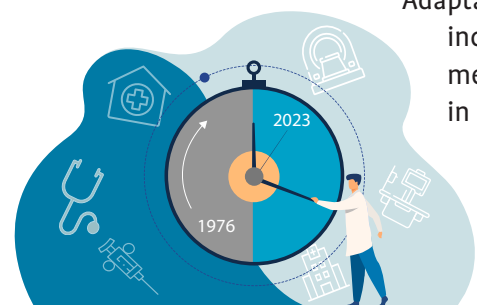


2022

# ANNUAL Report



# A Message to Our Members



Adaptation to change has characterized MICA operations since our inception. When MICA was created almost fifty years ago, most medical care was provided by solo practitioners and physicians in small professional organizations. Today, most health care is provided by employed physicians working in large groups that are often affiliated with national practice management organizations, hospitals and health systems. Diagnostic techniques regularly used today were far off dreams and infectious diseases common in children then are rare today. When MICA was created, there were a mere handful of nurse practitioner and physician assistant training programs. Today, a growing percentage of primary care practitioners, and more than a few specialist-trained practitioners, are NPs and PAs. Five years before MICA's founding, the AMA adopted a resolution endorsing the concept of outpatient surgery. Shortly thereafter, the first US surgery center opened its doors, and those doors were in Phoenix. Today there are more than 5,000 such centers in the US, and MICA insures many of them in the Southwest. Back then, nurses and pharmacists were deciphering physicians' handwriting. Today, nearly all are using electronic medical record systems and electronic prescribing tools.

Throughout the years, MICA has adapted to these market changes. At the same time, MICA has worked to rationalize the legislative and judicial environment in which its members provide medical care. **Working with organized medicine, defense counsel, legislators, individual physicians, and national industry organizations, MICA has sought to create a rational, equitable system under which allegations of medical professional liability can be resolved.**

In our domiciliary state of Arizona, we have successfully created and defended the requirement for an Affidavit of Merit to be provided by an appropriately credentialed and qualified expert that specifies the breach in the standard of care that is alleged to be the proximate cause of an injury, the limitation to "one-expert" per allegation, and the requirement that care provided pursuant to EMTALA be established by clear and convincing evidence.

In addition to working with others to improve the environment in which our members practice, MICA has worked with its insureds to improve communication, comply with regulatory requirements, recognize, and reduce both medical and business risks, and improve physician-patient interactions. **While MICA is a remarkable company, it is made up of ordinary people with very specialized talent who defend MICA's members while recognizing that medical and surgical care is complex, often subjective, sometimes based on unavailable but important historical information and always subject to interpretation.** Not all treatment outcomes are free of unintended consequences.

## Stability. Continuity. Commitment.

For MICA, those attributes will be preserved, but new ideas and new capabilities are coming. As we closed out 2022, new leadership has been recruited and hired as several former management leaders readied for retirement in early 2023.

With the retirement of Dr. Carland following his 26-year tenure, MICA's new President and CEO, Ed Marley, took the reins September 1, 2022. With more than two decades of experience in medical professional liability, Mr. Marley has been MICA's Chief Financial Officer for the last 11 years. Replacing him as CFO is Kristin Kenny. Ms. Kenny has 28 years of experience with a physician-directed medical professional liability company in the Pacific Northwest, including five years as its CFO. In early 2023, Sherry Haworth joined the MICA leadership team as Chief Operating Officer. Ms. Haworth is the former President and CEO of a physician-owned and directed medical professional liability carrier now associated with a large commercial liability carrier.

Erica Krobot, JD joined MICA as Vice President to lead our Claims team in January 2023. Ms. Krobot began her career as defense counsel providing quality representation to physicians and hospitals throughout Arizona. For the past six years, she served as Executive Director Risk/Litigation Counsel at Banner Health, where she provided strategic and operational leadership to the Claims and Litigation, Risk Management and Patient Relations Service Center departments. And to ensure we will always have talented, knowledgeable, and qualified personnel, Holiday St. Andre, who has been with MICA since 2016, was promoted to Vice President of Human Resources.

Each of these experienced professionals were carefully recruited to complement the talents and skills of the members of our existing management officers. Together they form a new generation of MICA leaders to serve our membership and help further our mission.

*Stability and continuity are critical for a member focused company, but so are new ideas, techniques, experience, and talents.* As a policyholder-owned and physician-directed company, it is the responsibility of the Board and its officers to ensure MICA remains focused on its members' needs and safety just as it is management's role to ensure that needs are met, and resources of the company are appropriately used and protected. We are confident that this new team will do exactly that.



James F. Carland, M.D.  
Chairman, Board of Trustees



Edward G. Marley  
President & CEO

# Statutory-Basis Statements

## Admitted Assets, Liabilities and Policyholders' Surplus

As of December 31, 2022 and 2021 (in thousands)

<b>Admitted Assets</b>	<b>2022</b>	<b>2021</b>
Cash and Invested Assets	\$1,119,034	\$1,164,061
Other Assets	<u>32,517</u>	<u>31,409</u>
Total Admitted Assets	<u>\$1,151,551</u>	<u>\$1,195,470</u>
<b>Liabilities and Policyholders' Surplus</b>		
Reserves for Losses	\$ 223,939	\$ 233,096
Unearned Premium	106,486	108,631
Other Liabilities	<u>35,278</u>	<u>47,964</u>
Total Liabilities	365,703	389,691
Policyholders' Surplus	785,848	805,779
Total Liabilities and Policyholders' Surplus	<u>\$1,151,551</u>	<u>\$ 1,195,470</u>

## Income

Years Ended December 31, 2022 and 2021 (in thousands)

Gross Premiums Written	\$88,542	\$89,041
Reinsurance Costs	(6,526)	(5,627)
Change in Unearned Premiums	<u>2,144</u>	<u>1,441</u>
Net Premiums Earned	84,160	84,855
Loss and Loss Adjustment Expense	(62,820)	(60,189)
Operating Expenses	<u>(18,160)</u>	<u>(17,939)</u>
Net Underwriting Gain	3,180	6,727
Investment and Other Income	33,606	34,443
Dividends to Policyholders	(14,998)	(16,997)
Income Taxes	<u>(2,369)</u>	<u>(2,940)</u>
Net Income	<u>\$ 19,419</u>	<u>\$ 21,233</u>

# Financial Highlights



**Rated A (Excellent) by AM Best Company for 34 Consecutive Years**

MICA's level of risk-adjusted capitalization is among the strongest in the medical professional liability industry as evidenced by AM Best's most recent evaluation. AM Best recognized MICA's favorable operating performance, which has outpaced the property-casualty industry and the medical professional liability composites over the past five years, in addition to our long-term history of organic surplus growth. AM Best is the leading provider of insurance ratings and financial data exclusively focused on the insurance industry.



**Member-Focused, Regional Market Leader**

As a policyholder-owned and physician-directed mutual insurance company, MICA remains steadfast in its focus on assuring a solid financial foundation and delivering on its commitment of availability, service, and support to policyholders. Our experienced team delivers superior coverage and service, allowing us to be the market leader in Arizona with steady growth in Utah, Colorado, and Nevada.



**MICA's Policyholder Dividends**

MICA was organized as a mutual insurer in 1976, a specialized structure that allows us to share the company's financial success with our members in the form of a dividend. Since inception, MICA has returned \$715 million in dividends to its policyholders, including \$115 million in the last five years.

# Leadership

Mutual Insurance Company of Arizona®

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800-352-0402

[www.mica-insurance.com](http://www.mica-insurance.com)

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Chief Operating Officer

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