaboration across all our groups to strengthen the organization overall.

“Increasing collaboration across our diverse businesses, helping employees bring their whole self to work every day. There are many perspectives that can be leveraged and I look forward to us learning how to best accomplish this.” Ariel added. Employee reaction has been extremely positive.

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JOSÉ ZOROLA
CHIEF UNDERWRITING OFFICER

We realize change will not happen overnight—we are committed to the long-term path forward and the benefits to each employee, our company, and our clients. This is just our start. We are committed to embedding DEI into our work moving forward.

REIMAGINING CORPORATE CITIZENSHIP

The Coverys Community Healthcare Foundation (the Foundation) has been making a difference in communities since 2013. The mission is to improve patient care and safety, support healthcare providers and organizations, and promote healthy lifestyles. But the pandemic demanded a faster, more imaginative response in 2020.

The Foundation was about to launch a new Patient Safety Quality Improvement grant program in March when the COVID-19 crisis hit. This introduction was put on hold, with all active project grantees immediately given eight-week extensions.

Mary Ursul, Senior Advisor, drove the Foundation’s approach: “One of the most immediate needs we saw in communities was the struggle with food insecurity.” The Foundation made donations to food banks in communities we serve across both the U.S. and U.K. In total, the Foundation donated over \$800,000 to help.

Donating With Purpose

To help employees support other organizations that were close to their hearts, we enabled directed donations, with the Foundation providing each eligible employee the ability to support local COVID-19 relief efforts. Collectively, directed donations for COVID-19 relief totaled nearly \$250,000.

Employees were also provided with extra volunteer days throughout the year. Many chose to make masks, volunteer at food banks, and make an impact within their communities in other ways.



From 2013-2020, Donna M. Norris, MD, led the Foundation as chair of the Charitable Giving Committee of the Coverys board. Under her leadership, the Foundation has provided charitable contributions and awarded grants to organizations totaling over \$20 million.



Med-IQ COVID-19 Education Collaboration

The Foundation also funded a series of COVID-19 educational courses produced by Med-IQ.

The first phase educated providers and the community on COVID-19 and ways to stay safe, engaging with social media influencers to leverage their platforms and followers. Phase two provided important information on how to prepare, respond, engage, and keep healthy during the crisis with fact-based recommendations for clinicians and consumers.

“Medical professional liability insurance is why the healthcare community thinks of us,” Mary reported. “Most healthcare providers don’t know about our charitable work and that’s OK. It’s simply the right thing to do.”

The Employee Giving Challenge

The Employee Giving Challenge was launched to generate ideas to support front-line healthcare providers. Nearly 100 were received, organized into four critical need areas, then matched with organizations to help address them. The Giving Challenge resulted in \$500,000 in donations to organizations.

| NEEDS | ORGANIZATIONS |
|-------------------------------------------------------------|--------------------------------------------------------------------|
| Masks/PPE for healthcare workers | Get Us PPP Good360® |
| Emotional support for healthcare workers and their families | Schwartz Center for Compassionate Healthcare Good Grief Program |
| Food for healthcare workers and first responders | Off Their Plate Frontline Foods |
| Childcare for healthcare workers and first responders | YMCA |

GROWING A NEW BUSINESS DURING COVID-19

The timing couldn't be worse. And the challenge couldn't be bigger.

Just before a then-unstoppable COVID-19 virus shut down the business world, Coverys was launching its new Program and Allied Health division. A business formerly based on personal relationships, face-to-face contact, and specialty expertise was now facing a world gone remote.

Luckily the immovable object, COVID-19, was facing two irresistible forces: recently hired Valoree Celona, President, Programs and Allied Health, and Dana Obrentz, Vice President, Programs and Allied Health, charged with leading the Program and Allied Health division. Energetic and experienced, they knew the intricacies of specialized programs businesses and a multitude of people in the industry. Even working remotely, they were able to forge a host of new relationships. Program administrators immediately understood that with Valoree and Dana, they were getting far more than a policy to sell—they were getting partners committed to their success.

In programs business, policy administration is handled by a third-party administrator who markets for new business and handles submissions, underwriting, pricing, policy forms, and premiums. But Coverys is responsible for adjusting claims and paying losses that may arise, making it critical to identify and engage program administrators with experience and success. “Each program policy is supported by people who understand the specific class of business and by people who speak their language,” added Dana.

Valoree and Dana set up new contract templates, created standard operating procedures for onboarding new programs and auditing program administrators, as well as instituting overarching divisional guidelines and authority. To complement their growth plan, Coverys built a dedicated program and allied national health claims team with extensive experience working with program administrators and settling claims for a variety of professional liability classes.

This hyper-focused approach to growth is a strategic part of the Coverys evolution into an industry leader, and it's paying off. Introduced in 2019 with \$20 million GWP in business, the Program and Allied Health division ended 2020 with almost \$33 million GWP and are projected to end 2021 with \$56 million in GWP. The business includes chiropractors, dentists, lawyers, podiatrists, and small miscellaneous groups. This growth also contemplated profitable returns for Coverys. “It is strategic growth as well as financially responsible growth,” said Valoree.

The program business is a marriage—a union built on loyalty, trust, respect, and parallel goals.

VALOREE CELONA
PRESIDENT

Thinking Outside the Policy

“I think what makes Coverys special is the ingenuity of the Coverys leadership. Coverys began as a single-state carrier and grew internationally,” said Dana. “Having leadership that sees and places value in businesses outside of traditional thinking reflects that.” “It's just a magical combination, and you rarely find that in this industry,” added Valoree. “Program administrators are experts in the classes they underwrite; many have the endorsement of associations for the specialties they service.”

Dana added, “Ultimately, what the policyholder gains is the comfort of knowing that they are working with a true specialist.”

And the stunning growth of programs during COVID-19 has shown that the program administrators have comfort and confidence in working with Valoree, Dana, and Coverys.

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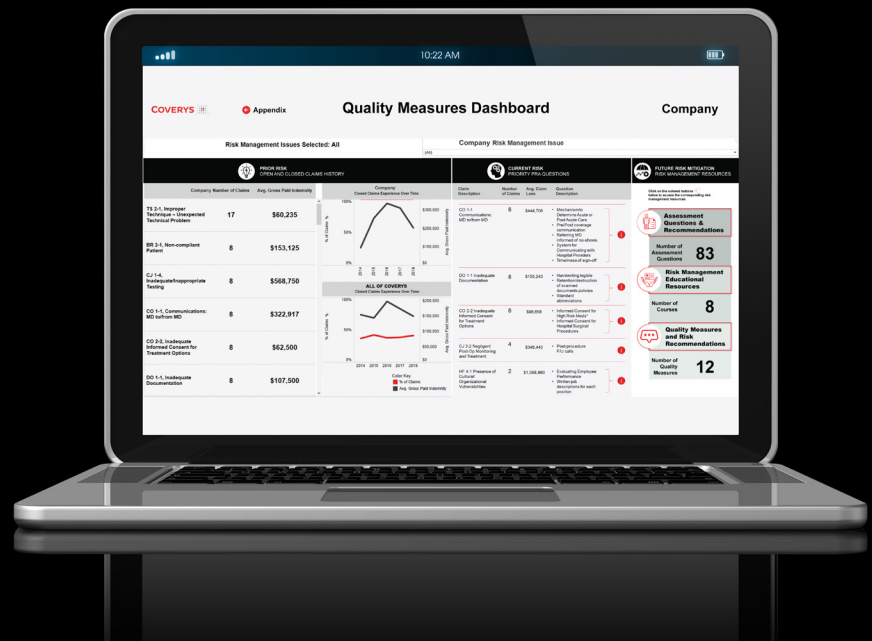
THE POWER OF FUSION

RISK MANAGEMENT JOINS DATA ANALYTICS

Much of our work has been about closing the gap between the past and the future.

AMIT PATEL
DIRECTOR OF ADVANCED ANALYTICS
AND INNOVATION

Dashboard providing real-time capture of potential risk.



Can the learnings of the past be used to predict the future? Let's look at the data. Historically, medical professional liability has been a largely reactive discipline, based on claims experience. In 2020, we unleashed the potential of two key Coverys offerings, risk management and data analytics, combining departments to initiate a quantum leap in the power of both. This combination meant something new and exciting: generating predictive models to optimize approaches to value-based care and guide clinicians to proactively mitigate patient harm.

This alignment began a few years earlier with the build of a comparative benchmarking database. Once fully developed, it began a shift in emphasis within risk management, using data as signals to inform risk assessments, with particular emphasis on contributing factors at the root of high-severity injury malpractice claims.

As Bob Hanscom, Vice President of Risk Management and Analytics put it: "Let's use data-driven evidence to provide insights to clinicians, practices, and hospitals. In other words, this is where you've been at risk in the past and, if these issues remain unaddressed, there is a statistical likelihood that similar situations may recur."

Amit Patel, Director of Advanced Analytics and Innovation, reported, "Much of our work has been about closing the gap between the past and the future." The rollout of the comparative benchmarking database represents the next step in creating a more innovative and proactive approach to risk management. By analyzing open claims as well as historical data, early indicators can be found to help inform future risks.

"Going forward, we're really looking to be arm in arm with our customers," Maryann Small, Senior Director of Risk Analytics, said. "How can we bring together the important lessons from malpractice with other data sources that healthcare sees in greater volume and on a more routine basis?"

With many clients interested in a holistic picture, the Coverys analytics team has introduced a dashboard that provides a real-time capture of potential risk, bridging claims data to assessment data and then to quality measures to create tangible benefits for both patients and health systems.

This merging is also directly aligned with the growth of value-based care, population health, and quality care metrics, as predictive modeling can not only gauge the likelihood of future malpractice exposure but show where those same issues can impact patient outcomes. Now we can examine data from a quality measures perspective and pinpoint specific areas for improvements. The message to providers is a compelling one —by reducing risk, they not only improve patient safety (and their malpractice exposure), but potentially increase their reimbursement.

Our combined Risk Management and Analytics group is actively collaborating with our Archway value-based care team to explore ways both groups can achieve common goals through even greater integration. Given Archway's deeply technical focus on helping providers achieve better outcomes, there is a unique opportunity to add an important dimension to each other's services—improved mitigation of client risk through even more data and systems integration. More proof, as they say, that data wants to be free.

ARCHWAY & COVERYS

A VALUE-BASED COLLABORATION

Currently, less than 20% of Medicare spending is value-based, while the goal of the Centers for Medicare & Medicaid Services (CMS) is 100% of providers participating in value-based contracts by 2025.

Archway Health is a digitally driven value-based care (VBC) company helping providers navigate new approaches to risk and reimbursement while improving patient satisfaction and outcomes. Over the next five years, the traditional fee-for-service payment model faces disruption as health organizations prepare for value-based reimbursement for Medicare patient populations.

With increasing risk transfer from payers to providers, many healthcare organizations are unsure about how best to proceed. Thanks to the combined efforts of Coverys and Archway, our clients are now uniquely positioned to meet the demands of value-based care.

A Match Made in Data


Our collaboration combines Archway's value-based experience and data analytics expertise with Coverys' long history in liability claims underwriting and risk protection to benefit providers and health systems.

"When providers take on risk, it gives them more control in how they deliver care," said David Terry, CEO of Archway Health. "It gives them more revenue to improve care for patients and manage healthcare spend. It puts healthcare decision-making control in the hands of providers who are in the best position to make these decisions. When done well, it can improve outcomes, quality, patient experience, and reduce the total cost of care."

When providers accept downside risk in a VBC alternative payment model, our combined resources can help them optimize their opportunity. "Coverys can underwrite the risk by analyzing spend and performance relative to target benchmarks," said Brian York, Vice President, Value-Based Care, Coverys. "By analyzing claims data, we are confident in our ability to predict performance and provide risk protection services, so providers can enter into these programs with confidence."

Provider Excess Loss

As a continuation of our strategy to support providers, we expanded our product lines to include the Provider Excess Loss (PEL) program in 2020. PEL covers provider groups taking contractual risk from either commercial payors or government entities, covering both high-cost claims as well as an unforeseen volume of claims. These contractual risk agreements cover a broad range of provider groups and can include physician services, hospital services, or global services (both physician and hospital).



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DAVID TERRY
CEO, ARCHWAY HEALTH

A Powerful Differentiator

The Coverys and Archway collaboration adds value to our broker network as well, helping expand broker prospecting through a wider suite of care management and risk financing products. Our industry-leading analytics services can help them optimize risk and help employers better understand the new opportunities they have to improve care, patient satisfaction, and medical outcomes.



The Coverys and Archway Health Collaboration

**VALUE-BASED
CARE EXPERTISE**

**PREDICTIVE RISK
MODELING**

**ADVANCED DATA
& ANALYTICS**

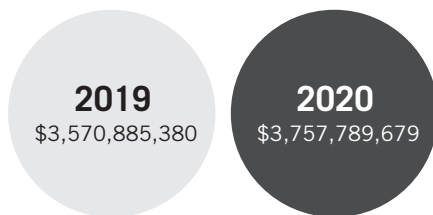
**RISK MITIGATION &
REIMBURSEMENT OPTIMIZATION**

**DEEP CLAIMS &
UNDERWRITING EXPERIENCE**

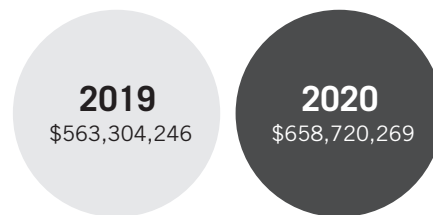
2020 Annual Report Financial Highlights Summary

Financial highlights as of December 31, 2019 and 2020 for all Coverys group insurance companies, including affiliated companies (Coverys RRG and Preferred Professional RRG).

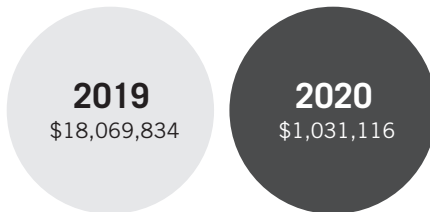
TOTAL ASSETS



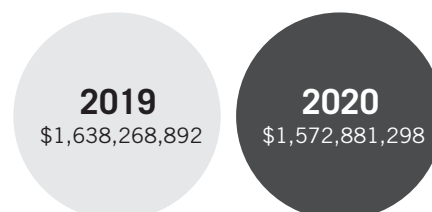
DIRECT WRITTEN PREMIUM



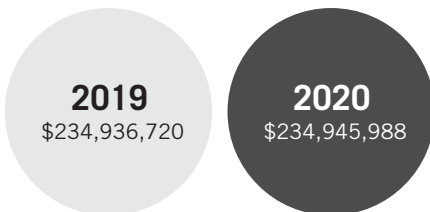
NET INCOME



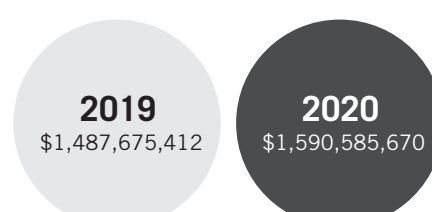
POLICYHOLDER SURPLUS



CLAIMS PAID (NET)



CLAIMS RESERVES (NET)



Governance & Leadership

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**Medical Professional Mutual Insurance Company (Coverys)*

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Chief Financial Officer

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James O. Walters
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Valoree Celona
President, Programs & Allied Health

Dana Obrentz
Vice President, Programs & Allied Health

Robin E. McCoy
President, Coverys Managing Agency Limited

Steven Spano
Chief Executive Officer of Coverys European Holdings

Scott E. Weber
President, Med-IQ, Inc.

