

TDC pays dividend to physicians after drop in claims

BY MIKE STOKES

After weathering four tumultuous years (2001 - 2004), The Doctors Company (TDC) announced on March 20 that a dramatic reversal in the number of claims filed in 2005 and 2006 will yield a 5 percent premium dividend credit to physicians insured by the firm.

While ASPS members insured by TDC receive a 5 percent premium discount due to a special endorsement arrangement between the company and the society, they will receive the additional 5 percent credit on their premiums beginning in July. In all, TDC will issue more than \$21 million in premium dividends.

"We've had a surprising reversal in the frequency of lawsuits," says William Green, vice president of sales for TDC, the physician-owned medical malpractice insurance provider endorsed by ASPS.

"We're suddenly seeing 30-year lows in the number of malpractice claims. Even companies on the verge of disaster a couple of years ago are now managing to turn underwriting profits," Greeb adds.

TDC will return a dividend to its clients when its estimated underwriting results are more favorable than expected. The credit marks the first dividend implemented by TDC since 1999.

By the numbers

Historically, medical malpractice insurance providers have spent 61 cents out of every dollar collected to cover claims. From 2001 to 2003, that percentage skyrocketed to 99, 82 and 87, respectively. But from 2004 to 2006, claims costs dropped sharply to 21, 38 and 49 percent, respectively. While those numbers are likely to increase as claims mature, TDC recognized the figures were favorable enough to warrant a dividend.

Green attributes the overall decrease in costs to a sharp drop in the number of lawsuits being filed. In 2006, plastic surgeons faced a medical malpractice suit at a considerably lower rate than in the past – a significant improvement from 2000, when the chance of being sued was nearly 50-50.

Noting that frequency of claims against ASPS members began to decrease earlier than the rest of the industry, Green praises the ASPS patient safety and education efforts.

"The society is educating the members to where claims are likely to show up in a meaningful loss-control focus," he says. "The fact that the volume of claims began decreasing as early as 2001 – well before the current industry-wide trend – suggests ASPS patient safety efforts have had a quantifiable impact."

However, while frequency has dropped, the average incurred claim cost has increased in recent years.

"The average claim cost has not dropped – there are fewer of them," he says. "The perception is that the non-meritorious claims are falling by the wayside."

Fewer claims, higher rewards

Although Green says there are a number of theories for the recent reduction in the number of claims, he says the trend coincides with a

state-by-state crackdown on frivolous medical malpractice suits.

"No one saw the drastic, industry-wide rise in claims severity from 2001-04 coming, and no one can with certainty, specifically explain this drop in frequency that's now going on its third year," Green adds. "But many states have addressed tort reform in some fashion, and industry sources cite more than 30 that have taken action toward tort reform. There's clearly an argument that these measures are showing tangible results."

By placing caps on noneconomic damages for medical malpractice lawsuits, Green says there are fewer attorneys interested in taking on such cases.

"Some lawyers simply don't understand how difficult it is to win a medical malpractice case, but there are others who specialize in medical and are willing to invest the time and money in what they consider to be a winnable case," says Green.

"But when they're limited in the types of fees they're going to see and the types of awards they can receive, it's a disincentive," he adds. "This is one reason why some of the big plaintiffs' law firms are focusing on other areas of liability where these limitations don't exist." [PSM](#)

The Doctors Company to launch 'Tribute Plan' to reward client loyalty

The Doctors Company has announced it will launch a new program in 2007 to reward physicians with cash payouts when they retire, as long as they remain insured by the company throughout their career.

Over the next five years, TDC has earmarked a large portion of the company's asset base to be allocated in a "loyalty pool" for each physician insured by the company beginning in 2007. Physicians who keep TDC as their insurer through retirement will be awarded a percentage of the company surplus in recognition of their loyalty to TDC.

"It's a way to bring tangible ownership in the company directly to the physician," says William Green, vice president of sales for TDC. "For example, a doctor who commits to a 35-year career insured with TDC will be estimated to accrue a Tribute Plan balance of four to five times their current annual premium upon retirement. It's a significant financial incentive to stay with TDC. But if you leave TDC, you're out of luck."

Retiring physicians age 55 or older who have been insured by TDC for five or more years will also continue to receive free tail coverage, which protects against claims reported after a policy has expired. (Free tail coverage is also provided if the policyholder suffers permanent and total disability or death.)

For more information on TDC's Tribute Plan, visit the company's website at www.thedoctors.com. [PSM](#)