

Medical Malpractice Update

A Quarterly Newsletter

NEW JERSEY/PENNSYLVANIA PHYSICIANS WORK STOPPAGE

The beginning of the year was a time for many physicians to show their distaste with the current insurance conditions. Many physicians participated in a work stoppage as well as joined their colleagues in rallies and protests against the ever rising medical malpractice insurance costs.

AM BEST DOWNGRADES PRINCETON INSURANCE COMPANY

AM BEST has downgraded Princeton to a B (fair) from a B+ (very good) rating. Princeton is working hard to make the company stable in the current unstable marketplace. The downgrade reflects deterioration in operating results from the strengthening of reserves in 2001 and in the first nine months of 2002 (by \$100 million) resulting from rapidly rising severity of losses, which nullified the additional \$40 million in capital, MLMIC their parent company contributed during the first quarter of 2002. *AM BEST* will revisit the rating once the 4th quarter numbers are finalized.

SECOND OFFERING FOR MIIX ADVANTAGE IS A SUCCESS

The second offering for physicians to pay capital to MIIX Advantage closed January 15, 2003 and is being viewed by management as a success. We will be watching to see if the company will be making a third offering for those physicians who haven't yet made a decision.

GOVERNOR RENDELL APPOINTS A TASK FORCE DUE TO LIABILITY CRISIS IN PA

Gov. Rendell took office in January with a huge task already ahead of him - How to fix the Pennsylvania malpractice crisis. He has appointed a task force that is represented by members of the medical, insurance, legal, legislative and health care organization communities. We are keeping an eye on what the task force is going to suggest to the Governor for changes to help Pennsylvania physicians.

FEDERAL CAP ON NON-ECONOMIC DAMAGES....

Since President Bush's January speech in Scranton, PA there has been a lot of focus placed on tort reform at the federal level. What the President suggested in his speech was putting a cap of \$250,000 on non-economic damages. On February 13th the House passed a bill backed by the administration and sponsored by James Greenwood - R-Pa that would limit malpractice awards in cases against health care providers. The bill will make it's way to the Senate where it's expected to be a tough fight. We will be keeping a close watch to see where the legislation will go.

THE PENNSYLVANIA INSURANCE COMMISSIONER HAS EXTENDED THE DEFFERAL OF THE MCARE ASSESSMENT TO JULY 1, 2003

**See questions concerning Tort Reform answered
by Steve Spina, Northeast Regional Vice President
for Medical Protective on page 2.*

Be on the look out for more news and information in the upcoming months....

WE WELCOME YOUR REFERRALS

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Cornerstone Newsletter

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A One on One Interview with Steve Spina, Northeast Regional Vice President for GE Medical Protective

Do you feel that tort reform in NJ, PA and CT is realistic?

We remain hopeful that meaningful tort reform measures will be enacted – specifically with caps on non-economic damages. GE Medical Protective is doing its part by working with industry groups, lobbyists, regulators and other interested parties in helping legislators understand our position - that the impact of tort reform is an important part of the solution. There is a multitude of special interest groups working in all three states, and it's anyone's guess as to what will eventually happen. Our interest is in seeing that physicians are protected from out-of-control claims costs. This in turn will stabilize rates, so that physicians and physician groups can plan more effectively and negotiate reimbursement contracts that take into account the costs of insurance.

If tort reform were to pass in NJ, PA and CT, how will it affect GE Medical Protective?

As an industry, we'll need some time to observe tort reform as it works its way through the courts before we know if it offers improvements. We expect initially that it may result in an increase in lawsuits as plaintiffs' attorneys scramble to file suits before the effective date of the tort reform. But if the MICRA legislation of California is any indication, over the long run it could help us achieve the kind of predictability of loss that will encourage competition among insurers and more stable pricing from year to year. I doubt we'll ever see the return of premiums to the low levels of the 90's, and if that does happen with some insurers, as a consumer or a regulator, I would be suspect of those rates.

There have been rumors in the market place that GE Medical Protective will be switching to claims made coverage only. Is GE Medical Protective committed to continuing to offer occurrence coverage in states like PA, NJ and CT?

GE Medical Protective continues to be committed to both claims made and occurrence coverages. As a company that has been in this business for over 100 years, we feel we have the data and the knowledge to underwrite and price that business adequately. Occurrence coverage is something we are comfortable with, and we have no plans to discontinue it. Having said that, up until this point we continue to have support of our reinsurers for offering occurrence coverage, and if that were to change, we might have to reexamine this issue. But as one of the only A+ rated carriers in this business, our loss of reinsurance support is not likely, in my opinion.

How important should financial stability of a company be to physicians when purchasing malpractice insurance compared to the price of the insurance?

As a stable company with a long history and the highest financial ratings, Med Pro has witnessed other carriers come and go. We've also seen some of the effects on our customers (past and present) that have had to deal with claims from when they were insured with a company that ultimately dissolved. Even a Guarantee Fund backed by good intentions cannot measure up to what legitimate carriers are doing - defending physicians building their reputation on claims service. Claims service is the reason for the coverage and in my opinion one of the most important reasons to choose an insurance carrier. Claims service delivered by a financially stable company is worth a bit more in premium, in my opinion.

**Questions or Comments concerning this newsletter, please contact
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