



Insurance Solutions For Healthcare Providers

Vol. 21 No. 1

First Quarter 2009



Inside This Issue:

- ▶ **Professional Liability Carriers: Do the Differences Really Matter?**
- ▶ **First Professionals' Binding Arbitration Program - A Policyholder's Perspective**

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 23 county medical societies, 15 specialty societies, and two statewide associations in Florida.

NEWS & VIEWS

Professional Liability Carriers: Do the Differences Really Matter?

At First Professionals Insurance Company (First Professionals), we are keenly aware that physicians have many options when choosing a medical malpractice insurer. All medical professionals are faced with numerous factors that influence their selection of a carrier. Although the cost of medical malpractice premiums may be the first concern, it is crucial to consider the benefits of the services provided by a professional liability company before making a decision. What appears to be the same product from an insurer who offers a lower price is not always the case.

Florida Experience

First Professionals has been providing medical professional liability coverage since 1975 and is Florida's largest and longest-serving liability insurer. This is our home state. As such, we place a paramount interest on the needs of the Florida physician. We know this state. We know the judges. We know the trial attorneys. We have assembled a stellar team of defense attorneys who bring our insureds exemplary results in the courtroom.

We are endorsed by two statewide associations, as well as more than 30 other county and specialty societies in Florida. We are proud to have a policyholder retention rate of 95 percent in Florida and 94 percent nationwide. We are confident that these figures confirm our success in protecting the personal assets and professional reputations of our policyholders.

Management Experience

The success of our company is due in large part to the efforts of our executive management team, including First

Professionals' president, Bob White. Mr. White has more than 40 years experience in the insurance industry. He has 32 years of claims management experience, 27 of which have been in Florida. In addition, our claims staff, which is led by Beth Rominger, averages more than 26 years of experience. Another executive, Cliff Rapp, is responsible for First Professionals' comprehensive risk management programs which provide physicians with the tools they need to reduce the number of claims. These three executives have been working together for over 30 years. They know the claims landscape of Florida better than anyone. The experience of this executive team, combined with that of the entire First

Professionals' staff, uniquely sets us apart from our competitors.

Legal Climate

Florida is one of the most litigious states in the country. First Professionals' knowledge and experience in the medical malpractice industry is critical for physicians in the state. A nearly five-year span of relative malpractice calm recently came to an abrupt halt in Florida. Since November of 2007, juries in four separate trials returned plaintiffs verdicts of over \$30 million each. Additionally, 2008 produced other

substantial verdicts of \$12 million and \$9.7 million. This is the highest concentration of such large verdicts to ever occur in Florida. Unfortunately, large verdicts like these tend to attract more lawsuits and 2008 proved to be a year in which plaintiffs won more jury trials than in the recent past.

Claims Issues and Results

Perhaps the key issue to consider when selecting a professional liability insurer is how well the carrier will defend a

“ Although the cost of medical malpractice premiums may be the first concern, it is crucial to consider the benefits of the services provided by a professional liability company before making a decision . ”



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physician's personal assets and professional reputation. Starting in 2006, the Department of Insurance began closely tracking medical malpractice results. A significant factor that is relevant is the number of claims a carrier closes with \$0 indemnity because that is an indicator of how successful the carrier was in defending their insureds.

First Professionals managed more claims in 2008 than our nearest two, almost three, competitors combined. We closed more claims with \$0 indemnity payment than any of our competitors closed claims in total.

Our claims experts are located across the state. They are familiar with the attorneys and judges in the state and the nuances of the varied geographic regions in the state, and have established relationships with superior medical experts, which mean incomparable claims management on behalf of our policyholders. We provide the best and most cost-effective protection.

Relentless Claims Management and Defense

First Professionals maintains a corporate philosophy to aggressively defend our policyholders. This philosophy includes First Professionals' practice to incur expenses in excess of settlement costs in an effort to defend its policyholders against non-meritorious claims. On multiple occasions we have spent more than \$250,000 in allocated loss adjustment expense to defend medically defensible claims against policies with a \$250,000 per claim limit. We believe in our policyholders and our duty to protect them, inside and outside the courtroom.

Some of our competitors may argue that a better strategy would be to settle more cases rather than defend their policyholders. First Professionals does not support this business strategy for a number of reasons, including provisions in Florida law that we consider unfriendly for physicians.

The Patients' Right to Know Act provides access to records relating to adverse medical incidents. Florida patients can easily research disciplinary actions against physicians by accessing the Department of Health (Department) physician profile at ww2.doh.state.fl.us/IRM00profiling/searchform.asp. This consumer information site is advertised by the Department and is accessed frequently by patients seeking information regarding any physician. We know that patients utilize the information contained in the site when making decisions about healthcare providers. In addition to the potentially negative impact claims

handling can have on your group's ability to attract patients, it can also negatively impact the reputation of the physicians in the group. Licensing and credentialing entities can access settlement information through the National Practitioners Data Bank, thereby inhibiting a physician's ability to obtain privileges or employment in the future. The success of First Professionals to defend physicians minimizes the frequency of such adverse information. Our policyholders can rely on the most experienced team in Florida to protect their professional reputation.

The point is this: with First Professionals, our policyholders can count on us when they need us. We provide the best defense possible. If a policyholder moves to a carrier that is so much cheaper in premium, can they expect the same – especially if that carrier's home state is not Florida?

Board of Medicine Defense

Our team includes two specialists in administrative law, Carol Lanfri and Randy Collette, to defend our policyholders in the event of a Board of Medicine (Board) investigation. Both specialists worked for the Board previously, which provides them with the unique experience necessary to successfully defend Board investigations. First Professionals' insureds have exclusive access to these specialists in the event they are subject to a license investigation from the Board. Other carriers have to rely on outsourcing Board investigation defense issues, at a much higher cost (and not nearly as successfully).

In addition to the Patients Right to Know Act, Florida is unique because of state laws which include "Three Strikes You're Out" language implementing a constitutional amendment passed in 2004. This law states that a physician guilty of three cases of medical malpractice may lose their license to practice in the state. The Board is responsible for ruling on such cases. Carol and Randy have been able to produce a successful dismissal rate of over 97% (not counting wrong site surgeries). Once again, our expertise and experience is unmatched by our competitors.

Financial Strength

Many of the new professional liability insurance carriers in Florida are not publicly held. Therefore, their financial statements are not as easy to obtain as those provided by First Professionals. First Professionals' holding company, FPIC Insurance Group, Inc. (FPIC), reports consolidated financial statements which include all four of its subsidiaries, including First Professionals. The financial strength of FPIC and its family of companies is evident in the quarterly and annual statements provided by the company. Unlike many of our competitors, FPIC has the positive financial ratings, surplus, revenue, income and assets to guarantee protection for First Professionals'

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policyholders in the event of a significant plaintiff award. As mentioned earlier, there have been substantial verdicts since November 2007. Even with reinsurance, judgments of this magnitude could potentially destroy a medical malpractice carrier that does not have the financial stability to withstand such a verdict.

Risk Management Services

First Professionals offers a number of highly-effective risk management products and services to its policyholders at no additional cost. These comprehensive products are designed to avoid claims and disciplinary actions, and encourage physician participation.

We are confident that these products and services are superior to those offered by our competitors. The significant benefits provided by our highly-experienced risk management team should be an important factor when making a decision regarding medical malpractice coverage carriers.

Summary

While we know that our rates may not always be the lowest, some carriers are offering rates that we feel cannot be sustained for the long term. A final decision when selecting an insurer should be determined after comparing how much value a physician places in all of the services and issues that

can be provided by a medical malpractice insurance company.

First Professionals is the best option for professional liability coverage for medical professionals. We price our products such that we can pay policyholder losses when necessary, and we have the financial ability to provide the best defense in the state for our policyholders when that is necessary.

Would you really want any less from your medical professional liability insurance carrier than what First Professionals offers? Our protection is for you, your patients, your reputation, your family and the assets you have worked so hard to accumulate.

At First Professionals we will always do our best to work with you on price—without sacrifice to the protection we provide. Talk with your agent representative or contact our Vice President of Marketing, Angie Nykamp. ■

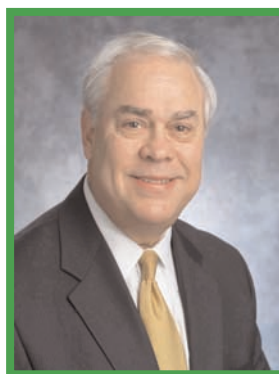
First Professionals' Binding Arbitration Program A Policyholder's Perspective

First Professionals' Binding Arbitration Program (Program) has been implemented by many of its policyholders, including large group practices. The Program has many benefits for both patients and physicians including:

- Lower legal costs for both parties;
- Lower indemnity payments through the use of an arbitration panel that, relative to a jury pool, will likely make a more well-reasoned and educated decision based upon the medical facts of the case; and
- A more prompt resolution of claims.

Robert W. Yelverton, M.D., Chief Medical Officer of one of our largest physician practices in Florida, Women's Care Florida, is a proponent of the Program. Dr. Yelverton is an advocate for the medical community who supports the implementation of programs, including arbitration, which benefit both patients and doctors. Ultimately, these types of programs will reduce the cost of medical malpractice premiums which are impacted by claims frequency and substantial jury awards.

"The initial Program was recommended by First Professionals, and we worked together to create a model for our ob/gyn practice," stated Dr. Yelverton. "A reasonable amount of time



*Robert W. Yelverton, M.D.
Chief Medical Officer
Women's Care Florida*

was spent to design an arbitration program that would include features to address any potential concerns for our patients and physicians."

Patient participation in the Program is mandatory at Women's Care Florida. Some of the doctors in the practice were apprehensive about placing a mandatory requirement on the Program, and predicted that many patients would leave the practice and go elsewhere for their health care needs. In addition, the administrative staff was concerned

about the volume of additional paperwork that could potentially be generated with this Program. However, according to Dr. Yelverton, "The impact to our practice has been minimal. Much less than 1% of our patients have decided to seek health care elsewhere when asked to sign the Program forms."

A major factor of the positive response to the Program has been the proactive approach of the practice to educate patients about the elements of the Program. Before arriving to an

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appointment, each patient is first notified by mail about the use of the Program at Women's Care Florida. While the letter explains the Program, the patients are also encouraged to visit the practice's Web site to locate more information, including the arbitration forms.

Another benefit of the Program is First Professionals' development of an additional resource for patients and physicians – an informational video on DVD – to explain the Program. The Women's Care Florida Web site not only includes the arbitration form, but also the video and a list of frequently asked questions that were also created by First Professionals. According to Dr. Yelverton, approximately 40% of their patients currently view the video online before their visit to a doctor in the practice.

In the event that a patient has not had the opportunity to watch the video online, Women's Care Florida provides hand-held DVD devices for patients to view the video in the waiting room. Patients are always encouraged to have their questions satisfactorily answered before signing the agreement.

Dr. Yelverton believes that these three pieces of information – the arbitration form, video and frequently asked questions – have been instrumental in the success of implementing the Program and relieving any apprehension by patients. "We don't want our patients to walk in the door not knowing anything about this Program," said Dr. Yelverton.

The form which patients are asked to sign specifically states that the patient understands the agreement and has also watched the video. Dr. Yelverton is confident that the inclusion of both of these elements into the agreement language adds extra protection in the event of a claim and potential challenge to the validity of the agreement. The result is that it would be difficult for a patient to successfully convince a judge that she didn't understand the Program before signing the agreement.

Dr. Yelverton is comfortable with the reliability of the Program because it was created, developed and is supported by First Professionals. "Although there were some initial worries from the physicians and administrative staff, First Professionals has created an arbitration program which alleviated their concerns. The information and materials provided by First Professionals, along with the use of our Web site to feature the Program, are part of a comprehensive plan which we feel is beneficial for both the patients and physicians in our practice." He added, "The implementation of the Program at Women's Care Florida has been a success."

If you are interested in the Program and would like to receive further information, please contact Stephany Carter in the marketing department at (904) 360-3064. For legal questions related to the Program, please contact Rob Wortelboer, Vice President and Legal Counsel, at (904) 360-3281. ■

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