



First Professionals Insurance Company

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NEWS & VIEWS

HOW IMPORTANT IS OUR FINANCIAL STRENGTH TO YOUR COVERAGE?

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The financial strength of a professional liability carrier is crucial to its ability to protect its policyholders. Insurance companies have a responsibility to their insureds to deal fairly and in good faith when it decides how to handle lawsuits on their behalf. However, for some companies with insufficient financial strength, a decision may be made on behalf of a physician that is not in the physician's best interest. The success of a strong defense and ability to pay claims depends heavily on the financial security of a malpractice carrier.

The reality is that companies that don't have financial security are more likely to settle claims. Florida, unlike all other states where First Professionals Insurance Company (FPIC) provides professional medical liability coverage, does not currently have a "consent to settle" option for healthcare professionals. As a result, doctors don't have the benefit of authorizing an insurer's decision to settle a case. The insurance company makes the final decision – with or without the physician's approval – to either settle or defend the physician through a trial. Unfortunately, a doctor has a personal stake if an insurer settles a case. The consequences to a doctor for settling may include damage to their professional reputation including future employment implications, third party payer contract negotiations, and hospital staffing eligibility. In addition to issues directly related to their practice, settlements could increase underwriting scrutiny which may result in higher premiums.

Unlike some of our competitors, FPIC's financial strength allows us to consistently mount a strong defense on

behalf of our policyholders in the event of a non-meritorious claim. FPIC is committed to the protection of your personal reputation and financial assets.

Claims Results

A medical malpractice insurance company's financial strength is determined in part by claims results. In 2010, claims frequency for First Professionals remained near historically favorable levels and payment severity measures. Claims with an indemnity payment and inventory of open claims and incidents also declined.

As of December 31, 2010, First Professionals closed an average of --- 68% of claims (excluding incidents) with no indemnity payment. *Including incidents, 84% of claims were closed with no payment to the plaintiff.*

These results validate our strength and the consistent, focused execution of business strategies which provide added protection for policyholders.

“ The success of a strong defense and ability to pay claims depends heavily on the financial security of a malpractice carrier. ”

Information in this newsletter does not establish a standard of care, nor is it a substitute for legal advice. The information and suggestions contained here are generalized and may not apply to all practice situations. First Professionals recommends you obtain legal advice from a qualified attorney for a more specific application to your practice. This information should be used as a reference guide only.

First Professionals Insurance Company is Florida's Physicians Insurance CompanySM and the endorsed carrier for professional liability insurance by 22 county medical societies, 15 specialty societies, and two statewide associations in Florida.

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FPIC's Financial Highlights

First Professionals' holding company, FPIC Insurance Group, Inc., (FPIC) reports consolidated financial statements which include all four of its subsidiaries, including First Professionals.



Several medical malpractice carriers are not publicly held, making their financial statements more difficult to obtain. The financial strength of FPIC and its family of companies is evident in the quarterly and annual statements provided by the company.

As of December 31, 2010, the financial strength of FPIC and its family of companies includes the following facts:

- **A.M. Best rating of A- (Excellent) and Fitch rating of A- (Strong)**

- ▶ These ratings validate FPIC's financial strength and status as a stronghold among insurance carriers.

- **FPIC has steadily added to policyholder surplus**

- ▶ Consolidated statutory surplus of approximately \$257.8 million, an increase of 33% since 2003.
- ▶ Cash and investments: \$707 million
- ▶ Total revenue: \$197.7 million, up from \$187 million in 2009
- ▶ Net income: \$29.6 million
- ▶ Total assets: \$986 million

- **Forbes Award**

- ▶ FPIC was named by Forbes as one of the 100 Most Trustworthy Companies in 2010 out of more than 8,000 publicly traded companies in the U.S. This distinctive award only includes companies that have consistently demonstrated

transparent and conservative accounting practices and solid corporate management.

Unlike many other medical malpractice carriers, FPIC has the positive financial ratings, surplus, revenue, income and assets to guarantee protection for its policyholders.

Past and Future Challenges

Florida is one of the most litigious states in the country. Plaintiff awards in recent years have proven that the risk to a physician of a significant plaintiff award is very real. There have been four jury verdicts in Florida greater than \$30 million since November 2007. During the same period, there have been other multi-million dollar verdicts. Unfortunately, such large verdicts tend to attract more lawsuits.

While FPIC provides some of the most effective products and services to mitigate claims, we recognize the possibility of a substantial plaintiff verdict in the future. However, in the event of such an outcome, we are confident that our financial strength will allow us to pay or settle a claim without severely impacting our policyholders.

As tort reform measures continue to be challenged, the outcome could result in an increase in the number of lawsuits against physicians. Without award limits established by tort reform laws, the severity of verdicts against doctors remains uncertain.

FPIC concluded 2010 and moves into 2011 with substantial financial strength. As physicians consider the choices available among medical malpractice insurers, it is important to remember that the financial strength of a carrier is critical to a successful defense and its ability to pay claims both now and in the future. ♦

FLORIDA LEGISLATION UPDATE



recent developments in the Florida market.

The 2011 session of the Florida legislature recently began and medical malpractice is already in the news. In particular, House Bill 479 contains significant proposals that may impact

“We’re very hopeful that it will pass because there are parts of the bill that will make a difference in how claims are resolved,” said Bob White, president of FPIC. “It’s still in its early stages, but the final outcome will impact healthcare providers and the professional liability insurers that protect them.”

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Expert Witness Testimony

This item of the bill would help gain some control over fraudulent, deceptive or misleading testimony. Out-of-state expert witnesses, whether for the defense or plaintiff, would be required to obtain a certificate from the Board of Medicine to testify in the state of Florida. If the expert witness provides testimony that was later found to be fraudulent, deceptive or misleading, their witness certificate would be revoked and they would no longer be able to testify in Florida.

Diagnostic Testing

It's widely known that physicians frequently order unnecessary tests in an effort to lessen the likelihood of lawsuit. House Bill 479 would push the burden of proof to the claimant if a claim alleges that death or injury resulted from the failure of a healthcare provider to order or perform tests.

Hospital Liability

HB 479 addresses liability issues for hospitals. It provides that hospitals would not be liable for acts inside the hospital by non-hospital employees.

Treating Physicians

A provision providing the ability to interview both prior and subsequent treating physicians is also a very important part of the bill.

Healthcare Reform

Another part of the bill prevents any federal reimbursement standards that might be associated with healthcare reform from being used in Florida courts as creating a standard of care by which a physician must comply.

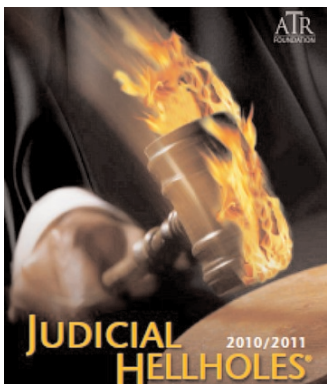
Advocacy

As an advocate of tort reform initiatives, FPIC is involved with various organizations to support efforts to pass beneficial legislation on behalf of physicians. FPIC is a strong supporter and partner of the Florida Medical Association (FMA). Along with its dedication to the service and assistance of physicians, the FMA is committed to secure meaningful tort reform, which includes efforts where passage of House Bill 479 is a top priority.

Bob White, president of FPIC, has played a role in the legislative process in Florida's tort reform battles since 1982. He is currently Chairman of the Board of the Florida Justice Reform Institute (FJRI). Since its inception in 2005, the FJRI has helped pass pro-civil justice reform legislation. The FJRI's mission is to fight wasteful civil litigation through legislation that results in meaningful tort reform.

Legislative issues continue to evolve on a regular basis in several states. In the meantime, First Professionals will maintain its commitment to advocate for effective tort reforms and support legislative provisions that may provide positive results for our policyholders, regardless of the state in which they practice. ♦

FLORIDA NAMED #4 JUDICIAL HELLHOLE



The American Tort Reform Foundation (ATRF) has released its annual report which documents litigation abuses in six areas of the country that have developed reputations for uneven justice. In its 2010/2011 report, the ATRF ranked South Florida as the #4 Judicial Hellhole. While this is an improvement from

Judicial Hellhole, tort reform advocates still face challenges in the area's civil justice system.

Judicial Hellholes are places where judges systematically apply laws and court procedures in an unfair and unbalanced manner, generally against defendants in civil lawsuits. As a result of Florida being one of the most litigious states in the country, it has some of the highest medical malpractice rates in the country.

Progress made in 2010 to address litigation issues improved South Florida's ranking. For example, a Miami

the 2009 report which ranked South Florida as the #1

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appellate court interpreted the state's \$250,000 limit on pain and suffering in medical malpractice arbitration cases the way it was intended – to apply per claimant, not per defendant.

While there are unique legal challenges in Florida's court system, our experience in the state adds value for all our policyholders because it means we know how to protect doctors.

“Our focus is not limited to Florida physicians,” remarked Bob White. “Although Florida's judicial system is clearly challenging, we are well prepared – and committed - to protect our policyholders in all states, regardless of the judicial climate.” ♦

LETTERS FROM POLICYHOLDERS

For physicians who experience the ordeal of a claim brought against them or involvement in a trial, the combination of FPIC's professionalism and commitment from both the claims team and trusted defense attorneys has a significant impact on the satisfaction of the policyholder.

“I would just like to take this opportunity to thank FPIC, and you personally, for the faith and trust placed in me during the long-standing litigation in the case. Your support and presence was a reassuring factor during the last three weeks. In addition, of course, I am indebted to you for choosing Russ Bob's firm to defend me. Their diligence, preparation, and performance certainly played a large part in the positive outcome. I have nothing but the highest regard for their competence, and would recommend them highly to any others requiring their type of service.

Again, thank you very much for all of your help during these last years, and especially these last weeks.”
Sincerely, Dr. L. ♦

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