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Inside this issue

Maximizing Professional Liability Dollar ... Page 1

Greg Kirchmeier, MBA ... Page 2

Personal Checkup ... Page 3

Maximizing the Value of Your Professional Liability Dollar

Six out of 10 physicians 55 and older have been sued, according to a recent American Medical Association study. Male doctors are twice as likely as their female counterparts to get sued during their career. And more physicians in solo and specialty practices are sued than those in multispecialty practices.

The study analyzed data from 5,825 physicians who responded to the AMA's Physician Practice Information survey, which examined costs of medical practice and associated factors from 2007 to 2008. Research showed that an average of 95 medical liability claims were filed for every 100 physicians during the course of the doctors' careers.

Only 5% of Medical Liability Lawsuits Make it to Trial

The August report found that 42.2% of physicians were sued, with 22.4% sued twice or more. Rates varied by specialty, but general surgeons and obstetrician-gynecologists were most likely to be sued (69.2%). Family physicians and general internists had similar rates (38.9% and 34%). Pediatricians and psychiatrists were sued the least. Physicians who had an ownership interest in a practice were at greater risk, with 47.5% reporting being sued, compared with 33.4% for those with no ownership interest.

The majority of lawsuits never made it to the courtroom, according to 2008 data from the Physician Insurers Assn. of America, a trade group representing liability insurance companies owned or operated by physicians, hospitals and other health care professionals. Sixty-five percent were dropped, dismissed or withdrawn. About one in

(Continued on page 2)

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PROFESSIONAL CONCEPTS
INSURANCE AGENCY

MED-MAL RISK REVIEW

Maximizing the Value of Your Professional Liability Dollar

(Continued from page 1)

four claims was settled, and 4.5% were decided by alternative dispute mechanism. Of the 5% that went to trial, defendants won in 90% of cases, the PIAA said. But fighting a claim is costly. Defense against a claim averaged \$22,163 for suits dropped, dismissed or withdrawn, and more than \$100,000 for cases that went to trial, according to PIAA data.

The frequency of medical liability claims isn't a surprise for those in the field, said Lawrence Smarr, President and CEO of PIAA. "This is the situation that we've been living with for the last several decades."

Choosing an Insurance Agent

We are all familiar with the cyclical nature of the insurance industry. Given the current economic climate, by all accounts, the market is "soft". Today's premiums are generally lower in light of the recent economic down-turn. Even in today's current "soft" market dynamic, it is imperative that practice decision-makers be directly involved and educated in the process of procuring professional liability insurance. In so doing, the owner of a practice may ensure that the most comprehensive coverage is obtained for the practice at a reasonable premium from a solid, reputable carrier. Being proactive in this regard will avoid crippling results in the event of a significant claim. This article will act as an introduction to a series of article intended to so educate practice decision-makers.

Most medical practices are contacted multiple times throughout the year by numerous agents offering insurance products. NOT ALL AGENTS ARE EQUAL. Choosing an independent agent, one who is NOT bound to a relationship with any *one* carrier, ensures a true analysis of what the insurance market will bear as a whole. Choosing an agent that is familiar with the local medical community and specializes in insurance for physicians assures that appropriate coverage is bound through a qualified carrier. The best case scenario involves working with an Agent who possesses both relevant prac-

(Continued on page 3)

Greg Kirchmeier, MBA

Greg Kirchmeier consults with physicians, surgeons, hospitals, long-term care facilities and numerous other healthcare providers for their insurance and risk management needs. Greg provides 15 years experience in the medical field.



Previously, Greg served the highly competitive pharmaceutical industry. He has a vast knowledge of the needs and ever-increasing concerns facing today's healthcare providers. He has worked very closely with physicians, pharmacists, practice managers and long-term care facilities in multiple states across the Midwest. He has built solid relationships with various specialties including Family Practice, Internal Medicine, OB/GYN, Cardiology, Endocrinology, Nephrology, Rheumatology and Dermatology.

Greg earned his B.S. degree in Engineering from Michigan State University and his MBA in Finance from Webster University in St. Louis, MO.

Greg and his wife Patty, along with their three children, Ellen, Paul and Maggie, live in Brighton. Greg enjoys time spent with his family as well as golfing, reading, trout fishing, water and snow skiing and sailing.

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(Continued from page 2)

tice experience in your state and a medical background.

Your agent should also be available to meet with you in person to discuss the services provided by the agency and further, to formulate a plan of action designed to efficiently prepare the application, obtain indications and bind coverage. The agent and agency staff must also be available throughout the policy period to service client needs. A good agent and agency should make other resources available in addition to just the insurance product.

Your agent should also be familiar with the differing “appetites” of varying carriers. For example, some carriers are more prone to insure higher risk specialties and are more likely to offer favorable premiums and coverage options to practices that satisfy their predilection. Other carriers may preclude practices that practice in high risk areas such as surgical or OB/Gyn. Knowledge of these carriers’ “appetites” makes the process more efficient. Your agent should also be adept at negotiating premiums amongst carriers and be familiar with the various differences between each carriers’ policy.

Questions directed to your agent should be readily answered. An agent should be intimately familiar with the differences between carriers’ policies, carriers’ coverage options and claims handling procedures. Furthermore, an agent should be immediately able to advise you of the identity of your claims advocate in the event of a claim as well as the identity of personnel from the agency who will assist in the preparation of the application and placement of your

(Continued on page 4)

Need a Personal Insurance Checkup?



Sometimes your personal risks just don't get the attention they need. A quick phone call to

PCIA and you will discover how easy it is to improve your protection and fill missing gaps at the same time. Call Doris Livingston, Vice President of Personal Insurance at PCIA. For over 30 years, Doris has worked with individuals for all their insurance needs. Call her. You will be glad you did!



Reach Doris at 800-969-4041, ext. 5270. or by email at dlivingston@pciaonline.com.

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INSURANCE AGENCY

MED-MAL RISK REVIEW

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(Continued from page 3)

practice's insurance coverage. Failure to answer these questions in short order may indicate the agent does not specialize in professional liability insurance and therefore may be unlikely to place your practice with an insurance carrier providing coverage specifically designed to offer the required coverage for medical practices participating in your area of specialty. Professional liability insurance should be bound through a specialist agent, not a generalist. The agent should assist in the preparation of the application. Ideally, the agent obtains raw data from the practice, assembles it into an application and submits it to a practice owner for review and execution. By so doing, the strain of obtaining professional liability indications is borne by the agent, not the practice. Having your office manager or other staff prepare several applications each year is a waste of your practice's resources.

Choose ONE AND ONLY ONE Agent

Working with only one trustworthy and knowledgeable agent assures that the practice will procure the most comprehensive coverage for the most reasonable premium. Once a carrier is approached by one agent, subsequent agents attempting to obtain indications from that same carrier are precluded barring the execution of a market assignment letter. Having several agents working to procure indications from several carriers precludes negotiation. Having one agent, a trusted advisor to the firm, obtain indications from the relevant marketplace enables the agent to negotiate terms amongst carriers. Your agent should be familiar with the carriers' underwriters and capable of negotiating favorable terms in light of the broad range of coverage options and pre-

miums available from the various carriers. The agent should then meet with you personally to discuss the various options and make an educated recommendation that accounts for all relevant factors.

Selecting Practice Staff Responsible for Procuring Insurance

It is imperative that the decision maker be involved in oversight of the entirety of this process. While assembling raw data to be provided to the agent in order to complete an application may be delegated to a staff member, a practice owner must be intimately familiar with the entirety of the process. This ensures that the firms' specific insurance needs are addressed by the agent and eliminates future denial of a claim based on incorrect data within the application. By being involved, the decision-maker is better able to make an informed decision for the best policy and desired coverage options that make the most sense for the practice.

Our next article will address the claims handling process and what you should expect from your insurance representative and insurance company.

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