

A HISTORY OF HELPING OTHERS

History



2021 ANNUAL REPORT



A HISTORY OF HELPING

Message from the CEO, Edward J. Yorty

*Information is
not knowledge.
The only source
of knowledge
is experience.
You need
experience to
gain wisdom.*

ALBERT EINSTEIN



When our founder, Al Falkenhainer, obtained a charter for a mutual insurance company in 1909 after he lost his drug store to fire, he understood the need for improved loss settlement practices. Falkenhainer wanted to provide prompt and fair claims service to his fellow pharmacy professionals. Beyond this, he sought to establish a company that could evolve and grow with the changing needs of its members while complying with the ever-increasing regulatory complexity insurance companies face. Over the past 112 years, Pharmacists Mutual has expanded beyond pharmacy into other areas of healthcare and related businesses. Our array of insurance products was introduced to serve members as they expanded beyond traditional pharmacy.

For over a century, Pharmacists Mutual has helped its members overcome conflagrations, influenza pandemics, the Great Depression, civil unrest, hurricanes such as Katrina and Irma, professional errors, cyber-attacks, and employee issues. The list could go on for pages.

Pharmacists Mutual Insurance Company operates in all 50 states, the District of Columbia, and Puerto Rico. The company has become a nationally recognized leader in serving the insurance and risk management needs of health care professionals and related market segments while still driven by Falkenhainer's original vision to offer personalized and dedicated service to its members. Members today range from pharmacists and dentists to personal care providers and veterinarians. With an A.M. Best "A" (Excellent) rating or better for financial strength for over 97 years, the company writes over 80,000 policies for more than 60,000 members. The subsidiary, PMC Advantage Insurance Services, Inc., provides thousands of additional policies to members of Pharmacists Mutual.

The words "Tomorrow. Imagine That." are more than a tagline. We strive to provide our members the peace of mind that allows you to imagine the limitless potential of tomorrow. This mindset drives all of us who have the privilege to serve you to do the best we can every day. We know we are not perfect – no human endeavor is. When we err, we hope you allow us to make things right. As a mutual company without shareholders, member service takes priority.

OTHERS

Operating through the pandemic these last few years has tested all of us in our professional and personal lives. Pharmacists Mutual implemented its well-tested business continuity plan with minimal disruption. The company's conservative investment approach and attention to risk management have helped guide us to smoother waters. All the while, we have handled hundreds of COVID-19 workers compensation claims and provided medical and wage benefits for compensable cases.

Our members have been on the frontline throughout the pandemic. We commend you and your staff. Pharmacists and technicians continue to provide immunizations and point-of-care testing in the wake of the pandemic. Our professional liability coverage is ready to provide the protection you need. Pharmacists continue to be the most accessible healthcare provider, pushing more and more patient encounters. Our healthcare members have continued to provide needed care while our other members, such as grocery owners, have remained open as essential services.

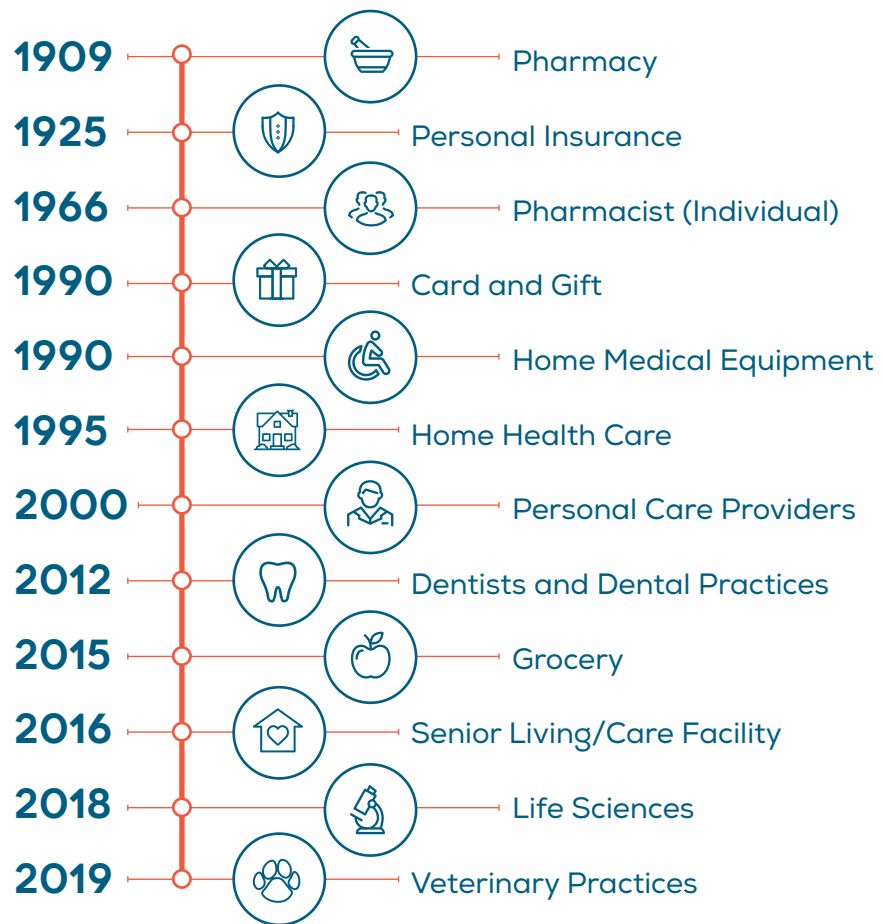
We are confident that our policies provide superior coverage for pharmacists and all of our other market segments as well. Whether the coverage is for professional license defense, professional liability, high limit spoilage, alleged sexual misconduct, or nefarious cyber-attacks, we have options to protect you. Thank you for trusting us to help you imagine tomorrow.

Edward J. Yorty,
FCAS, FSA, MAAA, MSFin, President & CEO



EXPANDING MARKETS

Over the past century, Pharmacists Mutual has expanded beyond pharmacy into other areas of health care and related businesses, writing policies as either part of pharmacy or in addition to pharmacy policies.



2021 NOTABLE ACHIEVEMENTS



Member Portal Enhancements – New document alert, streamlined registration



17.8% Growth in Home/Durable Medical Equipment



Subsidiary Chiron Insurance Company Licensed for All Products in 45 Jurisdictions



Austin, TX Office Relocation – Business continuity and investment opportunity



Thousands of Additional Members Elected to Go Paperless



Coworkers Donated Record Amount to the Pharmacists Mutual Employee Foundation

AWARDS & ACCOLADES

A.M. BEST A (EXCELLENT) RATING

Pharmacists Mutual has maintained a Best's Financial Strength Rating of A (Excellent) or better for 97 years. A.M. Best's Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance, and business profile. The rating reflects Pharmacists Mutual's favorable operating performance, market segment profile as a leading insurer dedicated to the pharmacy industry, and excellent geographic diversification.



TOP IOWA WORKPLACE

The Des Moines Register named Pharmacists Mutual a winner of the Iowa 2021 Top Workplaces Award for the fifth consecutive year. The list of companies recognized is based solely on an anonymous employee survey that measures 15 drivers of engaged cultures that are critical to the success of any organization: including values, communication, and connection, to name a few.



"This fifth consecutive Top Workplace recognition is especially significant this year with the challenges faced working during the pandemic. We work hard to offer a rewarding culture for our employees to stay and grow with Pharmacists Mutual. The loyalty of our members and employees ensures our success, and this award strengthens our resolve," said Shirley Pierson, Pharmacists Mutual's COO.

"During this very challenging time, Top Workplaces has proven to be a beacon of light for organizations, as well as a sign of resiliency and strong business performance," said Eric Rubino, Energage CEO. "When you give your employees a voice, you come together to navigate challenges and shape your path forward. Top Workplaces draw on real-time insights into what works best for their organization, so they can make informed decisions that have a positive impact on their people and their business."

SERVICE EXCELLENCE

Member Survey Results

Pharmacists Mutual values our members' opinion. Each year we survey our members to receive a Member Overall Satisfaction rating.

Overall Policy Service 2021

4.5 out of 5



2020 4.6	2019 4.6	2018 4.6	2017 4.7
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Overall Risk Management Experience 2021

4.8 out of 5



Overall Claims Service 2021

4.5 out of 5



2020 4.5	2019 4.8	2018 4.6	2017 4.2
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Member Claims Service Contact 2021



PHARMACISTS MUTUAL INSURANCE COMPANY FINANCIAL HIGHLIGHTS

Assets		
	2020	2021
Cash & Short-Term Investments	\$12,115,397	\$10,871,217
Bonds	\$243,146,539	\$262,889,110
Stocks	\$28,512,039	\$37,348,895
Subsidiaries	\$18,370,979	\$14,390,388
Real Estate	\$22,758,877	\$24,508,284
Other Investments	\$2,683,251	\$11,276,897
Premiums Receivable	\$61,618,925	\$57,388,129
Deferred Taxes	\$5,433,000	\$7,440,905
Other Resources	\$24,109,940	\$14,439,567
Total Assets	\$418,748,947	\$440,553,392
Liabilities & Policyowners Surplus		
Estimate for Losses & Adjusting	\$135,059,176	\$142,326,919
Unearned Premiums	\$80,005,860	\$72,409,295
Accrued Expenses & Taxes	\$31,236,353	\$48,856,948
Dividends Payable	\$255,000	\$337,139
Total Liabilities	\$246,556,389	\$263,930,301
Policyowners Surplus	\$172,192,558	\$176,623,091
Total Liabilities & Policyowners Surplus	\$418,748,947	\$440,553,392

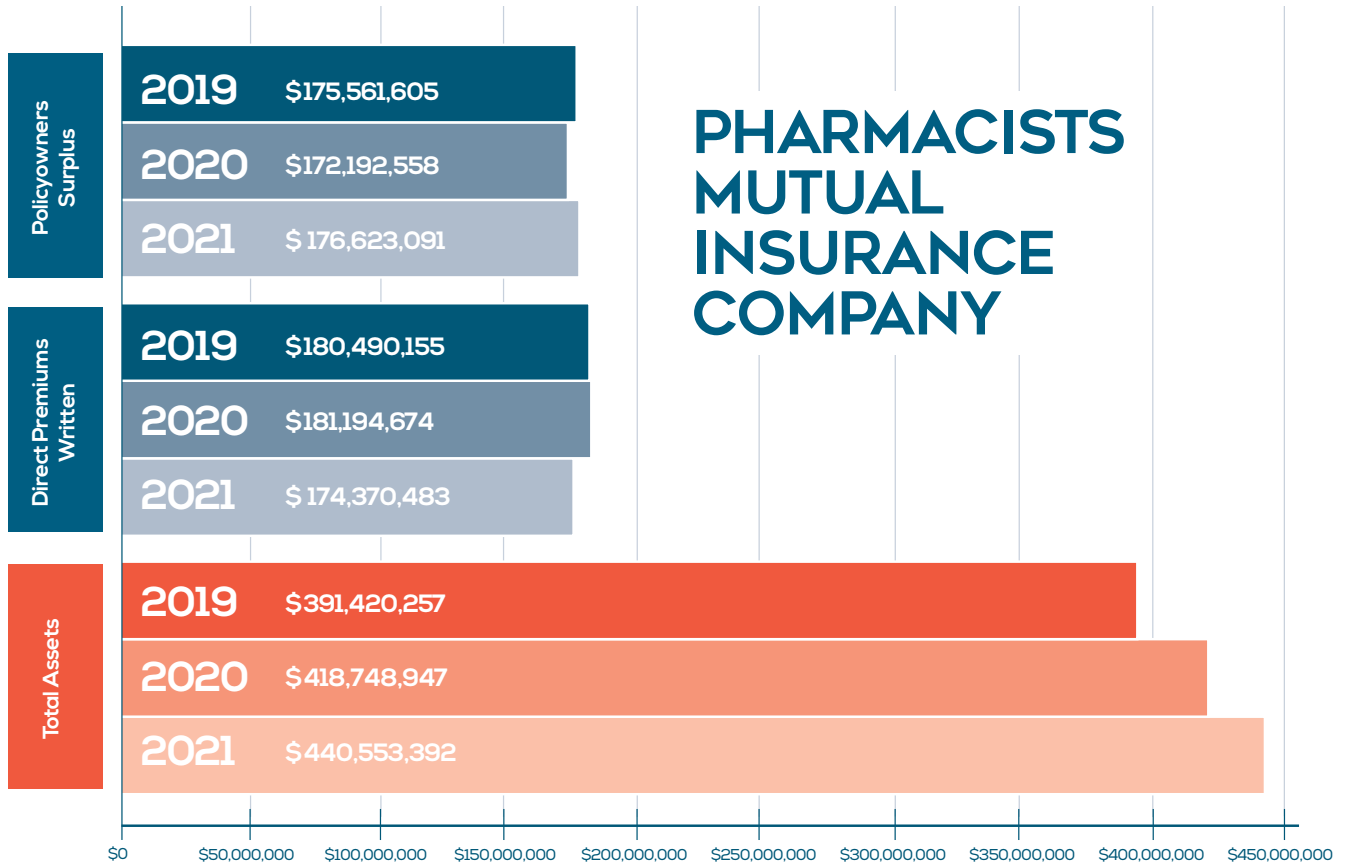
Income Statement & Change in Surplus		
	2020	2021
Net Premiums Earned	\$133,703,499	\$141,140,593
Loss & Adjusting Incurred	\$103,414,714	\$95,781,902
Underwriting Expenses	\$39,287,008	\$43,527,947
Underwriting Income	(\$8,998,223)	\$1,830,744
Investment Income	\$4,334,973	\$7,080,730
Realized Capital Gains (Losses)	\$1,579,887	\$2,427,236
Other Income (Expense)	(\$565,615)	\$14,746
Dividends to Policyowners	\$227,002	\$413,307
Federal Income Tax	(\$4,768,777)	\$1,157,868
Net Income (Loss)	\$892,797	\$9,782,281
Unrealized Capital Gains (Losses)	\$417,805	(\$1,360,954)
Surplus Notes Issued	-	-
Other Changes to Surplus	(\$4,679,649)	(\$3,990,794)
Change in Surplus	(\$3,369,047)	\$4,430,533

PHARMACISTS MUTUAL INSURANCE GROUP CONSOLIDATED RESULTS

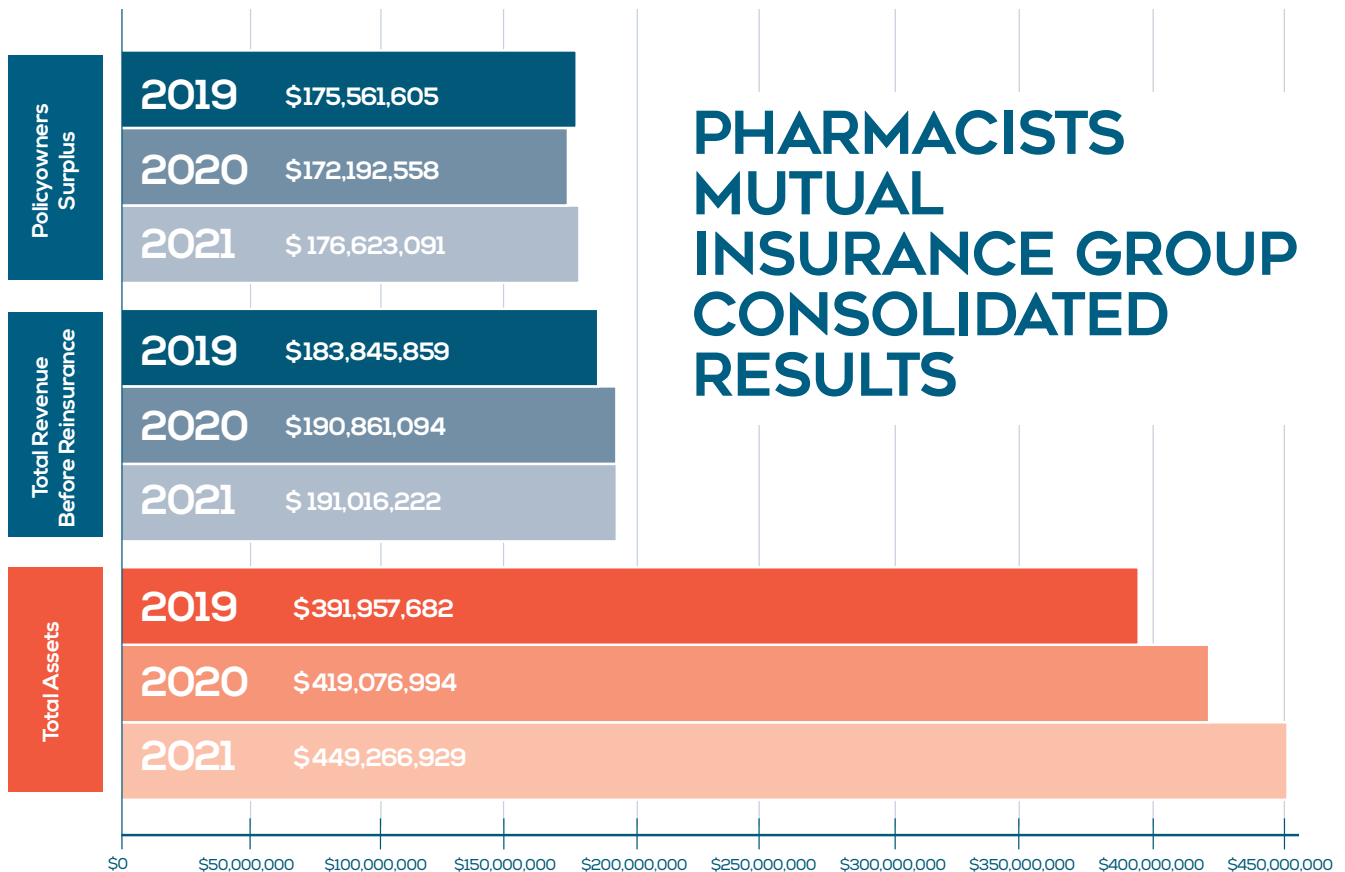
Assets		
	2020	2021
Cash & Short-Term Investments	\$12,825,888	\$12,328,764
Bonds	\$256,424,649	\$278,074,803
Stocks	\$30,531,274	\$37,348,895
Subsidiaries	(\$296,766)	(\$520,939)
Real Estate	\$23,310,287	\$24,508,284
Other Investments	\$2,789,618	\$11,384,055
Premiums Receivable	\$65,334,060	\$63,501,012
Deferred Taxes	\$5,455,000	\$5,538,000
Other Resources	\$22,702,983	\$17,104,055
Total Assets	\$419,076,993	\$449,266,929
Liabilities & Policyowners Surplus		
Estimate for Losses & Adjusting	\$135,135,372	\$142,886,855
Unearned Premiums	\$80,352,330	\$78,912,025
Accrued Expenses & Taxes	\$31,141,733	\$50,507,819
Dividends Payable	\$255,000	\$337,139
Total Liabilities	\$246,884,435	\$272,643,838
Policyowners Surplus	\$172,192,558	\$176,623,091
Total Liabilities & Policyowners Surplus	\$419,076,994	\$449,266,929

Income Statement & Change in Surplus		
	2020	2021
Net Premiums Earned	\$133,909,995	\$141,931,649
Commission Revenue	\$3,252,493	\$3,243,979
Other Income (Expense)	(\$437,120)	(\$454,421)
Total Operating Revenue	\$136,725,368	144,721,207
Investment Income	\$4,762,337	\$4,415,914
Realized Capital Gains (Losses)	\$1,840,872	\$3,393,488
Total Investment Income	\$6,603,209	\$7,809,402
Benefits/Claims	\$103,502,417	\$96,430,537
Operating Expenses	\$42,894,114	\$48,714,247
Dividends to Policyholders	\$227,002	\$413,307
Total Expenses	\$146,623,533	\$145,558,091
Net Income Before Tax	(\$3,294,956)	\$6,972,518
Federal Income Tax Incurred	(\$4,708,135)	\$1,321,543
Net Income (Loss)	\$1,413,179	\$5,650,975
Unrealized Capital Gains (Losses)	(\$86,361)	\$2,395,464
Surplus Notes Issued	-	-
Other Changes to Surplus	(\$4,695,866)	(\$3,615,907)
Change in Surplus	(\$3,369,047)	\$4,430,532

PHARMACISTS MUTUAL INSURANCE COMPANY



PHARMACISTS MUTUAL INSURANCE GROUP CONSOLIDATED RESULTS



BOARD OF DIRECTORS



Donnie R. Calhoun
R.Ph.



Felix Gallagher
PharmD.



Jonathan C. Grether
MSIM, CPCU, CIC, CRM,
ARe, AAM



Kirk M. Hayes
CPCU



Holly Whitcomb Henry
R.Ph.



F. Michael James
R.Ph.



Richard B. Moon
R.Ph., PharmD



Randall S. Myers
R.Ph.



Kelly S. Selby
R.Ph.



Steven T. Simenson
R.Ph.



Susan L. Sutter
R.Ph.



Edward J. Yorty
MSFin, FCAS, FSA, MAAA

EXECUTIVE TEAM

(as of March 31, 2022)



Edward J. Yorty

MSFin, FCAS, FSA, MAAA
President
Chief Executive Officer



William S. Hedges

MSF
Chief Financial Officer
Treasurer



Shirley A. Pierson

CISR, AU, CPCU
Chief Operating Officer



Nicholas W. Garrett

MAEL
Sr. Vice President Sales



Steven M. Hoskins

CLU
Sr. Vice President
Agency Operations



Peter E. Lambert

CPCU
Sr. Vice President Claims



Don R. McGuire, Jr.

R. Ph., J.D.
General Counsel
Secretary
Sr. Vice President Risk
Management & Compliance



Derrick D. Shannon

FCAS, FSA, MAAA, CPCU,
API, AIM
Chief Actuary
Sr. Vice President
Personal Insurance



Alison A. VanOtterloo

CPA, CPCU, ARe, CIA, AIAF,
MAcc
Sr. Vice President
Commercial and
Professional Insurance

OUR VISION, MISSION, AND VALUES

Our vision, mission, and values are the guiding ideas and principles upon which we do business. Our vision is our future and represents the spirit of who we are and what we intend to become; while our mission describes the overall purpose of our organization and is a clear depiction of why this company exists. Our values represent our commitment to our members, employees, and community.

Our Vision

To be the leading provider of insurance and risk management solutions within our select markets by building enduring relationships.

Our Mission

To help our customers attain peace of mind through specialized insurance products, risk management solutions, and superior personal service.

Our Values

RELATIONSHIPS

- We are dedicated to being a successful mutual insurance company, accountable to and supported by our policy owners.
- We offer a diverse and rewarding work environment founded on respect, trust, and teamwork.
- We establish mutually beneficial relationships with associations that support the professional well-being of our customers.
- We choose business partners who share our core values.

INTEGRITY

- We are honest in everything we do.
- We are committed to high standards of ethical conduct.

CITIZENSHIP

- We support our communities and professional associations.
- We advocate for the interests we share with our customers.

EXCELLENCE

- Our success depends on the talents, skills, and knowledge of our employees.
- Our products, expertise, and service deliver value to our customers.
- We are committed to continuous improvement.
- We manage the company's resources to ensure its profitability and independence in order to honor the promises we have made.



Pharmacists Mutual Insurance Company
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