

FPIC

Insurance Solutions For Healthcare Providers

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NEWS & VIEWS

COMPANY NEWS:

As reported in FPIC Insurance Group's (FPIC) third quarter 8-K SEC filing, our company's conservative investment philosophy has served us well during the recent volatility and turmoil in the financial markets. FPIC's net realized investment losses for the quarter represented less than 1 percent of our total cash and investments. We continue to take comfort in the high quality and diversification of our portfolio.

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.

First Professionals Offers Industry-Leading Services

For more than 30 years, First Professionals Insurance Company (First Professionals) has been committed to the protection of medical professionals in Florida and all other states where we provide coverage. We understand the challenges that face the medical community. Rising costs and decreased reimbursements have affected all physician practices.

Another cause of concern for physicians is the efforts of plaintiff attorneys to influence representatives in the state legislature. First Professionals is an advocate for its policyholders and is heavily involved with legislative and regulatory issues that will impact not only the insurance industry but also the health care industry.

First Professionals has maintained its support and protection of doctors longer than any other carrier in Florida. As a result, First Professionals has developed a history of service that provides policyholders with the full protection in which they have invested. Our cost-effective coverage contains benefits that are included in your base rate premium. As an industry leader, we will continue to pursue our goal to provide our policyholders with the most comprehensive services and coverage available.

Company Highlights

- **First Professionals has been writing business since 1975.**
~ Other companies have entered the market throughout the years, but First Professionals has maintained a commitment to its policyholders that is

unmatched in the industry. First Professionals is Florida's largest and longest-serving professional liability insurer.

- First Professionals has a **policyholder retention rate** of 95 percent in the state of Florida. Nationally, the retention rate is 94 percent.
- First Professionals is strongly **committed to organized medicine** and is endorsed by the Florida Medical Association and the Florida Dental Association. FPIC is also endorsed by 23 county medical societies

as well as 15 specialty medical societies.

- **Claims staff** averages 26 years of experience.
- **Unparalleled defense.** Corporate philosophy to aggressively defend non-meritorious claims. First Professionals regularly incurs expenses in defending its policyholders in excess of settlement costs.
- **Extensive risk management products and services** available at no extra cost.
- **Various deductible options** are available.

“ As an industry leader, we will continue to pursue our goal to provide our policyholders with the most comprehensive services and coverage available. ”

- First Professionals closed an average of 66 percent of Florida physician claims (excluding incidents) in 2007 with no payment to the patient.
- First Professionals won **88 percent of cases** tried in 2007.
- Ongoing **efforts toward favorable legislation** and policymaking demonstrate our commitment to the markets and doctors we serve.

First Professionals Financial Highlights

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

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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. As of December 31, 2007, 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.
 - ~ A significant plaintiff's award will not render FPIC insolvent.
- **FPIC has steadily added to policyholder surplus**
 - ~ Consolidated statutory surplus of approximately \$261.1 million. FPIC took advantage of favorable claims trends to bolster surplus by 95 percent since 2003 and lower base rates for its Florida insureds.
 - ~ Cash and investments: \$781.3 million
 - ~ Total revenue: \$230 million
 - ~ Net income: \$50.9 million
 - ~ Total assets of approximately \$1 billion

Unlike many of our competitors, the financial strength of First Professionals can guarantee protection for its policyholders in the event of a significant plaintiff award.

There have been four jury verdicts in Florida greater than \$30 million since November 2007. During the same period, there have been other substantial verdicts of \$12 million and \$9.7 million. Even with reinsurance, such a verdict 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 have been a determining factor for several policyholders when making a decision regarding medical malpractice coverage carriers. First Professionals

offers the following risk management benefits to all of its policyholders.

- On-Site Risk Management Surveys
- Risk Management Group Programs
- Reference Sources
- Quarterly Risk Management Newsletter
- Risk Management Reference Guides
- Educational Programs

Board of Medicine Investigations Defense

Over the past five years, the chance that a physician will face a Board of Medicine (Board) investigation has more than tripled. First Professionals employs two specialists in administrative law to defend Board investigations against policyholders. These specialists handle between 200 and 250 new Board investigations each year. Their intimate knowledge of the complex inner workings of the Board enables them to craft responses that narrow the focus of the investigation and frequently result in case dismissal.

- First Professionals' administrative law specialists previously worked for the Board and have the experience necessary to successfully defend Board investigations.
- If other carriers provide Board defense, the doctor will most likely be responsible for \$10,000 - \$15,000 of the expenses associated with the defense. Board defense is included for all First Professionals policyholders.
- Attorneys maintain a great working relationship with the Sr. Vice President of Claims to insure that every policyholder receives representation from a reputable, experienced administrative law attorney.
- First Professionals has a 98-99 percent dismissal rate of Board investigations, excluding wrong site cases.

Board actions are serious and should never be taken lightly. With First Professionals' expert and dedicated staff, the consequences may be mitigated. As with more than 90 percent of our cases to date, our staff's expertise increases the chance that a case will also be dismissed. The defense and follow-up we provide is a standard part of your coverage, and we are the only carrier in the state to offer this level of protection.

Binding Arbitration Program

First Professionals has developed a binding arbitration program (Program) for its Florida policyholders. Binding arbitration means that physicians and patients agree to litigate – outside the court system – any claims that may arise from rendering or failing to render medical care and treatment before an arbitration panel.

Binding arbitration affords potential benefits to both physicians and patients, including:

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1. Lower legal costs for both parties;
2. 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 on the medical facts of the case; and
3. A more prompt resolution of claims.

For policyholders who choose to participate in the Program, First Professionals will provide, at no charge, the arbitration agreement forms, along with a video or DVD in both English and Spanish. These tools allow physicians to effectively inform their patients about the purpose and fundamentals of the arbitration agreement.

We believe that First Professionals is an industry leader with regard to the products and services that we offer to our policyholders. First Professionals has been around longer than any other professional liability company in Florida. The

company's financial strength provides First Professionals with the ability to protect all policyholders, regardless of the impact of a potential plaintiff's verdict. Trial results are consistent and self-explanatory. Competitors may promote more affordable rates, but they don't have the assets to protect other policyholders in the event of a substantial plaintiff's verdict.

If you have questions regarding any of these services, please contact us at (800) 741-3742 and a First Professionals representative will promptly assist you. ■

Rate Decrease Update

First Professionals' most recent filing to the Florida Office of Insurance Regulation (OIR) includes a base rate decrease with an effective date of December 1, 2008. We are confident that the approval of this filing will provide a greater level of competitiveness within the medical professional liability market.

Although First Professionals requested a base rate decrease of 6 percent, the Florida Insurance Guaranty Association (FIGA) assessment amount of 3.61 percent lowered the overall impact of the rate decrease to 2.61 percent for all physicians who qualified.

It is very important for you to understand that ***the rates are pending until the rate decrease filing has been approved by the OIR.***

Since the end of 2006, policyholders of First Professionals have enjoyed a 19 percent decrease in base rates, resulting in over \$43 million in total savings, excluding the impact of FIGA assessments.

An overall drop in claims frequency is a significant reason for the rate decreases. Claims frequency is down because of a number of factors, including tort reform, aggressive claims defense, wider use of alternative dispute mechanisms including arbitration, and the patient safety movement.

First Professionals provides superior service for its policyholders that is unmatched in the industry. The company's commitment is demonstrated through its financial strength, efforts toward favorable legislation, extensive risk management products and services, experienced claims staff and unparalleled defense. First Professionals is dedicated to exceptional protection for all policyholders, regardless of the outcome of any future trends.

If you would like more information regarding the rate decrease, please contact your agent or a First Professionals' representative. ■

Florida Office of Insurance Regulation 2008 Annual Report

As part of the 2003 tort reform debate in the Florida legislature, new statutes were established which require the Office of Insurance Regulation (OIR) to prepare an annual report about the medical professional liability (MPL) insurance market in Florida.

Information recently released in the 2008 Annual Report (Report) provides a review of the MPL insurers doing business in Florida. Some items of interest in the Report include profitability and solvency characteristics, a review of rate filings received by the OIR during the year, and a review

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of the characteristics of the medical malpractice closed claims required to be filed with the OIR.

Profitability and solvency characteristics

The OIR has continued to monitor the profitability of the MPL insurance market in Florida. Prior to the 2003 legislative changes aimed at reducing the costs associated with MPL insurance, the market was experiencing double-digit rate increases, an availability crisis, and experienced one of the highest defense cost and containment expense ratios in the country. It is important to note that there were no major legislative changes made to the MPL laws in Florida during the 2008 legislative session. Based on the trends found in the Report, it would appear that the 2003 changes to the law have benefited policyholders, the industry, assisted with the solvency of MPL carriers, and directly contributed to lowering the defense cost containment.

Review of rate filings

From the policyholders' perspective, 2007 was a year of fairly significant improvement in malpractice rates for physicians and surgeons. According to the Report, most companies made rate changes within a few percentage points of 10 percent.

First Professionals' rate filing in 2007 resulted in a rate decrease of -11.7 percent for its policyholders. This rate decrease exceeded those of some of the other Florida MPL insurance carriers and

maintained the company's status as a stronghold within the industry standards set in 2007.

Closed claims data

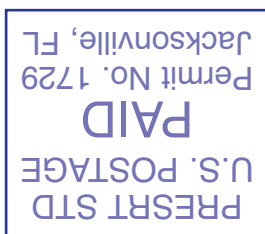
Again, First Professionals was clearly an industry leader in this category. According to the Report which lists the frequency of claims closed, First Professionals reported more closed claims than any other Florida MPL carrier.

Of the top five admitted physician MPL carriers, First Professionals closed more claims in total than the next two (almost three) competitors combined during 2007. In 2007, First Professionals closed 592 claims, while the next three closest competitors reported 238, 217 and 147 closed claims, respectively.

Summary

First Professionals is proud of the results of the Report. In spite of the current economic downturn in the United States, First Professionals continues to prove that it is financially secure. In addition, the results clearly demonstrate the company's claims expertise and the extensive experience of both its management and staff.

Although Florida is one of the most difficult jurisdictions in the country, First Professionals' policyholders are protected by the strength and stability of the company, both in Florida and in all other states where our policyholders practice medicine. ■



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