

## 1982-2002: Twenty Years of Underwriting Success

The physician board of directors at MAG Mutual Insurance Company made a wise decision 20 years ago by forming the Physician Underwriting Committee. Over the years, the Physician Underwriting Committee has been successful in selecting a group of MAG Mutual insureds that are 90 percent claim-free.


Underwriting in an insurance company defines the characteristics of acceptable insurance applicants. Insureds are then selected based on the established standards. There are other criteria involved in reviewing an application, such as previous losses and expenses incurred, as well as specialty relativity (the comparison of the claim experience of one group of medical specialists to others). The underwriting

process also includes the setting of rates, terms and conditions for insurance (the policy). Underwriters must monitor the in force book of business for continued compliance with underwriting standards. Underwriters are also responsible for obtaining reinsurance.

Reinsurance is the insurance that we, the insurance company, buy from other insurance companies (reinsurers). Our main reinsurance support comes from Lloyd's of London. Reinsurance makes it possible to absorb larger losses and excessive loss ratios without causing financial damage to the company. Without reinsurance, large limit capacity would not be available. Reinsurance costs are skyrocketing nationwide due to several years of poor underwriting results

that have been exacerbated by the huge losses incurred through terrorist activity of September 11.

The ultimate goal of underwriting is to support the financial foundation of the company through collecting sufficient premiums to pay losses and expenses and to generate a sufficient margin to build policyholders' surplus in the company. Surplus is necessary to protect against unforeseen losses.

You can be proud of the decision that created MAG Mutual Insurance Company in 1982. Two decades of successful underwriting have created a financial institution with more than \$150,000,000 in policyholders' surplus. You can count on MAG Mutual to be here when you need us. 

## Technology: New Ways to Provide Better Patient Care

*Note: In the May 2001 issue of The MAGnet, we told you that hand-held computers were becoming the new prescription pad for the modern physician. In this article, we want to make you aware of even greater strides technology is making in the medical field.*

Computers, the Internet, e-mail and electronic medical records are all part of a technological trend called e-health that is enabling physicians to provide better patient care. Physicians are now using computers and the Internet to do medical research. They are corresponding with their patients and colleagues via e-mail, and their use of electronic medical records means no more lost or misplaced paper files and more readily available test results. The physicians' ability to instantly send prescriptions to pharmacies will greatly improve efficiency in dispensing medications and may also eliminate some of the preventable medication errors caused by illegibly written prescriptions.

Advocates also believe e-health technology will benefit patients by:

- Letting them request appointments and prescription refills
- Speeding up visits to the doctor
- Providing answers to questions faster
- Creating databases to better track their medical history
- Reducing drug errors
- Enabling them to register for health-related classes online

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## Medical Professional Liability Insurer Insolvencies Impact Physicians

It has been widely reported that physicians are experiencing a new medical professional liability insurance crisis. Most physicians know that medical professional liability insurers across the nation are increasing premiums—and some have begun to withdraw from the market entirely. Perhaps more alarming is the fact that at least six prominent insurers of medical professional liability in the United States have become insolvent in recent years.


Physicians with pending claims covered by insurers that become insolvent face uncertain futures, since those insurers may not have sufficient assets to cover even part of their claims. State-organized insurance guaranty associations have been established to cover the losses of certain insolvent insurers, but their coverage is limited. In Georgia, for example, the property and casualty insurance guaranty association may pay up to \$100,000 per claim, while associations in other states may pay up to \$150,000 per claim (Alabama) or \$300,000 per claim (Florida, North Carolina and Virginia). Unfortunately, the average medical liability award now exceeds \$800,000.

The cold reality is that a physician may be personally liable to a claimant to the extent that the insolvent insurer and state guaranty associations are unable to cover a claim. With the increase

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Conversely, e-health technology opponents are concerned about Internet security and patient confidentiality. Some physicians are advising patients not to use e-mail for extremely personal topics such as mental health or sexually transmitted diseases. Whatever side of the fence you're on, it's important to monitor the influence of technology on the future of the health-care field. 

## Medical Group Managers Council Formed


MAG Mutual Insurance Company continues to be committed to listening and learning from its policyholders/owners. That's why we have recently formed a special committee of Georgia medical group managers to discuss how MAG Mutual can continue to meet physicians' needs and to address their concerns and issues.

The group held its first meeting at the Sheraton Buckhead in March. Several subjects were discussed that touch most medical office practices— including cost and control, patient satisfaction, increasing revenues, marketing ideas and patient access. MAG Mutual will continue working with the council members on these issues during the next few months. We'll share what's being discussed in more detail in future issues of the *MAGnet*. The next semi-annual meeting will be held October 17. 

## Georgia General Assembly Commends Dr. Alva Mayes and Dr. Louis Sullivan

The Georgia General Assembly recently issued two separate resolutions commending members of the MAG Mutual Insurance Company board of directors. Alva L. Mayes, Jr., M.D. received a resolution commending him for his many years of outstanding contributions on behalf of the health of the citizens of Georgia. The honorable Louis W. Sullivan, M.D. was commended for his extraordinary achievement and enduring contributions to the medical profession. The members of the legislature also extended their best wishes for continued good fortune to Dr. Sullivan during his years of retirement. Congratulations Drs. Mayes and Sullivan! 

(Insolvencies, continued from page 1)

in claims severity in recent years, the fiscal strength of a medical professional liability insurer has become an overwhelmingly important issue to the physicians covered by that insurer. Rest assured, MAG Mutual Insurance Company will continue to do what it has for years in protecting its fiscal strength—and in turn, its physician policyholders—whether that means increasing premiums appropriately, vigorously advocating physician interests in the courts or supporting meaningful tort reform. We will continue to update our policyholders on the medical professional liability crisis in the coming months. 

## Risk Management as CME

Physicians participate in continuing medical education (CME) activities to maintain and sharpen their clinical skills and knowledge. Another important component of CME is risk management education.

Through our publications, seminars, speakers' bureau and Website, MAG Mutual seeks to increase physicians' awareness of professional liability trends, and ways to reduce the chance of a malpractice lawsuit. Some of these presentations offer Category 1 CME credit, such as our program on breast cancer diagnosis, which is being presented to physician audiences in Georgia, North Carolina and Florida.

"The tools and techniques taught by risk managers can offer significant improvements that can reduce risk for physicians and patients alike," observes Robert L. Addleton, Ed.D., director of education for the Medical Association of Georgia. MAG Mutual is one of the few medical liability insurance companies in the country that offers Category 1 credit for our risk management programs.

MAG Mutual also publishes a quarterly risk management newsletter (*Healthcare Risk Manager*) as a free educational service. Watch for your next issue this spring!

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The **MAGnet**™

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P.O. Box 52979  
Atlanta, GA 30355-0979

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Permit No. 3329