Consumers today expect ready access to products and services designed to meet their exact needs and desires. But in the world of insurance—especially healthcare liability insurance—this level of flexibility and customization is rare. That is one reason why BETA Healthcare Group (BETA) stands out.

Our primary goal is to help teams deliver better care while also reducing risk. To achieve that, we know that flexibility and choice are key. Every organization is unique, with different needs and risk profiles. Whether we are working with a large urban hospital or a medical group in a remote rural area of California, BETA’s quest to find and deliver the right solution is constant. It is part of our DNA.

With today’s pace of change, knowing you are on the right path can be challenging. Are the insurance products and services meeting—even exceeding—expectations? Are premiums fairly priced? Are we truly helping healthcare providers understand where risk occurs and how it can be prevented or mitigated? Pushing ourselves to think differently and work collaboratively—not just once a year at renewal time, but every day—has become part of the culture at BETA.

How do we know that our focus is on target and our vision is clear? Last year, 97% of members and insureds renewed their policies. That is just one indication that what matters most to our members and insureds is what BETA helps deliver.

A.M. Best upgraded BETA’s rating to “A” (Excellent) in mid-2015 after upgrading our outlook to “Positive” in 2014.
For well over a decade, Dr. Peter Anderson has tapped BETA for coverage of his Southern California emergency medical group. As the group’s president, Dr. Anderson oversees the complex details of providing emergency department staffing for three hospitals.

“BETA understands the pace in which we work—and the risks associated with the practice of emergency medicine. The BETA team is responsive, patient-focused and has a high-level of expertise, just as our team needs to be with patients.”

PETER ANDERSON, M.D. PRESIDENT

John Muir Health is a nationally recognized, not-for-profit health care organization serving patients in Contra Costa, eastern Alameda and southern Solano Counties. It includes an integrated network of more than 1,000 primary care and specialty physicians, nearly 6,000 employees, medical centers in Concord and Walnut Creek, including Contra Costa County’s only trauma center, and a behavioral health center. John Muir Health’s mission is to improve the health of the communities it serves with quality and compassion.

BETA has been keeping pace for the past 13 years, providing coverage and proactive services to John Muir Health’s growing health system and team.
Our foundation is built on trusted relationships, as is our success. We are not simply a vendor providing insurance products and services; we are partners with our members and insureds. The best relationships in life and business are grounded in a dynamic exchange. Mutual respect and open dialogue are essential to the way we work and to how we are perceived by those we serve.

Decisions regarding insurance coverage can be complex and challenging. So we work closely with our members and insureds to help them understand risk, identify where and why problems occur and implement solutions to improve patient safety. We listen and respond with flexible and collaborative options that match their needs.

The push for constant improvement—for zero preventable errors—is foremost, since reducing risk ensures a safer and better patient experience. To help our members and insureds reach that goal, BETA’s risk management team developed a mix of Quest for Zero initiatives, including OB and ED-focused programs. These patient safety programs go well beyond an “avoid this” strategy. Instead, they rely on a thoughtful, rigorous examination of each organization’s culture and how teams work and developing solutions for improving patient safety. From data analysis, work processes, training and team communications efforts, we are thrilled the engagement and successes of these programs continues to grow year after year.

Over 1,700 OB nurses, physicians and providers have successfully completed our Personal Proficiency Module (PPM).
The creation of medical foundations in response to healthcare reform has become common practice today as California healthcare systems continue to more closely align their business models with local physicians. For BETA, this often creates an opportunity to work with and insure medical groups, like Prima, that contract with the foundation. By bringing hospitals and physicians together with the same insurer, there are many efficiencies and benefits to be realized including a coordinated and united defense when claims are in litigation. That is the exact model at Prima, which is part of the medical foundation created by Marin General Hospital. BETA programs, including Quest for Zero OB and office practice in-services, have helped Prima doctors and staff to identify risks and deliver optimal care.

A 172-bed acute care hospital owned and operated by Monterey County, Natividad Medical Center has provided healthcare to the residents of Monterey County for 130 years—regardless of their ability to pay. Dr. Gary Gray serves as CEO—and champion of care with a medical staff of over 300 physicians. BETA has been a long-term partner, providing coverage to many members of the medical staff, as well as a host of risk management services.

“Delivering the best care to Monterey County residents is our mandate. Doing that can be challenging; BETA has been instrumental in helping us identify ways to reduce risk—and by extension improve care. As a partner in our work, they play a unique and vital role.”

GARY GRAY, D.O., CHIEF EXECUTIVE OFFICER
Delivering the right solutions is a team effort. The results are always stronger with BETA’s collaborative style. We are a team that values partnerships and with more than 35 years in the marketplace we know the right solution requires us to listen to different viewpoints, challenge assumptions and push beyond the status quo.

The Patient and Family Centered Care (PFCC) program, which we introduced to members and insureds in 2013, is a perfect example. The program is based on involving all stakeholders—doctors, nurses, patients, family members and home caregivers—in an open, continuous dialogue. There is a growing awareness that to achieve the best outcomes, patients and families must be actively engaged. Fostering collaboration and team-based solutions is our hallmark—a rare and valued, approach in the insurance community.

BETA’s strong financials and exceptional member loyalty are a direct result of these kinds of innovative risk management services. Innovation, along with rigorous governance and a broad range of coverages, is a combination we call “the BETA way.” And it is a path we intend to follow for decades to come.

Three hospitals benefitted from BETA’s Patient and Family Centered Care (PFCC) Scholarship to support members’ commitment to the concepts of patient and family centered care.
Flexibility is a defining element of BETA’s work with Arrowhead Regional Medical Center, a 456-bed university-affiliated teaching hospital. After completing a risk management consulting engagement for the medical center, BETA was brought in to provide a range of risk management services, as well as excess healthcare liability coverage for the hospital. Arrowhead, like a select group of California hospitals, is self-insured, with BETA providing excess coverage.

“We are committed to delivering the best patient experience possible and that means being proactive about how we think of risk. BETA has helped our team identify risk exposures where small changes have had a significant impact.”

MICHELLE SAYRE, RN, Ph.D., NEA-BC
CHIEF NURSING OFFICER
What is next for the medical professional liability (MPL) sector? Is there a perfect storm on our horizon or will we experience a soft landing following ten years of unprecedented profitability?

With oversized surplus positions and few new growth opportunities, expect larger MPL insurers to start offering deals that are too good to last. Attempting to compete, smaller rivals will be unable to absorb the inevitable losses from offering premiums near or below historical loss costs.

If not falling victim to competitors’ unsustainable premium offers, many smaller MPL insurers will be acquired or will shut down as their insureds dwindle in numbers because of healthcare industry M&A activities. The bottom line is significant near-term consolidation of MPL insurers, each chasing fewer insureds, each with what will be determined to be unprofitable premium levels. These poor underwriting decisions will get hidden in surplus reductions over several years at which time rates will edge up to breakeven or better.

The other important but exogenous variable is investment income. While interest rates will go up gradually over the next two years, legacy portfolios will be impacted negatively by declining bond prices. MPL insurers will continue to need to rely on underwriting income to drive their profits, but unfortunately many MPL insurers will be charging inadequate premiums.

Fortunately for BETA members and insureds, our focus and flexibility will enable us to work around this negative outlook for the MPL industry. Although our claims reserve releases were down substantially in 2015, our results are still impressive, and we continue to grow organically and provide substantial dividends to BETA Risk Management Authority (BETARMA) members.

During 2015, BETA increased member contributions/premiums by 3% to $81.2 million, but saw investment income decline by $1.4 million to $10.7 million. Net income from operations was $10.2 million. Even though this was substantially less than in the past seven years, since reserve redundancies related to prior year claims were much lower, it exceeded budget by $3 million. Assets at year-end were $433.8 million, with almost 92% in cash and investments. BETA’s net position is $225.4 million and its leverage ratios are enviable. A.M. Best, the insurance industry’s premier rating agency, upgraded BETA’s rating to “A” (Excellent) in mid-2015 after upgrading our outlook to “Positive” in 2014.

BETARMA declared $10.4 million in dividends, which when added to already declared but unused dividends, will produce a renewal dividend of $6.5 million and a special dividend of $7.5 million. Since 2010, BETARMA has declared over $94 million in member dividends.

Our risk management and patient safety programs continued to grow in breadth and depth in 2015. Member successes were
recognized and leading edge programs and thinking were presented at the fall risk symposium attended by over 250 member representatives. The Quest for Zero initiatives in obstetrics and emergency medicine have been phenomenally successful as shown on Charts 1 and 2 on the following page.

During 2015, BETA launched its Patient and Family Centered Care program and added the operating room to its Quest for Zero initiatives. Final plans were also made for the 2016 launch of BETA’s HEART Program, a multi-year, multi-disciplinary effort to help member healthcare organizations implement a reliable and sustainable culture of safety grounded in a philosophy of healing, empathy, accountability, resolution and trust.

For 2015, BETARMA opened 996 claims, closed 1,013, and had 1,356 open claims at year-end. Eighty-four percent of the 870 healthcare comprehensive liability (HCL) claims were closed with no indemnity paid, which is a 2% increase from 2014. Claims with no indemnity cost BETARMA $8.2 million in defense expenses, an average of $11,221 per claim, 37% more than 2014 payout levels. Of the 136 HCL claims closed with an indemnity payment, the average total cost was $292,723, consisting of $245,201 in indemnity expense and $47,522 in defense costs. These figures show a 27% increase over 2014 average indemnity payments. Overall, defense expenses represented 31% of all claim costs.

Although the 16 large HCL claims (defined as $1 million and higher) represented only 1.8% of the number of closed claims, they accounted for 59% of incurred HCL claims costs and averaged $1.8 million in incurred costs. Indemnity costs represented 90% of the total.

“BETA’s strong financials and exceptional member loyalty are a direct result of these kinds of innovative risk management services. Innovation, along with rigorous governance and a broad range of coverages, is a combination we call “the BETA way.” And it is a path we intend to follow for decades to come.”

Tom Wander, CEO
Our focus and flexibility will enable us to work around this negative outlook for the MPL industry.

Total incurred costs for the 102 directors and officers’ liability closed claims were $13,812,025, for an average of $135,412 per claim. Defense costs represented 65% of total incurred costs. There were 41 auto claims closed at an average cost of $4,990.

Health Providers Insurance Reciprocal, RRG (HealthPro) opened 67 physician claims and closed 95 claims at a cost of $6,542,002, 49% of which was indemnity paid. Eighty-nine percent of HealthPro physician claims closed without indemnity but had average defense expenses of $31,134. HealthPro opened 27 hospital claims and closed 33 claims at a cost of $3,211,674, 55% of which was indemnity paid. Seventy-six percent of HealthPro hospital claims closed without indemnity but had average defense expenses of $54,203.

While the healthcare and MPL industry landscapes present uncertainties and challenges, BETA sees opportunities. We do not plan to take on risks for the sake of growth or where the potential downside is too great. We do, however, plan to grow in and outside of California—but always with the overarching mission of helping our members and insureds manage risk. Providing superior risk management products and services is the best way we can help healthcare facilities and physicians improve quality, safety and financial results.

Thank you for being part of BETA’s success!

Jim Raggio, Chairman
CEO, Lompoc Valley Medical Center

Tom Wander, CEO
BETA Healthcare Group

Our risk management and patient safety programs continued to grow in breadth and depth in 2015. The Quest for Zero initiatives in obstetrics and emergency medicine have been phenomenally successful, increasing in participation and credits since 2011.
Products and Services

**BETA Risk Management Authority (BETARMA)**
A member-governed liability program serving hospitals, healthcare facilities and providers
- Healthcare Entity Professional Liability
- Excess Healthcare Entity Professional Liability
- Directors and Officers’ Liability
- Employment Practices Liability
- Automobile Liability and Physical Damage

**Health Providers Insurance Reciprocal, RRG (HealthPro)**
A risk retention group providing healthcare liability insurance and reinsurance
- Medical Group Professional Liability
- Healthcare Entity Professional Liability
- Excess Healthcare Entity Professional Liability
- Automobile Liability
- Reinsurance

**BETA+ Equipment Support & Technology (BEST)**
Equipment repair and preventive maintenance coverage
  - Administered by Shepherd & Associates

**BETA Materials Services Program**
Group purchasing organization
  - Administered by Amerinet

Senior Staff

Andrea Raub, J.D.
Vice President, Claims

April Johnson, J.D., CPCU, CPHRM
Vice President, Alternative Risk and Insurance Services

Audrey Kauffman, CPCU, AIC
Chief Information Officer

Corey Grove, J.D., CPCU
Vice President, Underwriting and Client Services

Debbie Verdream
Director, Human Resources

Heather Gocke, M.S., RNC-OB, CPHRM, C.RFM
Vice President, Risk Management

Tom Wander, ARM, CPCU, CEBS
Chief Executive Officer

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**BETA—by the Numbers**

$140M

$140+ million in dividends returned to members since 1992

A rating

A.M. Best A (Excellent) rating

64%

64% of our members have been with BETARMA for over a decade

>200

Serving more than 200 hospitals and healthcare facilities
As the largest insurer of hospital professional liability coverage in California, BETA Healthcare Group continued to produce strong financial results in 2015. With retention rates approaching 100%, robust member dividends and steady but moderate growth, BETA begins 2016 as a market leader poised to help our members and insureds navigate the challenges and risks facing healthcare facilities and providers.

### BETA Healthcare Group

**Statements of Revenues, Expenses, and Changes in Net Position | Years Ended December 31, 2015 and 2014**

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member contributions earned</td>
<td>$81,176,532</td>
<td>$78,827,309</td>
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<tr>
<td>Member contributions ceded</td>
<td>$(13,928,948)</td>
<td>$(14,406,065)</td>
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<tr>
<td><strong>Net member contributions earned</strong></td>
<td>67,247,584</td>
<td>64,421,244</td>
</tr>
<tr>
<td>Net investment income</td>
<td>10,686,185</td>
<td>12,068,921</td>
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<tr>
<td>Other income</td>
<td>291,179</td>
<td>286,349</td>
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<tr>
<td><strong>Total revenues</strong></td>
<td>78,224,948</td>
<td>76,776,514</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses and loss adjustment expenses, net</td>
<td>56,760,974</td>
<td>38,082,872</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>11,295,219</td>
<td>11,051,661</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>68,056,193</td>
<td>49,134,533</td>
</tr>
<tr>
<td><strong>Net income from operations</strong></td>
<td>10,168,755</td>
<td>27,641,981</td>
</tr>
<tr>
<td><strong>Other changes in net position:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member surplus funds contributed</td>
<td>3,250</td>
<td>500</td>
</tr>
<tr>
<td>Change in net unrealized (losses) gains on investments</td>
<td>(4,810,817)</td>
<td>592,981</td>
</tr>
<tr>
<td>Member dividends</td>
<td>(10,400,000)</td>
<td>(16,500,000)</td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td>(5,038,812)</td>
<td>11,735,462</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle on beginning net position</td>
<td>1,447,204</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net position, at beginning of year</strong></td>
<td>229,018,067</td>
<td>217,282,605</td>
</tr>
<tr>
<td><strong>Net position, at end of year</strong></td>
<td>$225,426,459</td>
<td>$229,018,067</td>
</tr>
</tbody>
</table>
BETA Healthcare Group  
Statements of Net Position | Years Ended December 31, 2015 and 2014

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and investments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$12,120,917</td>
<td>$10,922,338</td>
</tr>
<tr>
<td>Investments in marketable securities</td>
<td>385,036,327</td>
<td>396,551,485</td>
</tr>
<tr>
<td><strong>Total cash and investments</strong></td>
<td>$397,157,244</td>
<td>$407,473,823</td>
</tr>
<tr>
<td>Member contributions receivable</td>
<td>30,373,704</td>
<td>28,734,852</td>
</tr>
<tr>
<td>Reinsurance recoverable on paid losses</td>
<td>295,543</td>
<td>30,368</td>
</tr>
<tr>
<td>Accrued investment income</td>
<td>1,988,170</td>
<td>2,148,892</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,994,148</td>
<td>1,828,004</td>
</tr>
<tr>
<td>Deferred tax asset, net</td>
<td>149,863</td>
<td>149,863</td>
</tr>
<tr>
<td>Federal income taxes receivable</td>
<td>45,481</td>
<td>45,481</td>
</tr>
<tr>
<td>Net pension asset</td>
<td>527,058</td>
<td>-</td>
</tr>
<tr>
<td>Deferred pension outflow</td>
<td>662,156</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>592,774</td>
<td>439,818</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$433,786,141</strong></td>
<td><strong>$440,851,101</strong></td>
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</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reserve for losses and loss adjustment expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current</td>
<td>$50,317,590</td>
<td>$47,398,896</td>
</tr>
<tr>
<td>Noncurrent</td>
<td>96,229,035</td>
<td>99,680,776</td>
</tr>
<tr>
<td>Reserve for loss control programs</td>
<td>518,899</td>
<td>495,119</td>
</tr>
<tr>
<td>Dividends to members</td>
<td>18,393,634</td>
<td>22,885,134</td>
</tr>
<tr>
<td>Uerearned member contributions</td>
<td>33,075,739</td>
<td>32,200,888</td>
</tr>
<tr>
<td>Reinsurance premiums payable</td>
<td>6,036,234</td>
<td>5,327,024</td>
</tr>
<tr>
<td>Uerearned reinsurance commissions</td>
<td>1,058,471</td>
<td>940,736</td>
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<tr>
<td>Accounts payable and accrued liabilities</td>
<td>2,730,080</td>
<td>2,904,461</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>208,359,682</strong></td>
<td><strong>211,833,034</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net investment in capital assets</td>
<td>1,994,148</td>
<td>1,828,004</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>223,432,311</td>
<td>227,190,063</td>
</tr>
<tr>
<td><strong>Total net position</strong></td>
<td><strong>225,426,459</strong></td>
<td><strong>229,018,067</strong></td>
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</tbody>
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<table>
<thead>
<tr>
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<tr>
<td><strong>Total liabilities and net position</strong></td>
<td><strong>$433,786,141</strong></td>
<td><strong>$440,851,101</strong></td>
</tr>
</tbody>
</table>
BETA Council

Back row left to right
- David Cox, CFO
  Alameda Health System
- Michael J. Wallace, Director
  Washington Hospital Healthcare System
- Kim Milstien, CEO
  Ventura County Medical Center & Santa Paula Hospital at Ventura County Health Care Agency
- Kathy Omachi, Board Chair
  Sierra Kings District Hospital

Back row continued left to right
- Mike Moody, Senior Vice President Partnership Integration and Development
  John Muir Health
- Tomi Ryba, President and CEO
  El Camino Hospital
- Mike McCreary, Board Chair
  John C. Fremont Hospital
- Bob Hemker, CEO
  Palomar Health

Front row left to right
- Jim Raggio (Chairman), CEO
  Lompoc Valley Medical Center
- Donna Hefner, President and CEO
  Sierra View Local Health Care District
- Tom Wander, CEO
  BETA Healthcare Group
- Charlie Harrison, CEO
  Mountains Community Hospital

Advisors

Actuary
Willis Towers Watson

Auditor
JLK Rosenberger, LLP

General Counsel
Archer Norris
Char Hamilton Campbell & Yoshida

Investment Managers
Galliard Capital Management
Income Research & Management
Wells Capital Management
MISSION STATEMENT

BETA Healthcare Group partners with healthcare providers to manage risk.

VISION STATEMENT

BETA Healthcare Group assists healthcare providers improve quality, safety and financial results by providing superior risk management products and services.
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1443 Danville Boulevard
Alamo, CA 94507
925-838-6070  MAIN

Glendale Office
330 North Brand Boulevard
Suite 1090
Glendale, CA 91203
818-242-0123  MAIN

San Diego Office
15373 Innovation Drive
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858-675-7400  MAIN

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