

By Physicians. For Physicians.

(How Premium Rates Are Determined, continued from outside flap)

established rates with each state's Department of Insurance, where they are closely analyzed, authorized and monitored.

Competitive Pricing

Some insurers may initially offer premiums that are less than actuarially driven. They usually do so to "buy" market share, but since the "losses are the losses," these companies are likely to raise premiums quickly to recoup the dollars needed to cover their actual claims expenses. As a policyholder-owned mutual insurer, our goal is to offer the lowest possible premiums to our physicians and maintain a stable and fiscally responsible market.

The companies who ignore or discount actuarially sound rates must sometimes make trade-offs with other important areas to show a profit. Whether it's in the way claims are handled and defended (i.e., using out of area third parties to manage claims or hiring less experienced lawyers and weaker expert witnesses), the lack of professionally provided risk management services or providing inefficient service; a policyholder will soon learn the differences between that approach and MAG Mutual.

MAG Mutual is recognized within the industry and by its satisfied policyholders as providing local, experienced and superior claims management and legal defense. Led by physicians comprising the Board of Directors and the Claims, Underwriting, Education and Medical Relations committees, our commitment to excellent policyholder service is unquestioned.●

\$10 Million Dividend Continues...

Beginning June 1, 2007, MAG Mutual began returning \$10 million to eligible MAG Mutual Physicians and Surgeons Professional Liability policyholders of record as of the close of business, April, 1, 2007.

The dividend amount is based on the number of years insured with MAG Mutual, the amount of premium paid and for most physicians equals about 3 percent of that premium amount. Dividends will appear as a credit on annual renewal policies.

For eligible policyholders who retire or do not renew their policy, the dividend will be applied to any outstanding balance or issued as a check.●

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www.magmutual.com

Risk Management Tips

Use of Dietary Supplements with Prescriptions Spells Trouble for Some Patients

In a recent U.S. Food and Drug Administration (FDA) Health and Diet sponsored study, 73% of those polled 18 and older used a herb or dietary supplement at least once a year and 85% used multivitamins on a daily basis.¹ No major medical group or government agency recommends multivitamins for otherwise healthy individuals because evidence-based reviews found no benefit.

Another study by the National Center for Complementary and Alternate Medicine, found that glucosamine-chondroitin does not relieve arthritic pain; Echinacea does not prevent colds and Saw Palmetto does not relieve benign prostate hyperplasia.²

Many herbs and supplements have a long history of use and of claimed health benefits but some have caused health problems for users. Since the mid-eighties, the American Association of Poison Control Centers has received more than 1.6 million reports of adverse reactions from people taking dietary supplements. Over 250,000 of these incidents resulted in hospitalization.³

The FDA study concluded there is a higher incidence of adverse results using herbal supplements with prescription medications. In the US, herbal and dietary supplements are regulated by the FDA as foods, meaning they do not have to meet the same standards as drugs and over-the-counter medications for proof of safety, effectiveness, and what the FDA calls 'Good Manufacturing Practices.'

The danger is that these supplements can act in the same way as drugs and can cause medical problems if not used correctly or if taken in large amounts. Some have

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A.M. Best Reaffirms MAG Mutual as A- (Excellent), with Stable Outlook

On July 31, 2007, the A.M. Best Company announced that it reaffirmed MAG Mutual Insurance Company's A- (Excellent) financial strength rating. The rating was also supported with a stable outlook for the future.

The A.M. Best rating was based on 2006 financials and cited MAG Mutual's capitalization, operating profitability and favorable loss reserve development. The rating also recognizes MAG Mutual's leadership position in providing medical professional liability coverage for physicians in Georgia, as well as six other states in the Southeast.

The A.M. Best Company is a leading insurance rating organization whose ratings are recognized worldwide as a benchmark for assessing insurers' financial strength. The A- (Excellent) rating is assigned only to select companies that have an excellent ability to meet their ongoing obligations to policyholders.●

Georgia Tort Reform Success Brings Insurers Back, (Part II)

This is our second installment examining the impact of tort reform on Georgia physicians. As medical professional liability insurance companies reenter Georgia, physicians and practice managers should closely consider options presented and ask questions of potential insurers that will help determine the best course of action. The entire list of factors can be found at www.MAGMutual.com, click on MAGnets and Newsletters.

1. **Policyholder base:** Are a large concentration of the company's policyholders in a higher risk territory or specialty? If the carrier has a larger insured exposure in higher risk areas or insure too many, claims could potentially soar. As a result, the carrier could impose severe rate increases or worse, leave

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(Use of Dietary Supplements with Prescriptions Spells Trouble for Some Patients, continued from page 1)

been found to be contaminated with metals or other substances. Published analyses of some supplements have found differences between what's listed on the label and what's in the bottle.

Physicians and other health professionals should remain diligent in asking patients about dietary supplements and herbal intake at each visit, update medication lists, and educate patients about any safety concerns related to combining these with prescription medications.●

(1) Timbo BB, Ross MP, McCarthy PV, et al. Dietary supplements in a national survey. *Journal of American Dieticians Assoc.* 2006; 106:1966-1974

(2) AARP, NCCAM. Complementary and Alternate Medicine. What people over 50 are taking and discussing with their physicians. January 18, 2007

(3) Lai MW, Klein-Schwartz W, Rodgers GA, et al. 2005 Annual Report of the American Associate of Poison Control Centers national poisoning and exposure database. *Clinical Toxicology* 2006; 44:803-932

*MAG Mutual does not presume to establish any standard of care or establish rules for the practice of medicine. The particular patient-care strategies or range of patient-care strategies mentioned in this article should be tempered by the physician's judgement.



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How Premium Rates Are Determined

When articles are published and stories told about the cost of medical professional liability insurance premiums, it can get confusing and the facts are often distorted. As a physician-owned and -led mutual insurer, we want you to understand how your policy's rates are set, so that you can make the most informed purchasing decision for your practice.

Independent actuaries use five factors to determine premium rates: expected claims expenses the company will incur to defend physicians and pay injured patients, the expenses necessary to run the company and provide policyholder services, profit, contingencies and investment income. The most important cost factor by far is the claims expense. For this issue, we'll focus on the impact of those expenses on premiums.

The major difference in pricing insurance vs. other products or services is that insurance rates are based on calculated predictions of the future, using past experience as a guide. The actual cost of any claim – severity and length of time to defend and close the case – is not known when the policy is sold. Therefore actuarial science is used to determine premium rates.

A leading independent actuary in medical professional liability insurance develops MAG Mutual's rates, using specific loss experience as a guide. Premium rates can vary from physician to physician, as rates are dependent on the claims experience of each specialty and geographic location. There is an old saying in the insurance business that simplifies the message: the losses are the losses – and losses drive the rates.

As an admitted carrier in the states it operates, MAG Mutual is required to file actuarially

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(Georgia Tort Reform Success Brings Insurers Back, (Part II), continued from page 1)

the state – as so many did earlier this decade. Other results include policyholder non-renewals, lost vesting of tail cover age and jeopardizing the quality of claims defense.

Our policyholders go through a strict selection process and a delicate balance is maintained examining several risk factors. Based on these factors, our insureds have enjoyed rate stability. MAG Mutual is here to stay. We have been working for physicians since 1982. We stay committed to Georgia's physicians.

2. **Market Share:** What is the company's overall medical professional liability market share in Georgia? How many physicians does the insurer cover in the state? Higher numbers indicate a better chance the company is committed here. If they don't have a high number, is there a strong and committed sales force and staff working towards that goal?

MAG Mutual is the largest mutual medical professional liability insurance company in the Southeast. Insuring more than

17,000 physicians, our corporate headquarters are located in Atlanta. Founded in 1982 by Georgia physicians, more than 7,500 of our policyholders practice in Georgia.

3. **Advocacy:** Does the insurer actively support state and national medical-legal reform? Do they stay on top of issues that may affect the healthcare industry and alert policyholders of positions held by leading organizations?

MAG Mutual was the only Georgia medical professional liability insurance company that stepped forward to support the Tort Reform legislative process. We held numerous meetings to educate our policyholders on the issues affecting them and to this day, continue to give updates.●

Call the Policyholder Service Center at 1-800-282-4882 for Exceptional Customer Service

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