

2023 ANNUAL REPORT



Expert insurance solutions for those who care for our communities.
PHARMACY | DENTAL | VETERINARY | HOME HEALTH CARE

FROM THE CEO

On August 15, 2023, I joined Pharmacists Mutual Insurance Company as our new Chief Executive Officer. It is a privilege to have been offered this opportunity. To this day, there is no place I would rather be. My vision is to help us evolve to being a leading provider of specialty insurance products that directly connect with the needs of pharmacy, dental, veterinary, and home healthcare practices across the United States. The journey to this vision will require change, courage, creativity, teamwork, focus, and commitment. Our team is unquestionably up to the job, and we look forward to going on that journey with you, our membership.

Last year taught us much about ourselves, the market, and where we need to go to be ready to serve our members through industry-leading specialty property and casualty insurance products. Our 2023 financial results include a \$31.5 million reduction in surplus, a combined ratio of 130.7%, and an underwriting expense ratio of 39.6%. These results are not only disappointing to management but are a clear indication that the changes now underway for 2024 are absolutely necessary to alter the direction of our organization and ensure our ability to continue to serve you, our members, at the highest level.

Our AM Best rating for 2024 has been confirmed as A- with a stable outlook. While a slight downward adjustment from the prior year, this is still an excellent

financial rating and one that in no way alters our focus for the coming year. You can continue to have total confidence in the financial capability of the Pharmacists Mutual family of companies to exceed your needs.

In 2024, you will see a Pharmacists Mutual that owns a clear identity of a specialty insurance company deeply focused on serving our pharmacy, dental, veterinary, and home healthcare members. This means you can expect products and service designed to fit your needs and exceed your expectations. With this enhanced clarity of focus, we will see the last of our personal lines operations conclude by mid-2024. This difficult decision, made last year, was rooted in courage and the realization that our future requires exclusively focusing on serving our members in the commercial property and casualty space.

We remain grateful for your trust and confidence. We hope you will allow us to continue to be your choice to protect your healthcare practice and business operations. It is our honor to have your membership. Our team looks forward to working hard in the coming year to make 2024 a year of new focus, shared success, and sustainable results.

All the best,

*Aaron Pearce, J.D., M.B.A., President & CEO
Pharmacists Mutual Insurance Company*

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EXECUTIVE TEAM

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STATEMENT OF CONDITION

PHARMACISTS MUTUAL INSURANCE COMPANY FINANCIAL HIGHLIGHTS

Assets	2022	2023
Cash & Short-Term Investments	8,008,770	637,677
Bonds	261,512,727	248,000,400
Stocks	28,851,326	14,727,016
Subsidiaries	14,901,722	15,049,622
Real Estate	25,305,192	23,200,454
Other Investments	11,594,365	21,423,804
Premiums Receivable	56,972,481	52,095,075
Deferred Taxes	8,433,000	11,201,000
Other Resources	13,767,487	16,702,908
Total Assets	429,347,070	403,037,956
Liabilities & Policyowners Surplus		
	2022	2023
Estimate for Losses & Adjusting	179,232,260	191,388,706
Unearned Premiums	76,275,704	65,889,298
Accrued Expenses & Taxes	39,646,836	43,027,476
Dividends Payable	203,739	243,653
Total Liabilities	295,358,539	300,549,133
Policyowners Surplus	133,988,531	102,488,823
Total Liabilities & Policyowners Surplus	429,347,070	403,037,956
Income Statement & Change in Surplus		
	2022	2023
Net Premiums Earned	147,105,036	142,029,397
Loss & Adjusting Incurred	142,586,315	128,853,593
Underwriting Expenses	54,507,861	52,130,468
Underwriting Income	(49,989,140)	(38,954,664)
Investment Income	4,283,282	4,284,203
Realized Capital Gains (Losses)	(662,471)	5,590,091
Other Income (Expense)	705,265	(97,411)
Dividends to Policyowners	63,810	550,321
Federal Income Tax	(1,731,667)	(121,616)
Net Income (Loss)	(43,995,207)	(29,606,486)
Unrealized Capital Gains (Losses)	(9,130,792)	(2,936,513)
Surplus Notes Issued	-	-
Other Changes to Surplus	10,491,438	1,043,292
Change in Surplus	(42,634,561)	(31,499,707)



PHARMACISTS MUTUAL INSURANCE COMPANY

PHARMACISTS MUTUAL INSURANCE GROUP CONSOLIDATED RESULTS

PHARMACISTS MUTUAL INSURANCE GROUP CONSOLIDATED RESULTS

Assets	2022	2023
Cash & Short-Term Investments	8,734,260	1,986,211
Bonds	278,085,359	263,534,883
Stocks	28,851,326	14,727,016
Subsidiaries	(187,603)	(289,567)
Real Estate	25,305,192	23,200,454
Other Investments	9,387,112	21,553,709
Premiums Receivable	60,992,521	55,783,340
Deferred Taxes	8,693,992	11,474,270
Other Resources	15,661,495	17,525,453
Total Assets	435,523,654	409,495,770
Liabilities & Policyowners Surplus		
	2022	2023
Estimate for Losses & Adjusting	180,258,720	193,020,884
Unearned Premiums	80,612,842	71,317,685
Accrued Expenses & Taxes	40,459,822	42,380,649
Dividends Payable	203,739	243,653
Total Liabilities	301,535,123	306,962,871
Policyowners Surplus	133,988,531	102,488,824
Total Liabilities & Policyowners Surplus	435,523,654	409,451,695
Income Statement & Change in Surplus		
	2022	2023
Net Premiums Earned	148,093,968	143,039,737
Commission Revenue	3,495,997	3,748,305
Other Income (Expense)	584,966	153,652
Total Operating Revenue	152,174,931	146,941,694
Investment Income	4,185,257	4,650,796
Realized Capital Gains (Losses)	(700,993)	5,587,053
Total Investment Income	3,484,264	10,237,849
Benefits/Claims	143,658,529	130,413,290
Operating Expenses	57,307,068	55,775,647
Dividends to Policyholders	63,810	550,321
Total Expenses	201,029,407	186,739,258
Net Income Before Tax	(45,370,212)	(29,559,715)
Federal Income Tax Incurred	(1,626,294)	(179,815)
Net Income (Loss)	(43,743,918)	(29,379,900)
Unrealized Capital Gains (Losses)	(9,308,790)	(3,084,413)
Surplus Notes Issued	-	-
Other Changes to Surplus	10,418,147	984,486
Change in Surplus	(42,634,561)	(31,479,827)

	2021	2022	2023
Total Assets	440,553,392	429,347,070	403,037,956
Direct Premiums Written	174,370,483	180,877,042	161,530,932
Policyowner's Surplus	176,623,091	133,988,531	102,488,823

	2021	2022	2023
Total Assets	449,266,929	435,523,654	409,495,770
Total Revenue Before Reinsurance	191,016,222	193,292,570	177,402,962
Policyowner's Surplus	176,623,091	133,988,531	102,488,824