

Notes

MEDICAL  MUTUAL
Liability Insurance Society of Maryland

FROM THE CHAIR OF THE BOARD

HEADLINES

Highlights of Member Survey

The recent member survey revealed a strong satisfaction with MEDICAL MUTUAL, as well as interests in additional risk management and customer service options.

Recent Legislative Session Successful

Important tort reform legislation was maintained in Maryland despite strong efforts by opposition.

BOP Coverage Option Announced

MEDICAL MUTUAL discontinues coverage option by ProAd affiliate but announces alternate source for important BOP policy.

Rate Increase Filed for 2003

A modest rate increase filing for 2003 has been made with the Maryland Insurance Administration.

Policy Coverage Changes Implemented

A number of policy coverage changes took affect on June 1 for new and renewal policies.

Risk Management Seminars Available

The 2002 schedule of seminars is in full swing. Are you scheduled to attend one of these beneficial programs?

July, 2002

Dear MEDICAL MUTUAL Member:

Demands on the medical profession continue to increase. In addition to ongoing problems with expanded workloads, reduced reimbursements and burgeoning government regulations, there is now a growing professional liability crisis in many areas. Fortunately, we are in a better position than most states to handle the deteriorating professional liability environment. Partly because of our current tort reforms, and partly because of the years of excellent teamwork between MEDICAL MUTUAL and our insured Physicians, we have been able to mitigate the escalating effects being experienced by surrounding states. While Physicians across the region are seeing high double and even triple-digit rate increases, we were able to avert a rate increase for this year, and have only a modest increase for 2003. The battle isn't over, however. The claims environment continues to worsen nationally. We will have to work even harder with our state legislators in the coming years to preserve the tort reform measures that have helped create stability in the Maryland claims environment.

In the fall of 2001, we conducted a survey of our members to help us determine how to best meet your present and future liability insurance needs. A summary of the results of that survey is reported in this newsletter.

Finally, we have recently revised our policies to address changing market and legal conditions. These changes apply to all new and renewal policies with an effective date on or after June 1, 2002. Highlights of the changes are included in this issue.

Rest assured that as your professional liability insurance company, we are dedicated to the long-term defense of your career. With your continued support we will remain a tireless advocate for you in Annapolis and Washington, D.C.

As always, we welcome your comments and suggestions. Thank you for your confidence in MEDICAL MUTUAL.

Sincerely,

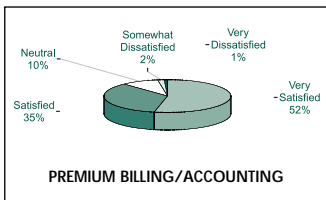


D. Ted Lewers, M.D.
Chair of the Board

Member Survey Provides Valuable Insight on Needs and Opinions of Our Insureds

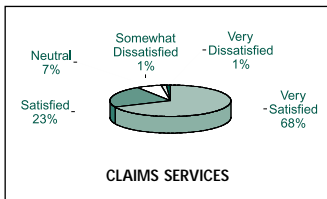
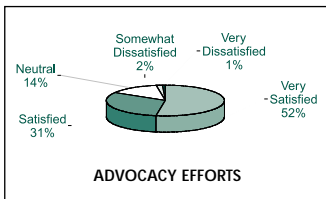
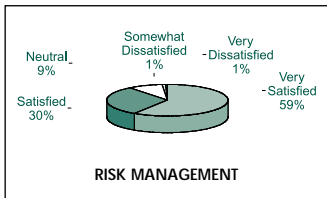
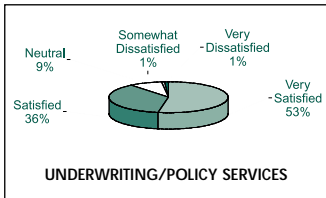
In the fall of 2001, MEDICAL MUTUAL mailed a member survey to our Insureds. The questionnaire was designed to help us determine the best ways to continue to meet your professional liability insurance needs. The response from Policyholders was tremendous. Almost 20% of our Insureds took the time from their hectic schedules to complete and return the surveys. Please accept our sincere thanks for your assistance. Your comments and data will be used to analyze our current products and services, as well as to help us anticipate your future needs.

Survey Highlights: We are especially pleased with the high satisfaction ratings received. Including only those responses which indicated an opinion (i.e., not counting survey questions left blank or marked "neutral" or "no opinion"), 97% of the respondents were satisfied or very satisfied with our Claims services. In the same manner, Underwriting/Policy services received a 98%, Risk Management received a 98%, our Advocacy efforts received a 97%, and Premium Billing/Accounting services received a 97% satisfied or very satisfied rating.



In the section titled "*Your Values*," the top five areas considered most important to our Insureds in a medical professional liability insurer were, in order: (1) Aggressive defense of claims, (2) Service, (3) Financial strength, (4) Price/value, and (5) Policy/coverage.

In the section on "*Your Ideas on New Products and Services*," there was strong Physician interest in additional risk management programs and enhancements, and some interest in Internet-based customer service and educational options.



Recent State Legislative Session Successful for Maryland Physicians

Once again, MEDICAL MUTUAL, working with the Physicians of Maryland and their professional organizations, has completed a successful legislative session in Maryland. For the past several years we have succeeded in maintaining the tort reform measures which were enacted in the mid-1980's despite relentless attacks from the plaintiffs' lawyers and their legislative allies. Their efforts have focused on attempts to eliminate or weaken the cap on non-economic damages and to eliminate the defense of contributory negligence. There have also been numerous efforts to make technical and evidentiary changes that would make it more difficult for physicians to defend themselves in medical malpractice cases. MEDICAL MUTUAL has consistently and vigorously opposed all of these efforts. Partly as a result of these successes, MEDICAL MUTUAL Insureds have enjoyed stable insurance rates for more than a decade.

Despite these successes, the next few years promise to be even more difficult. Maryland faces a state-wide election this fall, and plaintiffs' lawyers are expected to expend huge sums of money in this process. Many states in this country, including some of the surrounding states such as West Virginia and Pennsylvania, are dealing with a full-blown medical malpractice crisis. In this rapidly changing environment, it is particularly critical that MEDICAL MUTUAL and the Physicians of Maryland stay actively involved in the legislative process if the stability we have enjoyed in the past is to be protected.

BOP Coverage Still Important

In today's complex world, Physicians can encounter legal perils in many different and sometimes unexpected ways. Sure, you have professional liability insurance, and probably basic business office (BOP) coverage also. But, do you have the security and peace of mind that comes from a comprehensive BOP with enhanced offerings specially designed for medical offices?

Although MEDICAL MUTUAL is no longer offering BOP insurance to our Insureds through our Professionals Advocate affiliate, we still strongly urge our policyholders to make sure their practice is protected with a high quality business owner's coverage.

For your convenience, since our BOP is no longer available, we have structured an arrangement to ensure that your broker has access to *Spectrum*, a BOP insurance product from The Hartford. As you know, The Hartford is one of the nation's largest and oldest insurance companies. If you would like additional information about the specific coverages in *Spectrum* from The Hartford, please contact your insurance broker.

MEDICAL MUTUAL Files for 2003 Rate Increase

MEDICAL MUTUAL has filed a rate increase with the Maryland Insurance Administration. As a result of the filing and the automatic expiration of certain modest credits, the majority of physicians will see a rate increase of just under 10%, although this rate increase will vary among Insureds. This filing is due to the deteriorating claims environment in Maryland and across the country. Since 1996, the median jury verdict in medical cases has more than doubled to \$1,000,000. (*National Study by Jury Verdict Research*)

We take very seriously the decision to raise our rates. However, we strongly feel it is best to take a timely and measured response to current conditions. As recent Maryland experience has shown, insurers who delay taking the appropriate response may be forced later to take sudden and severe rate increases, or worse yet, have to abandon the market at some point or become insolvent. For example, in contrast to our moderate and consistent approach (7% increase in 2001 and no increase in 2002), the rates of some insurers have doubled or more in nearby states. Some carriers have been declared insolvent, have exited the industry due to massive losses, or have enacted a moratorium on new business. This has reduced Physician access to insurance or caused even greater financial problems for their insureds. We believe our actions are prudent and fiscally responsible and will result in MEDICAL MUTUAL remaining a strong and stable source of your medical professional liability insurance.

As always, a hearing may be requested with respect to our rate increase filing pursuant to §11-208(e) of Subtitle 2 of the Insurance Article of Maryland. An order, hearing or refusal of a hearing by the Commissioner may be appealed under Subtitle 5 of Title 11 of the Insurance Article of Maryland.

THE CRISIS AROUND US...

- After experiencing a 2001 loss of \$940 million, the St. Paul Companies, one of the largest medical malpractice insurers in the nation, is leaving the medical market.
- MIIX Insurance Company, New Jersey's largest medical carrier, is undergoing a solvent runoff and will cease operation.
- Princeton has announced it is exiting the medical malpractice business in Pennsylvania.
- Reciprocal of America, parent company of major Virginia insurer DIR, experienced a 50% surplus decline from 1/1/00 to 12/31/01. A.M. Best downgraded its rating to "B-" (Fair).

Policy Coverage Changes Take Effect June 1, 2002

MEDICAL MUTUAL has revised its medical professional liability policy. The new coverage enhancements and restrictions apply to all new and renewal policies with an effective date on or after June 1, 2002.

The changes include:

- Coverage territory expanded to all of the United States and Canada. However, you still need to notify our Underwriting Department of any activities outside of Maryland.
- If you increase limits during the coverage period, the new limits of insurance do not apply to claims that have already been reported or to any incidents known to you at the time of change.
- Under the prior version of our policies, a defense for claims involving allegations of sexual misconduct was provided only for the Named Insured on an Individual Liability Coverage Form or for Physicians scheduled on Coverage Part B of the Health Care Provider Group Professional Liability Coverage Form. Under the new version of the forms, we will defend all insureds covered by the policy except any insured who admits, is adjudged or is otherwise proven to be the perpetrator.
- New exclusions have been added to clarify that the policy does not cover liability for violations of ERISA, COBRA and similar laws or liability for antitrust activities, unfair competition and breach of contract.
- Coverage for utilization review/quality assurance evaluations will not be provided if such evaluations are performed on behalf of an HMO, health insurer or similar organization. In addition, no coverage will be provided for any utilization review/quality assurance evaluations if your revenues generated from these evaluations exceed 10% of the revenue generated by your practice.
- Additional language has been added to the definition of Locum Tenens. This language clarifies that locum tenens practitioners work only occasionally and while you were absent from your usual attendance in your practice.

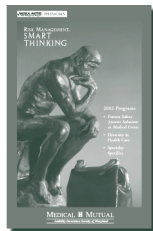
IMPORTANT NOTE:

As with any insurance coverage, the coverage provided by MEDICAL MUTUAL, including all terms, conditions and exclusions, is set forth in your policy. The descriptions above are very brief and general and do not reflect all coverage terms and conditions. These descriptions are not a substitute for reading the policy forms in their entirety. Please check with your local MEDICAL MUTUAL broker or call our customer service department at 410-785-0050 or 800-492-0193, for complete information on the MEDICAL MUTUAL Policies and Coverages available.

Informative Risk Management Programs Available

In today's litigious society, risk management is essential to the practice of good medicine. To help you learn more about improving the quality of patient care and minimizing your risks as a health care provider, MEDICAL MUTUAL is offering four informative 2002 Risk Management educational seminars for Physicians and medical office staff. Physicians can choose from two new seminar topics, "Patient Safety – Systems Solutions to Medical Errors" and "Diversity in Health Care," as well as the popular "Specialty Specifics." "Specialty Specifics" seminars are available for Anesthesiology, OB/GYN, Ophthalmology, Orthopaedics/Neurosurgery, Pediatrics, Primary Care, Radiology/ED and Surgery. Medical Office Staff can register for "HIPAA for the Medical Office," a seminar designed to help participants understand the new HIPAA regulations, and learn what has to be done in order to be in compliance.

And remember, Physicians can earn CME Credits and a 5% premium discount on their 2003 MEDICAL MUTUAL renewal policy by participating in one of the valuable Physician programs.



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Spring/Summer
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