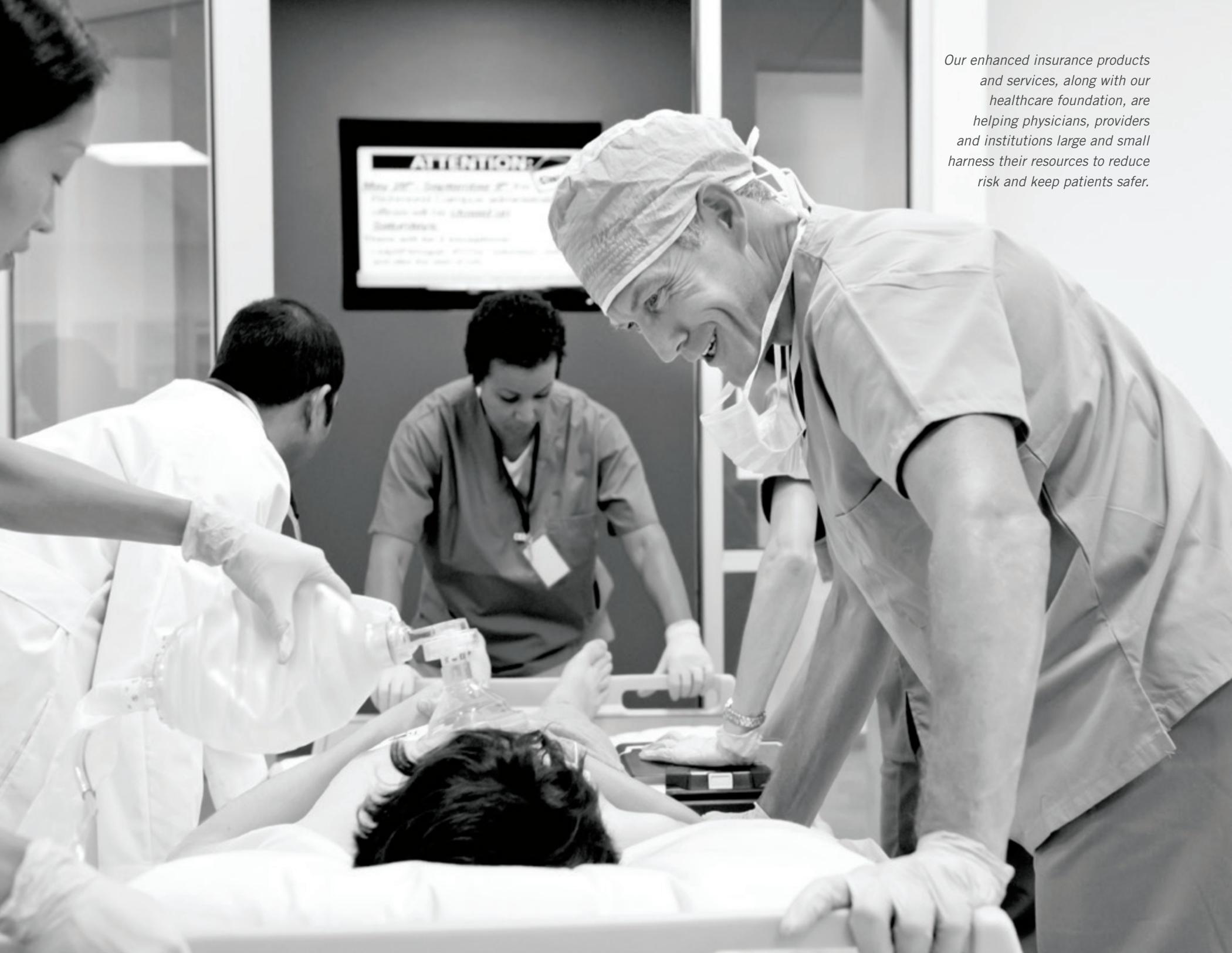




COVERYS®

OUTSMARTING RISK

ANNUAL REPORT 2015



*Our enhanced insurance products and services, along with our healthcare foundation, are helping physicians, providers and institutions large and small harness their resources to reduce risk and keep patients safer.*

# 2015 IN REVIEW BY THE CHAIR OF THE BOARD *AND* THE CEO AND PRESIDENT

## STANDING STRONG AGAINST RISK

There is no doubt that in 2015 Coverys took a formidable stand against the lurking dangers physicians and other healthcare providers face each day by arming them with solutions to help outsmart risk. With numerous pressures from regulation, payment reform and new technology, our policyholders are being challenged on every front. What we did in 2015 provided ways to increase patient safety, reduce medical malpractice claims, improve outcomes and manage payer reimbursement challenges—essentially muzzling risks that our policyholders face on a daily basis.

The healthcare industry has worked tirelessly to address the root causes within healthcare delivery that negatively impact patient safety. While progress has been made, there is much more that we need to do. But it is increasingly clear that reforming the healthcare industry's approach to patient safety is a significant task, and requires deep collaboration and commitment from all those who serve the industry. As the National Patient Safety Foundation indicated

in its January 2015 report, *Free from Harm: Accelerating Patient Safety Improvement Fifteen Years after To Err Is Human*, lasting improvements will require a cross-industry shift from reactive, siloed interventions to a systemic approach using all available science, metrics and tools.

At Coverys we are working to make that shift happen. In 2015, we introduced tools that provide our policyholders with the resources to anticipate and clamp down on risk

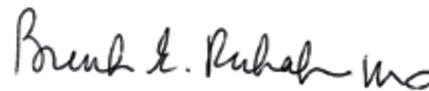
triggers and increase patient safety. These are described in more detail in the following pages and include: convenient, nationally recognized healthcare provider education offered when and where our policyholders want it; a powerful diagnostic decision support tool; access to business intelligence; and a program that encourages participation in Patient Safety Organizations.

In addition, Coverys continues to execute our strategy to expand within the medical professional liability (MPL) insurance market which is helping to reach more healthcare providers and further support our continued strong financial performance. This past year, we focused on MPL expansion through the launch of Coverys Specialty Insurance Company. Coverys Specialty gave us a new approach to provide broader coverage options tailored to the unique needs of physicians and entities involved in emerging healthcare delivery practices. It has been widely valued by the industry, delivering more than \$8.3 million in new premium in 2015.

We have also searched for other resources offered by organizations—within the Coverys family and those we have partnered with who share our vision on the importance of patient safety and physician support. We recognize that collaborative efforts with such organizations make us all stronger.

As we enter our fifth decade of serving policyholders, we are delighted to share with you some highlights of our work in 2015 that illustrate our resolve to build a future of safer healthcare delivery by outsmarting risk—for our policyholders and the greater healthcare provider community.

Very truly yours,



Brenda E. Richardson, MD  
Chair of the Board



Gregg L. Hanson  
CEO and President



# TRACKING, HARNESSING AND OUTSMARTING RISK

Physicians and healthcare providers pursue the worthy goal of elevating care every day, but they face hard challenges in this pursuit. As regulations tighten and pressures mount to cut costs, they need advanced resources and analysis to uncover vulnerabilities, defeat uncertainty and seize every opportunity to improve patient safety.

In 2015, Coverys focused on assembling powerful tools to help policyholders and clients address challenges and reach their goals. With our 40 years of medical liability and risk mitigation expertise, we continued our focus on elevating patient safety and reducing medical malpractice claims. We offer clients new lenses through which to see, track—and outsmart—risk. These initiatives include:

## I. Innovative Products and Services

Expanding products and services and providing unique tools to outsmart risk and enhance patient safety.

## II. Supporting National Quality Care Initiatives

Supporting efforts of the greater healthcare community focused on quality of care and reimbursement.

## III. Coverys Community Healthcare Foundation Grants

Providing patient safety grants and charitable contributions.

## I. BETTER TOOLS—IMPROVED PATIENT SAFETY AND OUTCOMES

### Risk Education Expansion

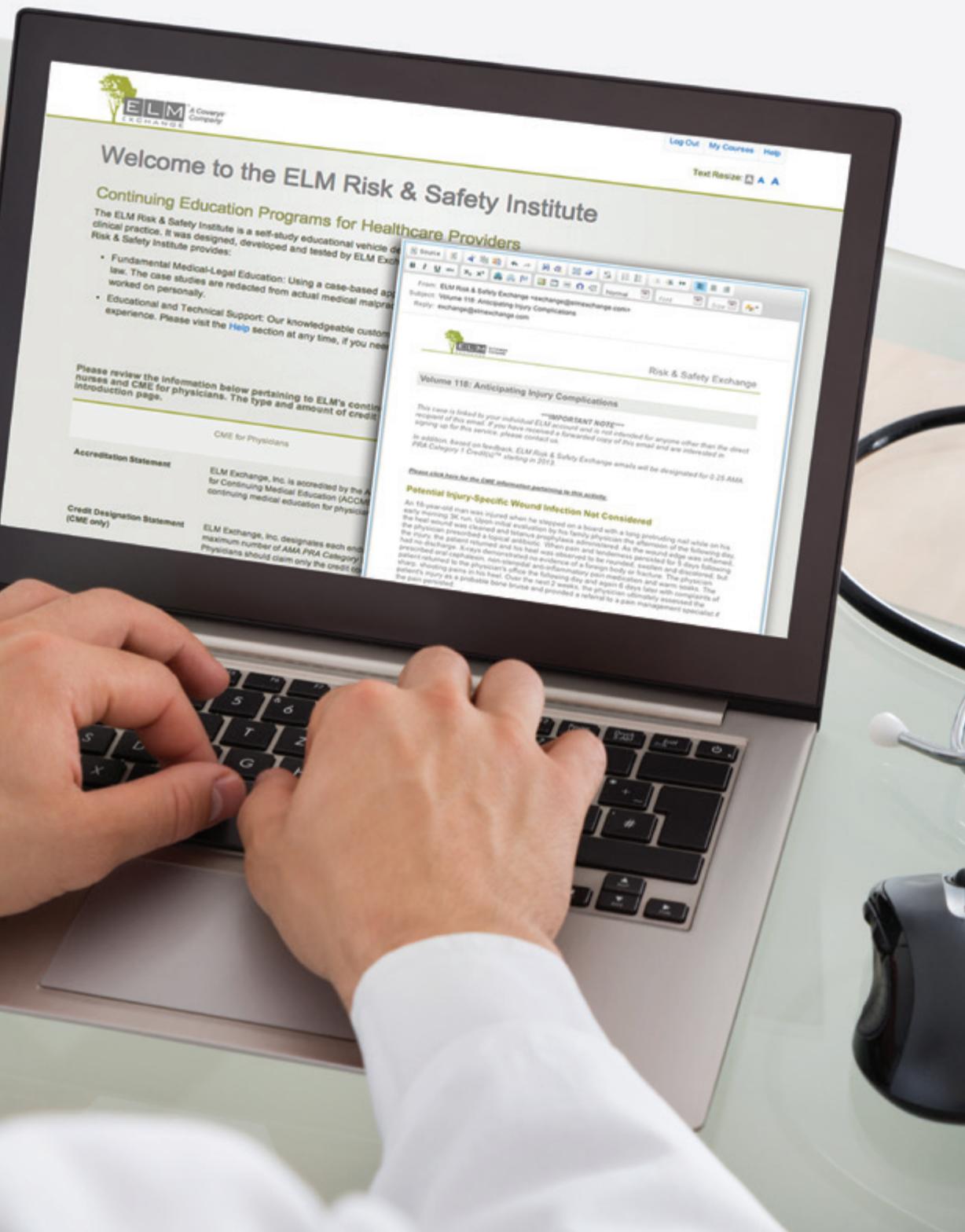
Coverys has expanded its robust education services to include courses from ELM Exchange, Inc., part of the Coverys family and a national leader in online healthcare risk management and patient safety education. A selection of courses are now part of the value that each Coverys policyholder receives with our insurance protection. These course offerings are in addition to the programs and services already received through Coverys Risk Management and Education.



### Increasing Accuracy—Reducing Diagnostic Error

Healthcare studies have highlighted rising concerns over diagnostic error. To address these concerns, patient safety experts are recommending providers use clinical decision support tools and involve medical professional liability (MPL) insurers in error-reduction efforts.

These recommendations validated our early efforts to provide VisualDx® decision support technology to our policyholders. VisualDx, widely recognized as the leader in clinical decision support, allows physicians and technicians to rapidly search through an extensive range of diagnostic possibilities right at the point of care. That's why in 2015 we expanded our agreement with VisualDx to be the exclusive MPL insurance provider for its diagnostic support system, bringing the tool to our policyholders at a reduced cost.



Developing and supplying unique products, tools and services to enhance patient safety

### Highest Education Accreditation

Coverys Education is committed to providing the highest level of education services and has received recognition in education Accreditation with Commendation by the Accreditation Council for Continuing Medical Education (ACCME) for physicians. We have also been awarded the designation Accredited Provider with Distinction in continuing nursing education by the American Nurses Credentialing Center (ANCC). Each of these designations is awarded to a very limited number of education providers.



### Encouraging Data Aggregation for Quality and Patient Safety

Patient Safety Organizations (PSOs) are independent, external experts that collect and analyze local, regional and national data on patient safety events that, by federal law, are under privileged and confidential protection. The ability to aggregate and work with large amounts of such data means a PSO can offer singular insights into patient safety—and develop informed strategies for improvement.

Recognizing the potent role PSOs can play in improving patient safety, Coverys developed a PSO endorsement for eligible policyholders. It provides up to 50% reimbursement of a policyholder's annual membership fee (up to \$5,000) to a PSO that is certified by the federal Agency for Healthcare Research and Quality (AHRQ).

# TRACKING, HARNESSING AND OUTSMARTING RISK

## Risk-Prepared with Business Analytics

Coverys' business analytic capabilities offer new services to existing and potential clients—services that are strongly aligned with value-based healthcare. We help physicians and other healthcare providers understand the volatility of risk exposures, formulate strategic risk management plans, and map a risk mitigation blueprint against quality performance measures. Our business analytics offerings were further refined in 2015 so that policyholders and clients can anticipate exposures and improve outcomes by using risk and claims analytics, loss forecasting and quality indicators.

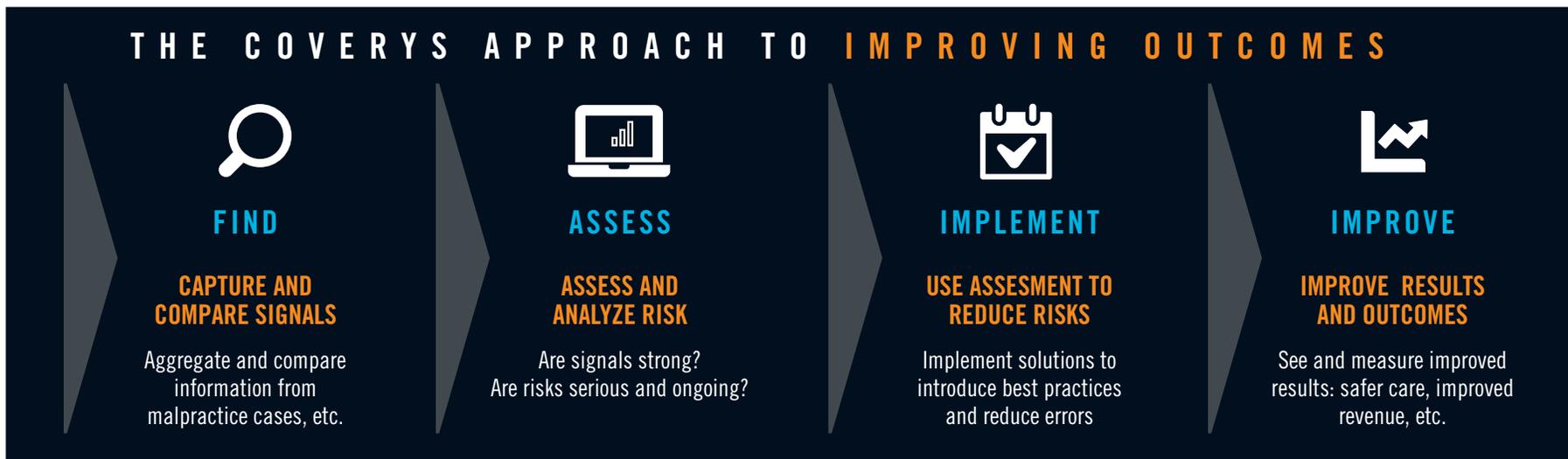
## Coverage for Emerging and Unique Risks

Coverys Specialty Insurance Company, launched in 2015, was created to lead the way in meeting the needs of hospitals, health systems and physician groups with unique risk profiles that seek insurance solutions typically not available in the traditional insurance market. Coverys Specialty expands our insurance portfolio with customized



coverage for emerging healthcare delivery exposures and hard-to-place risks while providing dependable speed-to-market insurance coverage.

In short, Coverys Specialty offers a comprehensive level of insurance protection that can be coupled with a selection of risk management and patient safety support services.



## II. JOINING FORCES—STRONGER TOGETHER

### Supporting the Coalition to Advance Patient Safety

The National Patient Safety Foundation (NPSF) created the Patient Safety Coalition to bring together stakeholders from across the continuum of care in a mission to make healthcare safer for patients and workers. NPSF has been a central voice for patient safety since 1997.

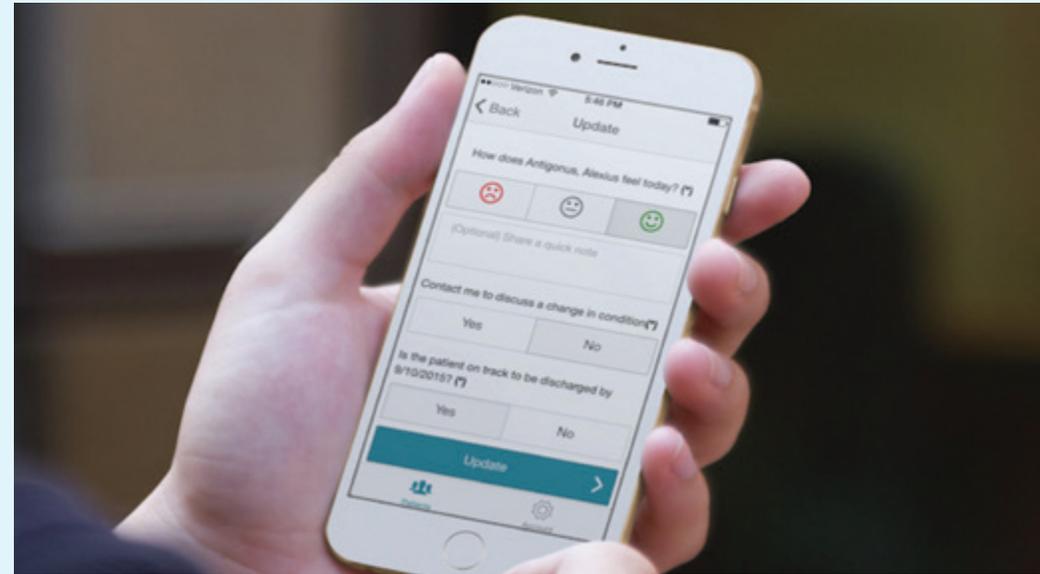
In 2015, Coverys joined in the NPSF's efforts. "Like other members of the National Patient Safety Coalition, Coverys shares the NPSF goal of seeking solutions to prevent harm to patients," says Tejal K. Gandhi, MD, MPH, CPPS, president and CEO of NPSF. "We are very pleased to welcome their membership and we look forward to working with them to share knowledge and promote advances in the field."

### Navigating Payment Reform and Care Improvement Opportunities

This past year, the Centers for Medicare & Medicaid Services (CMS) announced its "Better, Smarter, Healthier" campaign. It calls for Medicare to shift more than \$300 billion from unbundled fee-for-service payments into alternative payment models. This was a contributing factor to our decision to make a minority investment in Archway Health Advisors (now Archway Health).

Archway offers a variety of advisory services and technology tools designed to help providers engage with a wide range of reimbursement opportunities, including those involving Medicare, Medicaid, private payers and workers' compensation programs.

Coverys is uniquely positioned to help Archway grow its platform, which helps physicians navigate payment reform while also addressing financial risk management and improved care in this era of healthcare reform and value-based medicine. We saw this as a logical entrance into an area that could have significant benefit for healthcare providers, including our policyholders.



*An interface from one of Archway Health's helpful technology tools for providers.*

### Reducing Readmissions—Good for Patients and Providers

In the fall of 2015, Coverys embarked on a new strategic alliance with the Michigan Health & Hospital Association (MHA) Keystone Center. The MHA Keystone Center is a nationally recognized nonprofit organization with a long history of bringing patient safety experts and hospitals together to reduce medical errors and improve safety and quality.

The MHA Keystone Center's new *Readmetrix* readmission analytics tool gives hospitals a way to track and reduce readmissions and helps identify areas of opportunity to improve care and reduce cost. Coverys was able to secure a favorable discount for eligible hospital policyholders who use this new tool while at the same time encouraging its use through risk management premium credits. Reducing readmissions means less chance of adverse patient outcomes and malpractice claims.

## COVERYS COMMUNITY HEALTHCARE FOUNDATION

**IMPROVING PATIENT CARE:** Coverys Community Healthcare Foundation was established to support charitable organizations and endeavors that improve patient safety and care, promote healthy lifestyles, address obesity, and support individuals and organizations that provide healthcare.



Since its inception in 2013, the Foundation has donated over...

**\$4.2** million

to charitable organizations

### THE FOUNDATION'S FOCUS IS ON:



Improving patient safety & care



Employee involvement



Promoting healthy lifestyles



Supporting individuals & organizations that provide healthcare services

Foundation programs:

**FOUR**

main ways of giving...



Grants



Charitable Contributions



Matching Gifts



Direct Giving

### Employee involvement

#### Matching Gift Programs

Coverys offers matching donations to charitable organizations up to \$500 annually per employee



#### Coverys Cares Program

Each employee is given one day per calendar year to spend volunteering with a charitable organization of their choice





*The Coverys Foundation exemplifies our dedication to being an affirmative and active corporate citizen in the healthcare community and the communities in which we operate.*

### III. BUILDING A FOUNDATION FOR PATIENT SAFETY AND HEALTHY COMMUNITIES

The Coverys Community Healthcare Foundation was established in 2013 to seek out and support:

- Charitable organizations and endeavors to improve patient care and safety
- Initiatives that promote healthy lifestyles and address obesity
- Individuals and organizations that provide healthcare
- Charitable causes supported by our employees that align with our mission and values

#### Some of the Foundation's efforts in 2015 included:

**A community grant of \$100,000 to The Dimock Center.** This exceptional organization provides Boston residents with high-quality, low-cost healthcare and human services that might not otherwise be available to them. The Dimock Center is now a nationally recognized model for bringing comprehensive services to an urban community.

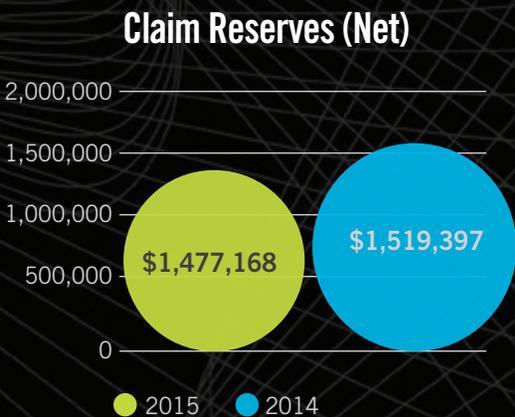
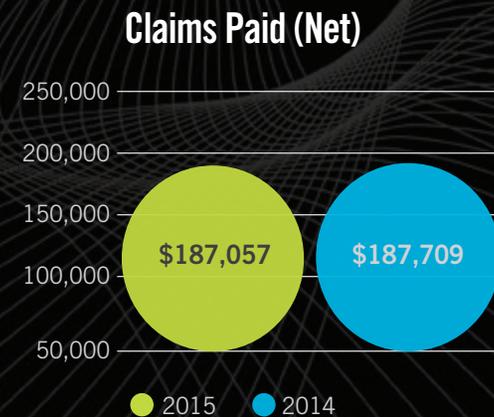
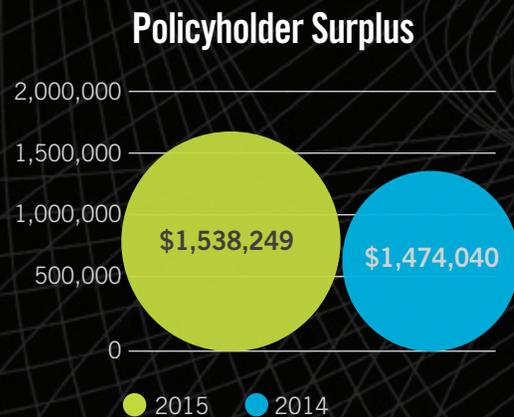
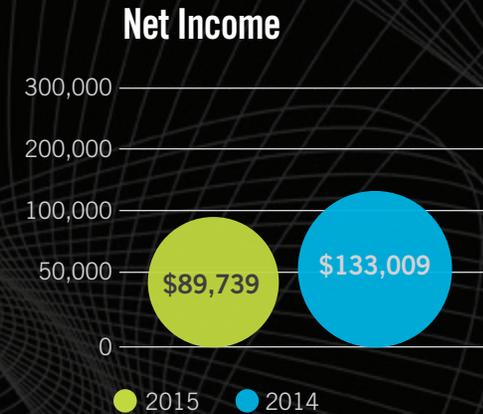
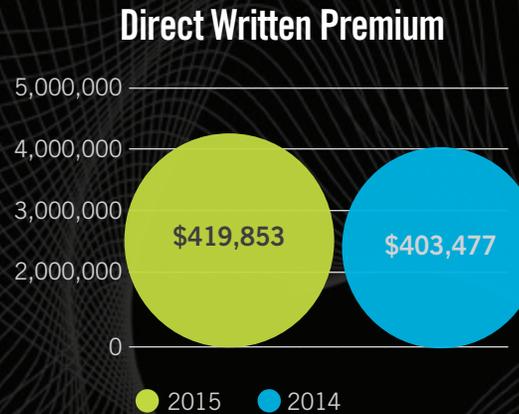
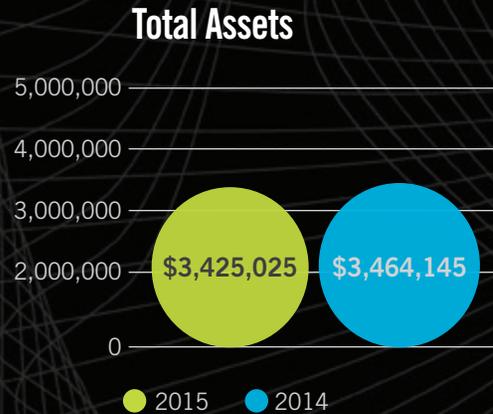
**Patient Safety Grant Program.** More than \$230,000 in grants to fund projects that may otherwise not have come to fruition. These projects focused on a variety of clinical risk prevention and patient safety efforts, including support of an interactive patient learning lab; assistance in transitioning to a web-based patient safety data analytics tool; training on a new medication reconciliation software; enhancements to fall prevention programs; and improvements to ER security and traffic flow.

## Better Intelligence for Better Outcomes®

Coverys' initiatives focus on helping policyholders and the greater healthcare community improve patient safety and achieve better outcomes. We continued to build great momentum in 2015, with the introduction of a host of tools, forward-thinking partnerships, and comprehensive insurance support services—so our policyholders can look risk in the eye and turn it away. Helping move beyond just risk averse to risk prepared. That's outsmarting risk and improving patient safety. And that's Better Intelligence for Better Outcomes.

# FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS AS OF DECEMBER 31, 2015, and 2014 (dollars in thousands)



# 2015 ANNUAL REPORT

## GOVERNANCE & LEADERSHIP LISTING

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Secretary of the Board

**Maryanne C. Bombaugh**, MD, MS, FACOG

**Theodore A. Calianos, II**, MD, FACS

**Paul J. Desjardins**, DMD, PhD

**Michael B. Driscoll**

**Ronald W. Dunlap**, MD

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**Michael W. Louge**

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**Robert K. Sheridan**

**Kenneth Heisler**, MD, FACS, Chair Emeritus

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**Richard Hayes**, Senior Vice President and Chief  
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**Mary Ursul**, Executive Vice President

**Donna Miele-Cesario**, Chief Information Officer

**Joe Zorola**, Chief Underwriting Officer

**Erin Brennan Bagley**, Vice President and General Counsel

**Kipp Carpenter**, Regional Vice President of Underwriting

**Julie Corwin**, Vice President of Corporate Communications

**Eric Crockett**, Vice President of Information Technology

**Paul DeFronzo**, Vice President of Finance

**Michael Gabree**, Vice President and Controller

**Tara Gibson**, Vice President of Risk Management

**Robert Hanscom**, Vice President of Business Analytics

**Stephen Langlois**, Vice President of Actuarial

**Edward Lyons**, Senior Vice President of Coverys Specialty  
Insurance Company

**Veronica Matejko**, Vice President of Workers' Compensation  
Services

**Sam Mezzich**, President of Coverys Specialty  
Insurance Company

**Michael Miller**, Regional Vice President of Underwriting

**Beth Murphy**, Vice President of Organizational and  
Leadership Development

**Noreen Fiore-Sarno**, Vice President of Human Resources

**Barbara Staples**, Regional Vice President of Claims

**Wayne Zack**, Regional Senior Vice President of Claims

**Brian York**, Vice President of Underwriting, Coverys  
Custom Accounts

**Lynnette Matza**, Chief Executive Officer and President,  
Preferred Professional Insurance Company

**Anders Backlund**, Senior Vice President of Claims  
and Chief Risk Officer, Preferred Professional  
Insurance Company

**Denise A. Hill**, Senior Vice President, General Counsel  
and Chief Compliance Officer, Preferred Professional  
Insurance Company

**Jim McCoy**, Senior Vice President of Insurance Operations  
and Chief Underwriting Officer, Preferred Professional  
Insurance Company

**Karen Riley**, Senior Vice President of Finance and  
Chief Financial Officer, Preferred Professional  
Insurance Company

**Jim Walters**, Senior Vice President of Information Systems  
and Chief Information Officer, Preferred Professional  
Insurance Company

**Ann Wozny**, Vice President of Business Development,  
Preferred Professional Insurance Company

