

Notes

MEDICAL MUTUAL
Liability Insurance Society of Maryland

FROM THE CHAIR OF THE BOARD

July 2011

Dear MEDICAL MUTUAL Member:

Since my beginning as Chair of the Board in 2007, I have been pleased to announce three consecutive rate decreases and the return of significant dividends to our Doctors. In fact, MEDICAL MUTUAL has not filed for a rate increase since 2005. However, at this time, it is my duty to report the need for a change in our base rate.

The frequency of malpractice claims against our Doctors has remained stable in recent years. However, the cost to defend our Doctors has been a different story. This includes appellate challenges to our current tort environment, of which there have been many. The improved frequency mitigated the inflationary pressure of these litigation costs, resulting in six consecutive years of no change in what our insured Doctors paid annually for their professional liability insurance. This offset has diminished. Consequently, to maintain the integrity of our pricing, we have filed with the Maryland Insurance Administration for an overall rate increase of 4% to be effective January 1, 2012.

We do understand the financial pressures faced by Doctors. We will be working hard over the coming months to make the price you pay for professional liability insurance as low as possible. Since 2007, we have applied over \$52 million in renewal dividend credits, and an additional \$71 million in extraordinary dividends applied in the second quarter bills of 2009, 2010 and 2011. At this point, we expect a continuation of some level of dividends and will report to you on this later in 2011 when our financial picture can be more accurately reviewed.

In other news, our A.M. Best Rating of "A-" (Excellent) has been reaffirmed, highlighting the responsibility MEDICAL MUTUAL feels to operate and invest in a sound manner to ensure the future strength and viability of the company.

Thank you for your continued support and loyalty. Our mission is to defend Maryland Doctors and we never lose sight that MEDICAL MUTUAL is your company. We strive every day to operate more efficiently and to improve our services to you. We welcome your comments and suggestions.

Sincerely,



George S. Malouf, Jr., M.D.
Chair of the Board

HEADLINES

Modest Rate Increase Announced for 2012

Due to increasing claims severity, MEDICAL MUTUAL has filed for a modest 4% rate increase in 2012.

A.M. Best Reaffirms "A-" (Excellent) Rating

For the 16th consecutive year, MEDICAL MUTUAL has received an "A-" (Excellent) rating from A.M. Best.

Sole Agent Reminder

An important reminder for Physicians and/or Physician groups who have signed with a Sole Agent.

Premiums and Dividend Credits

An explanation of the meaning of these two insurance terms.

CME Credit Review

A review of the CME credit requirements set by the Maryland Board of Physicians.

Web Enhancements Planned for 2011

MEDICAL MUTUAL will be introducing new features on both web and mobile sites this year.

Locum Tenens FAQ

What Insureds need to know about MEDICAL MUTUAL's locum tenens policy coverage.

MEDICAL MUTUAL Files for Modest 2012 Rate Increase

MEDICAL MUTUAL has filed a 4% rate increase with the Maryland Insurance Administration effective January 1, 2012. Although we have been fortunate in that claims frequency has remained generally flat in the past few years, this filing is due to the continuing growth in the cost of litigating and resolving claims. From the longstanding average in the 1990s of \$250,000, the average paid claim now hovers near \$400,000.

In addition, the cost of defending claims is continuing to trend upward each year. This involves legal expenses associated with defending claims, which includes attorney fees, expenses for expert witnesses, courtroom exhibits, trial preparation for defendants and much more. It is also impacted by considerable legal expenses from fighting a number of appellate challenges to tort reforms in the past few years. Moreover, while general inflation has been limited in recent years, health care costs, which are a major factor in the cost of medical liability cases, have been growing at a much higher rate.

For these reasons we are filing for a rate increase. We believe our action is prudent and fiscally responsible and will result in MEDICAL MUTUAL remaining a strong and dependable source of your medical professional liability insurance. MEDICAL MUTUAL is firmly committed to maintaining stability in the cost of medical professional liability insurance when possible, and we are working to explore all options. As always, a hearing may be requested with respect to our rate increase filing pursuant to §11-208(e) of Subtitle 2 of Title 11 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.

A.M. Best Reaffirms “A-” (Excellent) Rating for MEDICAL MUTUAL



Once again, MEDICAL MUTUAL Liability Insurance Society of Maryland has been rated “A-” (Excellent) by the A.M. Best Company, the nation’s most recognized insurance rating agency. A.M. Best based its independent opinion on MEDICAL MUTUAL’s “excellent risk-adjusted capitalization, commitment to maintaining adequate rates, adherence to strict underwriting standards and its market leadership in providing professional liability coverage for physicians.” This marks the 16th consecutive year that MEDICAL MUTUAL has earned this strong financial rating. “We are pleased that A.M. Best has continued to recognize our financial stability during such challenging economic times,” said Mary Lura Duvall, Senior Vice President and Chief Financial Officer. “We will continue to work to be a dependable, long-term source of liability coverage for Maryland Physicians.”

Explanations of MEDICAL MUTUAL Premiums and Dividend Credits

We occasionally receive questions from Doctors asking for additional information about premiums and dividend credits. It can be confusing in some years when a rate increases while Policyholders are also receiving a dividend from MEDICAL MUTUAL. The key to understanding these terms is that each of them relates to a different time period.

The rate we charge is based on what we expect to pay in the **future** to resolve claims. Dividends, on the other hand, are based on the **past**. The presence of favorable loss experience from previous years and a sound financial position makes it possible in some years to declare a dividend. Since we are a mutual insurance company, MEDICAL MUTUAL passes on this benefit when it occurs to our Policyholders in the form of a dividend credit on the next year’s renewal policy. The MEDICAL MUTUAL Board of Directors meets in the Fall of each year to determine whether we are able to offer a dividend credit for the following year.

REMINDER: Be Sure You Understand the Use of a Sole Agent

A reminder to Insureds that if they have a Sole Agent agreement on their policy, any refunds from MEDICAL MUTUAL will be returned to the Sole Agent. When a Physician and/or a Physician’s group sign with a Sole Agent, they are entering into a legal agreement where the Sole Agent will act on the Insured’s behalf with respect to all premium transactions under the policy, including payment of premium. Therefore, the Sole Agent becomes the payee for any return premiums paid by MEDICAL MUTUAL, such as refunds and dividends, if applicable. For more information, call our Customer Service Department at 410-785-0050 or toll free at 800-492-0193.

Review of Maryland Board of Physicians CME Requirements

By participating in MEDICAL MUTUAL's 2011 education program, *Risk Management Education – Improve Your Practice Picture*, Physicians can earn two hours of Category 1 credit for each program they attend. The Maryland Board of Physicians (MBP) requires Physicians to complete 50 hours of Category 1 continuing medical education (CME) every two years.

To review, the MBP recognizes Category 1 activities that meet at least one of the following criteria:

- Accredited by the Accreditation Council for Continuing Medical Education (ACCME).
- Sponsored by an international, national or state medical society that meets the standards adopted by ACCME.
- One year of full-time service in an accredited training program earns 50 Category 1 CME's; Full-time service for a portion of a year earns 1 credit hour per week.
- A program of self-instruction to prepare for an approved Board certification or recertification examination can earn up to a maximum of 10 credit hours.
- A service performed, without compensation, under the auspices of a peer review, focused professional education, or physician rehabilitation committee can earn up to a maximum of 10 credit hours.
- A service performed, without compensation, as a preceptor to medical students in LCME-accredited medical schools and to postgraduate trainees in accredited training programs can earn up to a maximum of 10 credit hours.
- A service performed, without compensation, by a Board designee that involves medical review for the Board can earn up to a maximum of 10 credit hours.

Documentation of CME attendance should be obtained from the provider of the activity in the form of a CME reporting form, attendance certificate, transcript or letter of attendance. The documentation must include the program title, sponsor's name, Physician's name, date and location of the CME event, category designation, number of prescribed credit hours and verification of completion. Physicians should retain this documentation for a minimum of six years for possible inspection by the MBP.

New Web Enhancements to be Introduced in 2011

MEDICAL MUTUAL continuously works to improve the online experience of our Policyholders. Throughout the remainder of 2011, we will be introducing redesigned sections of our web site, as well as new features for the full site and the mobile version, all intended to better serve you. Please visit us at www.weinsuredocs.com and be sure to check back often for the latest company news, policy information and member services from MEDICAL MUTUAL.

Secure Site Redesign

Our secure, "Insureds-only" site is being redesigned over the coming months with a more user-friendly interface, allowing Insureds to find the information they need quicker and easier than ever. Where possible, certain processes were streamlined to make them more efficient. The new version of the site will retain all of the convenient features and resources as the current site, available 24/7 to Insureds.

Medical Office Staff Section

Later this year, MEDICAL MUTUAL will be introducing a special section of our web site with important information for medical office staff members. Topics such as documentation, handling patient complaints, confidentiality issues and much more will be covered.

Mobile Site Expanding

Have you created a time-saving bookmark for our new mobile site at www.MedicalMutualofMD.com? MEDICAL MUTUAL Mobile is free, easy to use and available on any mobile phone with Internet access. In addition to secure account access, risk management program information, detailed directions to program locations and more; coming soon will be our podcast library, as well as a new section on reporting claims. For your convenience, MEDICAL MUTUAL will continue to review and analyze our mobile site in order to expand our mobile web presence with additional offerings in the future.



Reminders for Physicians About the Use of Locum Tenens

As vacation season gets into full swing, many Physicians may consider the use of locum tenens coverage. The following is a quick primer on MEDICAL MUTUAL's policy regarding locum tenens.

What is locum tenens? A locum tenens is a substitute engaged by you when you are absent from your practice on an occasional and non-routine basis. The locum tenens does not have individual coverage and is assuming your limits.

How do I report a locum tenens? You should notify your Insurance Producer and submit a report in writing, either prior to your leave of absence or as soon as possible upon your return to the office.

If you have additional questions about locum tenens coverage, call your Insurance Producer or our Customer Service Department at 410-785-0050 or toll free at 800-492-0193.

What should the report include? The report should include the name of the locum tenens practitioner, his or her license number and the dates of coverage.

Do I need prior approval for locum tenens coverage? In most cases, no. Prior approval is only required if, during a single policy year, you have used a locum tenens either (a) more than four times, or (b) more than a total of 60 days.

Is the locum tenens practitioner required to be a MEDICAL MUTUAL Insured? The locum tenens is not required to be a MEDICAL MUTUAL Insured.

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