

PROFESSIONAL
LIABILITY
INSURANCE

What to Look for

A BUYER'S GUIDE for Physicians

MIEC

Medical Insurance Exchange of California

6250 Claremont Avenue
Oakland, California 94618
800-227-4527, 510-428-9411
www.miec.com

*The West's first physician-owned
professional liability insurance company*

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When you compare professional liability insurance carriers, you're likely to be most interested in the cost of coverage. That is one consideration, but it is not the most important. We encourage you to look at the potential insurer's financial strength and security, longevity in the marketplace, service to policyholders, claims handling and specific coverage provisions and exclusions. Here are tips to help you comparison shop.



What is covered . . . and what isn't?

Professional liability insurance carriers aren't all the same. While all cover your liability arising from health care services provided to patients, every policy has limitations, restrictions and exclusions. Commonly they relate to the performance of surgery or invasive diagnostic procedures. Make sure you understand the exclusions and be sure they don't leave any of your practice activities uncovered. Review a sample policy, including exclusions, before you purchase coverage. Also check the policy conditions, which spell out your rights and obligations.

Most professional liability policies provide coverage on a "claims-made" basis. Claims-made policies require that you have a valid policy in effect both at the time the service is rendered and at the time you report a claim from that service to the insurance company. If you cancel or don't renew a claims-made policy, you will have no insurance for any claims first reported afterward unless you buy additional insurance, commonly called "tail" coverage. This tail coverage extends your policy protection for late reporting of claims.

MIEC provides coverage under a claims-made policy. In addition to coverage for health care services to patients, MIEC offers premises liability at no cost for professional office locations that you own or lease (NOT an office in your home). This insures your legal liability for injuries to patients or the public that occur at your office premises — commonly known as “slip and fall” occurrences.

MIEC's basic policy also covers up to \$25,000 in legal defense expense for investigations, civil lawsuits, or administrative proceedings by a state licensing agency; by a state or federal agency that acts to terminate your right to provide service under a government-funded program; for alleged HIPAA violations; or for claims alleging unlawful discrimination or harassment, assault, battery or malicious prosecution (other than claims brought on by an employee). For an additional charge, we offer optional coverage that pays up to 90% of reasonable legal expenses (up to \$100,000 per civil suit or administrative proceeding with a maximum of \$300,000 for all claims per policy year) for certain other civil suits.

If you cancel coverage for any reason, MIEC offers tail coverage for an additional premium. We provide free tail coverage if you retire at age 55 or later, when you have been insured through MIEC for at least five

consecutive years. Tail coverage premium is also waived in the event of permanent disability or death.



What are the limits of liability?

The limits of liability are the maximum amount that the company will pay on your behalf for each claim (called the ‘per claim’ limit), and the total amount available for all claims reported during the policy period or year (called the aggregate limit). Most carriers offer several choices of limits of liability, beginning at \$1 million per claim/ \$3 million annual aggregate.

MIEC offers limits beginning at \$500,000 per claim /\$1.5 million annual aggregate to \$1 million/ \$3 million for individual practicing physicians; higher limits are available for groups.



What about rates?

Look at trends in rate increases.

MIEC offers competitive rates, and discounts in the first three years of practice out of school: 75% during the first year of coverage; 40% in the second year; and 20% in the third year.

As a policyholder-owned company, we return any profits from operations to policyholders, not stockholders.



Are the costs of defense included?

Some policies do not pay for defense costs in addition to applicable limits of liability. For example, if you have a policy with a \$1 million per claim limit, including defense costs, and lose a malpractice judgment for \$875,000 plus legal defense costs of \$250,000, you would have to pay \$125,000 out of your own pocket because the insurance coverage stops at \$1 million. If the policy pays for defense costs in addition to the limit, the cost of the whole claim would be fully covered.

The MIEC policy pays for defense costs in addition to your selected liability limits.



What about settling if you are sued?

Ask if the company requires your consent to settle a claim or lawsuit. Some insurance companies limit the amount of coverage available if you refuse to settle, and some require arbitration of disputes or have other limiting clauses.

It is important you retain this right, because all malpractice settlements and judgments are recorded with the National Practitioner Data Bank, a federally required data base that supplies information to hospitals, health plans, other credentialing bodies and, often to the state licensing agency.

A growing number of states now make this information available to the public, with restrictions and conditions.

Also ask about how claims are reviewed prior to a decision to settle or go to court.

As a policyholder-owned company, MIEC is committed to defending good medicine, and our claims management is simple: we vigorously defend nonmeritorious claims and equitably attempt to resolve those with merit. More than 85% of reported claims against MIEC policyholders close with no indemnity paid.

Every suit filed against an MIEC policyholder is reviewed by an all-physician, medical society-appointed peer review committee before trial or settlement. MIEC also obtains the policyholder's consent before settling any claim.



What other benefits does the carrier offer?

Loss prevention services are some of the most important and tangible benefits you can have from a carrier. No one knows better than your insurer about the specific steps you can take to prevent claims. Ask about a prospective company's loss prevention services.

What about online services? You are busy, and the ability to communicate with your carrier or handle business details 24 hours a day, seven days a week, can be an attractive side benefit.

As a policyholder-owned company, MIEC's number one priority is to serve you, our policyholders. Our loss prevention program is active and accessible, both online and by telephone. We are keenly interested in helping you reduce your liability exposure, and offer loss prevention tips in our claims prevention guidebook and at seminars.

Our website has a policyholders only area, where you can order requests for insurance verification and claims histories online, can get claims prevention information, and can pay your renewal premiums.

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Is the company financially secure?

When you compare professional liability carriers, consider financial strength/security, service to policyholders, and governance. Is it a commercial company seeking to make profits for stockholders? Or is it a company owned and governed by its policyholders? You can obtain financial information about most insurance companies from A.M. Best, Moody's and Standard and Poor.

Learn the carrier's expense and loss ratios. If either is much higher or lower than industry averages, ask why.

Contact your state insurance department to determine whether the insurer is licensed in your state, operates as a 'surplus lines' carrier, or is under the federal Risk Retention Act. A licensed company has had its policies, applications and rates approved by the state. Changes in rates or coverage must usually be submitted for approval by the Insurance Commissioner before they can take effect. When a licensed "admitted" carrier becomes insolvent, a state guarantee fund steps in to provide some financial protection to policyholders. Policies issued by surplus lines carriers have no such protections.

MIEC is rated "A-" (Excellent) by A.M. Best Company. We are owned and governed by our physician policyholders, and operate on a not-for-profit basis. MIEC is licensed as an admitted carrier in California, Alaska, Hawaii and Idaho— each state where we offer coverage.

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How do you make the final decision?

Compare the carriers — look at their financial strength and security, service

to policyholders, and how they are managed. Don't base your decision solely on the cost of coverage. Physician-owned carriers have dominated the malpractice insurance marketplace since the mid-70s, offering a secure, stable source of coverage. Many commercial, stockholder-owned insurers have departed from the medical liability market, just as they did in the mid-seventies, when physicians first began forming their own insurance companies.

MIEC began in 1975 and is the West's first physician-owned professional liability insurance company. We specialize in covering solo and small group practices. To learn more about MIEC and its coverage, call us at 800-227-4527, or visit our website, www.miec.com. You can get an instant rate calculation, download an application for coverage, or just bookmark the site for loss prevention tips.

All coverage provided by MIEC is subject to the specific limits of liability, terms and conditions, including exclusions and specific warranties, endorsements and declarations of the actual policy issued to each insured. The preceding summary is necessarily incomplete. It does not replace, expand or rescind any portion of the actual insurance contract that MIEC issues to a specific policyholder.