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Allergists and immunologists professional liability insurance

To the Editor:

In June of 1989, our American Academy of Allergy and Immunology group insurance office sent a letter stating:

"At one time or another, all of us have felt that allergists and immunologists in some way subsidize the professional liability insurance rates for the other higher risk health care practitioners. We all feel that if the premium and claim experience for allergist and immunologist could be segregated, the superior results would ultimately lead to reduced professional liability insurance premiums for you and your colleagues. With the passage of the Federal Liability Risk Retention Act, you have a unique opportunity to create your own AAAI risk purchasing group. In order to provide this benefit for you, we need information on your current insurance coverage and past loss experience, if any."

As a board member of a physician-owned malpractice insurance company and whose company is a member of the Physicians' Insurers Association of America, I would like to caution all allergists in pursuing this course. The old adage "you get what you pay for" is certainly supported by the problems with risk-retention groups and even risk-purchasing groups. Every allergist should be aware of the following problems which exist with these groups:

1. They are not regulated by the state except in the state of formation.

2. They are usually formed in states with a very weak regulatory history.
3. They are not a beneficiary of the state's guaranty fund, if your state has such a fund, and if the company goes bankrupt.
4. They are not subject to the state's statutory requirements regarding noncancelability, mandatory tail, etc., which are very important facets of any insurance policy.
5. Capitalization of these companies is and always has been a problem: Is the initial capital adequate to meet expenses? Insureds must realize that they must contribute to capital or pay subscription fees in addition to premiums; policyholders ARE ASSESSABLE for reserve and capital shortfalls.
6. Risk-retention groups very often have a significant problem in securing "good" reinsurance.
7. They claim they will control defense costs, and this is not proven, but worse than this claim, all claims and suit management are centralized in a single location, generally far removed from the state of suit. They hire local counsel (who are generally incompetent compared to the top flight defense counsels) to present the case at trial.

Mark Crane wrote a special report in *Medical Economics* (October 2, 1989) regarding risk-retention insurance. This is "must" reading for any physician considering risk-retention groups. He tells a hair-raising story regarding the Indiana-based medical liability purchasing group that was recently shut down by the state attorney general but only after the Indiana doctors lost 4.4 million in premiums. This company was based in Guam. Later, in the same article, he quotes the National Association of Insurance Commissioners regarding their publication last June of a blistering 7-page letter calling for revisions in the Federal Risk Retention Act because of the potential for abuse. One RRG with assets of <1.5 million was issuing policies with coverage limits of 1 million and 3 million, hardly an appropriate, properly capitalized company. Finally, Stephen Foster, Virginia's insurance commissioner, states that the federal act is poorly written in places, and my concern is that doctors may think they have protection when they do not. If all of a sudden your premium is half what you have been paying to an established company, you should ask some hard questions.

Returning to the AAAI Group Insurance Statement, most PIAA companies do not do what is quoted above from the AAAI group insurance office, that is, have allergists subsidize other high risk health care practitioners. Almost all companies operate with class and specialty rates based on the same class and specialty claim experience. Also, most PIAA companies are nonprofit and return profits back to their doctors as lower premiums or even dividends, as our state's company (COPIC in Colorado) has just authorized for the second year in a row.

I caution all allergists and the American Academy's insurance office to beware. You literally will get what you pay for, and you may not like what you get.

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