

PARTNERSHIP PROVIDER PROTECTION PATIENT SAFETY

2019-2020 ANNUAL REPORT



MPIE provides the best in risk and patient safety education, vigorous defense of the appropriate practice of medicine, and competitive premium rates for medical liability insurance.

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MESSAGE FROM OUR PRESIDENT AND CEO



MICHELLE HOPPES
RN, MS, AHRMQR, DFASHRM
PRESIDENT & CEO

Innovating, diversifying and creating—MPIE shows positive outcomes.

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Throughout 2019 and into 2020, MPIE focused on innovation, diversification and creation. This focus resulted in positive outcomes for MPIE, our insureds, partners, and patients in the communities we serve. We approached the COVID-19 challenge with the same focus—moving the organization to embrace virtual technology, a remote working environment, and virtual approaches to client support.

MPIE is a flexible organization able to accommodate change with success. A quick response to the changing business needs during this time resulted in a smooth transition in customer service. We will continue to monitor developments that affect our clients, and the industry as a whole, and adapt as needed.

ACHIEVEMENTS

The annual report highlights our 2019 achievements and overviews several 2020 initiatives that have proven to be pivotal to our success. These achievements and initiatives allowed MPIE to excel in this new environment. Specifically, MPIE accomplished several goals in our core areas of risk management & patient safety, retention & growth, claims, and diversification & expansion:

RISK MANAGEMENT & PATIENT SAFETY

- › OB Advisory Committee published several guidelines to aid in best practices and supported the development of the MPIE Perinatal Safety Program

- › ED Advisory Committee developed with strong membership and a vision focused on risk reduction and outcomes improvement
- › Development of an automated/online risk assessment tool to aid in outreach, benchmarking and using analytics to support measurement and improvement
- › Specialty-focused education and newsletters
- › Developed a white paper to guide peer/professional review in the practice setting
- › Developed an analytical claims taxonomy to identify lessons and provide data-driven insights for risk reduction and patient safety
- › Returned a greater allocation of profits through the safety award to 85% of our clients

CLAIMS

MPIE's claim philosophy and approach works and the results are the proof:

- › 77% of claims are closed with no loss payment
- › 20% of all claims are reported as GAPP/ERP (giving assistance to patients/early resolution program). This nationally recognized approach aids providers in helping patients after an unexpected outcome avoiding litigation
- › 100% client satisfaction with MPIE's claims support and claims management philosophy
- › MPIE closed with loss payment rate is 34% lower than national benchmarks

RETENTION & GROWTH

- › MPIE retained 99% of clients
- › New business premium doubled in 2019 compared to 2018
- › Increased agent and broker relationships throughout Michigan and Ohio

DIVERSIFICATION & EXPANSION

- › Diversification in coverage and products with access to higher limits of coverage for MPIE clients
- › Expansion into Ohio in 2019 and plans to pursue admission into other border states in 2020/2021
- › Addition of FSG Agency partnership to provide MPIE insureds with access to all types of insurance solutions for independent physician practices and large groups

The above-mentioned highlights illustrate MPIE's continued commitment to provide value beyond coverage. We do this through expert and reliable service, by returning profits and relentlessly defending our clients' good practice of medicine. The MPIE strategy continues to focus on retention and growth as well as leading edge solutions including diversification, excellence in customer service and financial strength.

Moving forward, additional goals and strategies in 2020 include further digital transformation, supporting the integrated virtual health applications, digital therapeutics and remote care. It is a privilege to serve MPIE and our clients.



RN, MS, AHRMQR, DFASHRM
PRESIDENT & CEO

MPIE's claim philosophy is rooted in early resolution and assistance to avoid unnecessary litigation and the vigorous defense of claims that have met the standard of care. The outstanding results of this philosophy are illustrated in our claims highlights.

There are several reasons why
MPIE is expanding:



MESSAGE FROM OUR **EVP** **AND CFO**



KATIE PETERSON
**EXECUTIVE VICE PRESIDENT &
CHIEF FINANCIAL OFFICER**

One year ago, I emphasized our strong financial standing, which positions us for continued growth. In 2019, MPIE executed its strategy for growth. These strategies included:

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- › Expanding our coverage territory in Michigan;
- › Becoming an admitted insurer in Ohio, which will allow us to see growth in a key state;
- › Increasing our consulting services; and
- › Finalizing a strategic partnership to offer additional capacity for excess MPL coverage.

Despite continued headwinds in the MPL insurance market, MPIE continues to move forward.

To achieve this growth, MPIE focused on continuous development of our culture while executing a strong talent acquisition plan. These goals feed our ongoing cycle to innovate on behalf of our client base, while attracting innovative thinkers.

MPIE operates in an environment where all of the key players have financial strength. Nonetheless, we have consistently demonstrated the agility and creativity necessary to leverage our three core strengths:

- › Customer service excellence
- › Talent acquisition and development, and
- › Financial strength

While this aggressive plan has ensured that we can successfully compete, we must deliver more, and we do. Our customer satisfaction remains extremely high, with 96% of our clients expressing satisfaction with our offerings, resulting in a 99% retention rate during 2019.

MPIE's AM Best rating of A- has been affirmed for another year, based not only on our strong balance sheet, but also on our enterprise risk management and sound execution of our strategy.

In addition to the excess insurance strategy, we expanded consulting services to healthcare clients across the country, leveraging the risk management talent we have on the MPIE team. And to expand our geographic reach, we're developing relationships in Ohio as well as untapped markets in Michigan.

MPIE continues to see tremendous opportunity—not obstacles—in our ever-changing healthcare environment. So, while we may not have a say in what those obstacles will be, we have confidence in our team's agility and innovation to meet or exceed our expectations for 2020.

VOLUME/GROWTH

Year	Direct Premium Written
2014	\$12,982
2015	\$13,923
2016	\$16,667
2017	\$18,977
2018	\$20,309
2019	\$23,393

KEY FINANCIAL INDICATORS

	MPIE	MPL Comparison
Expense Ratio	10%	23.40%
Combined Ratio	107%	107.60%
Operating Ratio	92%	86.30%
Growth	8%	3.60%

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INDICATOR GLOSSARY

Expense Ratio: (Net Underwriting Expenses/Net Written Premium) The percentage of a company's net premium that went toward underwriting expense, such as commissions, salaries, employee benefits, etc.

Combined Ratio: (Loss and LAE Ratio + Underwriting Expense Ratio + Policyholder Dividend Ratio) Measures the company's overall underwriting profitability. A combined ratio of less than 100% indicates the company has reported an underwriting profit. A ratio above 100% indicates an underwriting loss.

Operating Ratio: (Combined Ratio—Investment Income Ratio) The operating ratio measures a company's overall profitability from underwriting and investment income. Realized and unrealized gains and losses are excluded from this calculation. A ratio above 100% indicates a company is incurring more claims and underwriting expenses than it is receiving from premiums & investment income. Conversely, a ratio below 100% implies that a company is making money for every dollar in earned premium and investment income.

Net Written Premium Growth: Annual % change in net written premium. The normal range for this ratio is 3% to 10%

ONE PLACE FOR ALL YOUR **INSURANCE NEEDS.**

We are committed to offering our clients the services they need when they need them, and with the best customer service. With that in mind, in 2019, MPIE researched and chose Financial Service Group (FSG) to offer further insurance solutions for clients. This partnership provides insurance options in the following areas:

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PROPERTY/CASUALTY INSURANCE

- › Business Owners Insurance/Property Liability/General Liability
- › Cyber Liability/Data Breach Insurance
- › Errors & Omissions (E&O)
- › Directors and Officers Liability Insurance (D&O)
- › Umbrella (Supplement to General Liability)
- › Employment Practices
- › Fiduciary Liability
- › Fidelity Bonds (ERISA)
- › Homeowners
- › Automobile
- › Personal Umbrella

WORKERS' COMPENSATION HEALTH AND DENTAL

- › Group Health Plans
- › Group Dental Plans
- › Group Vision
- › Group Disability Employee Benefit Compliance
- › ACA/ERISA Compliance Disability Insurance
- › Disability Income
- › Disability Overhead Expense
- › Disability Retirement Security Life Insurance
- › Term Life Insurance
- › Variable Life Insurance
- › Whole Life Insurance
- › Universal Life Insurance

INVESTMENT AND RETIREMENT PLANNING

- › Qualified Retirement Plans
- › Simplified Employee Pension
- › 401(k)
- › Traditional and Roth IRAs
- › 529 College Savings
- › Practice Continuation Planning

PAYROLL SERVICES

PROFESSIONAL EMPLOYER ORGANIZATION (PEO) OPTIONS

*Securities and Investment Advisory Services offered through Woodbury Financial Services, Inc., Member FINRA, SIPC and Registered Investment Adviser. Financial Service Group and Woodbury Financial Services, Inc. are not affiliated entities.

TAXONOMY AND DATA ANALYTICS

Big data and analytics have become an important tool to derive meaningful insights to make timely decisions and reduce risk. In 2019, MPIE completed a proprietary claims taxonomy to focus on the “why” of the claim, the “what” in relation to standard of care as well as effectiveness of mitigation. Claims are coded upon receipt and at various stages during the life of a claim and upon closure.

MPIE’s taxonomy aids healthcare clients in determining why patients are harmed and how to prevent it. Learning the specific factors that contribute to harm and the ensuing claims enables providers and leaders to make informed patient safety decisions. The taxonomy aids in identifying both individual practice and system causes for the

alleged medical error. The insight provides direction and lessons learned to drive risk management and patient safety initiatives. We believe innovation and data benefit clients and are continuously improving to provide clients with the most accurate and useful metrics.

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TAXONOMY COMMON TREND (OB)

Many OB claims include patients with a high BMI, diabetes or gestational diabetes

HIGH SEVERITY CLAIMS INCLUDE

Failure to diagnose stroke, myocardial infarction, infections, sepsis and cancer (lung and breast)

TAXONOMY COMMON TREND (ED)

Many ED claims involve allegations of failure to diagnose related to judgement issues involving diagnostic testing

TOP CONTRIBUTING FACTORS IN CLAIMS

Communication
Clinical judgement
Documentation

The addition of a client portal allows direct access to assessment creation.

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DIGITAL TRANSFORMATION AND INNOVATION IN RISK MANAGEMENT

›09 MPIE’s digital transformation strategy has resulted in technology advancements. The development of several customized and automated clinical high-risk patient safety assessments has enhanced MPIE clients’ ability to self-access assessment reports, action plans and resources. Clients are also able to produce dashboard reports and access benchmarking capabilities.

There are several benefits to new client technology:

- › The assessment process is automated and supports virtual interviews, virtual medical record reviews, and virtual tours.
- › The automated assessment process is a hybrid of consultant-guided and client self-guided response capture.
- › The project management functions are embedded into the automated software and have resulted in a streamlined, time-efficient, and enhanced process for the client.
- › The new platform enables the risk experts to quickly update the assessment criteria as soon as best practices or standards of care change, ensuring the assessment criteria are always leading edge.
- › The addition of a client portal allows direct client access to their assessment results where they may view their assessment scores by topic and area.
- › Client portal functionality allows clients to update their progress on recommendations, submit documentation of progress, and access resources from their assessment reports.
- › The client has access to a dashboard where they can view a snapshot of the findings from their assessment(s) and allow large systems a benchmarking capability against multiple locations. Reports for benchmarking across and against like-sized systems, departments, and offices are a planned future build-out.



2020 COVID-19 RESPONSE

MPIE risk management and underwriting quickly transitioned services in response to the developing COVID-19 pandemic. These changes allowed a seamless continuation of support for the needs of our insureds.

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Our team worked to transition all live education to online events, adding multiple sessions allowing for greater flexibility and opportunity for participants. We modified assessment procedures to allow virtual participation. We also maintained the ability to rapidly respond to questions from the Risk Hotline.

In addition, our team significantly increased the number of e-alerts to cover the current events, and newsletter content was modified to include relevant COVID-19 risk management content.

MPIE IS **SUPPORTING OUR CLIENTS:**

- › Coverage added for Telemedicine at no additional charge
- › Allowing policy suspensions and decrease in hours that saved clients premium
- › Establishing premium payment grace periods and payment plans to alleviate stress and concern for coverage loss
- › Expanding the services available under the Physician Resilience Program to address the pandemic effects on providers

COVID-19 RELATED **E-ALERTS**

- › ACOG Obstetrical and Gynecological FAQs
- › Business Continuity During a Pandemic
- › OB Anesthesia Care Related to COVID-19
- › MPIE Supporting Healthcare—Building Resilience
- › MPIE Supports Telemedicine During COVID-19
- › OB COVID-19 Algorithm
- › Michigan Announces Presumptive Cases of COVID-19
- › OB Focused Care E-Alert on COVID-19

RISK MANAGEMENT/ EDUCATION

Our staff listens carefully and incorporates advisor input when developing educational supplements.



PARTNERING WITH OUR CLIENTS

- › **11** Whether through education, communication, or service, MPIE is here to support our clients. It's all about building relationships and walking beside our clients as their partner.

We pride ourselves on our personalized service. Clients know if they need us, we're here to support them. One major area of support is risk management education. We are continually updating our programs based on client feedback and the input of our risk management committees. Our educational focus is on prevention of errors, teaching from the lessons learned in claims and proven patient safety initiatives.

EDUCATIONAL PROGRAMS

- › Choosing Resilience: The Key to Thriving Through Change
- › Scope of Pain: Safe & Competent Opioid Prescribing
- › Closed Claim Review: Chest Pain Management in Outpatient Settings
- › Disclosure of Unanticipated Events
- › Documentation: The Devil is in the Details
- › Office Practice Risk Management
- › Addressing Diagnostic Error

PUBLICATIONS

- › Newsletters: 4 FACETS Newsletters and 1 Radiology Specialty Specific Newsletter
- › E-Alerts: 30 Created/Delivered

MOST POPULAR MPIE DEVELOPED PROGRAMS

- › Interactive Closed Claims Reviews
- › Shoulder Dystocia Communication Model Training Video Series
- › Chest Pain Identification in Primary Care: How to Spot Dangerous Conditions
- › Medical Assistant Liability
- › Disclosure, Apology and the CANDOR Process
- › Emergency Medicine: Retained Foreign Bodies and Tendon Injury Identification, Compartment Syndrome

ONLINE/ON DEMAND

Specialty specific courses for ED, OB, Ortho/Surgery & Anesthesia:

- › Cognitive Errors in Medicine
- › Prevention of Medical Errors
- › Preventing and Addressing Conflict in the Office Practice
- › The Importance of Practicing Empathy in Healthcare
- › Appreciating the Risk of Sepsis
- › Achieving Population Health through Behavioral Health Integration
- › Using Informed Consent and Advance Directives to Improve the Physician/Patient Relationship and Mitigate Loss

RISK MANAGEMENT COMMITTEES

We have 31 advisors working with MPIE to improve patient safety and risk reduction. Our Risk Assessment, ED Advisory and OB Advisory Committees consist of physicians, nursing leaders, risk managers, administrators, office practice managers, and claims managers. Advisors meet on a regular basis to provide insight, feedback and expertise on the risk management and patient safety issues facing their specific specialties or individual entities.

MPIE risk staff listens carefully to our advisors and incorporates their input when considering and creating supportive materials and educational programming for all our insureds.



ERC Risk Solutions, LLC (ERC) is a subsidiary of MPIE and dedicated to making healthcare safer and more efficient. Our staff members are industry experts that specialize in helping organizations thrive in the current healthcare environment. ERC provides leading edge support services and premier education experiences that are designed to meet the needs of healthcare delivery organizations, physician groups and practices, as well as, risk control/insurance organizations. Following are some of ERC's 2019 - 2020 services and initiatives:

CUTTING EDGE RISK MANAGEMENT INITIATIVES

- › Enterprise Risk Management Teaching and Implementation
- › Gap Analysis and Development of an Early Resolution Program
- › Most popular requested service: Snapshot Critical Area Assessments—ED, OB, OR

ENGAGEMENTS/SERVICES

- › Development of Risk Management Programs for captive organizations
- › Clinical Risk Assessments: OB, ED, OR, Neurosurgery, Cardiology, Pediatrics, Urgent Care, Physician Practices, Behavioral Health, EMS Services
- › Risk Management Program Assessments and Staffing Ratio Analysis

- › ERM: Gap Analysis
- › Claims trend data analysis and risk reduction treatment strategy implementation
- › Root Cause Analysis train the trainer education and facilitation
- › Interim Risk Management Staffing and Candidate Skills Evaluation
- › Risk Manager Mentor/Coaching Program
- › Medical Record Documentation Audit

Data Analytics: Claims data and national best practices are used to design Risk Management/ Patient Safety Support Services. Focusing on medical malpractice reduction and eliminating preventable harm.

Executive Coaching: Short-term and long-term coaching of front-line teams and executive management. Coaching leads to peak success, builds internal champions and timely execution.

Reporting and Action: Assessments are designed to aid in identifying the urgent priority one opportunities. Action plans aid in organization and accountability.

Resources: Template guidelines, procedures, audits, best practice references, publications supporting rationale.

MEASUREMENT

- › Benchmarking and competitive results
- › Dashboards—massive improvements, see RESULTS!

MPIE Advantage: MPIE insureds have priority access to ERC Risk Solutions Services and can customize the insurance Risk Management program with ERC offerings.



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LORI **SMITH**
SVP, CORPORATE TREASURY
OFFICER



SHELLEYE **YAKLIN**
HEALTH SYSTEM CEO

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BOARD OF DIRECTORS

MPIE's distinguished group of board members are passionate about protecting, defending, and rewarding the practice of good medicine. Our Board of Directors is comprised of physicians and healthcare management executives who bring a diverse set of professional experience and expertise to the governance of MPIE. Additional physicians and risk managers make significant contributions by serving on MPIE committees.



COMMUNITY SUPPORT

\$83M

\$83 million of MPIE profits have been returned to hospital and physician subscribers. Profits remain in our communities rather than going to anonymous shareholders.

\$260K+

MPIE has donated over \$260,000 to charitable causes since 2005. These donations have been directed towards:

- › advanced patient care programs
- › health system foundations
- › risk management education
- › memorials
- › community charity events



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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.