

Medical Malpractice Insurance: *Mission Or Business?*

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Chairman and CEO
The Doctors Company

Background

- Commercial vs. Mutual
- Competition
 - National vs. Local
- Jargon
 - *Insurance Cycle*
 - *Ratios*

- *Combined Ratio = Loss Ratio + Expense Ratio*
- *Operating Ratio = Combined Ratio – Investment Ratio*

The Doctors Company



- The crisis of '75
- Mission driven
- Financial imperatives
- New focus
 - 25,000 doctors
 - All specialties some states, some specialties all states
- Diversification vs. dabbling

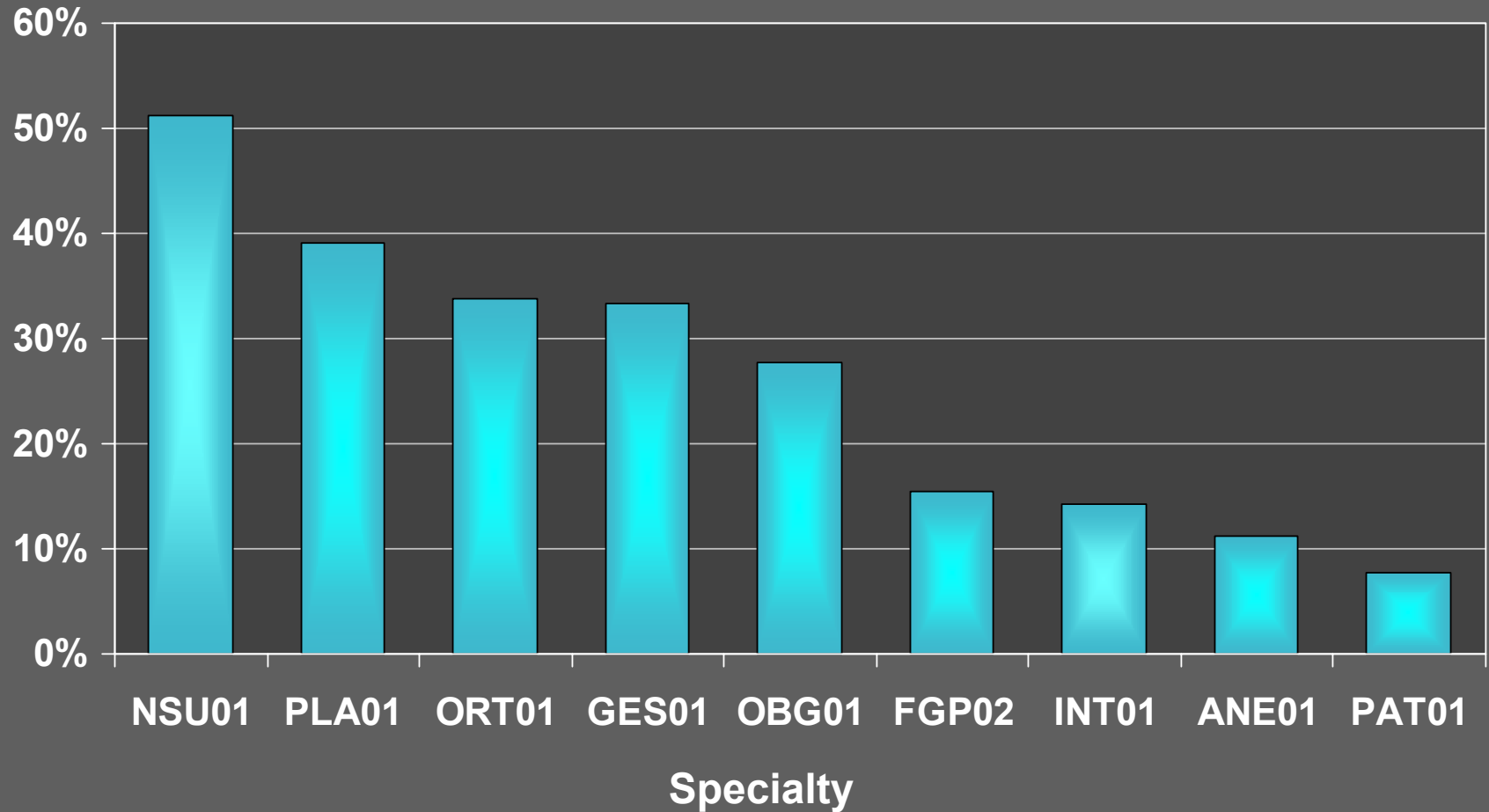
Profile of Litigation

- Frequency
- Severity

Frequency by Specialty 1995-2003



Frequency

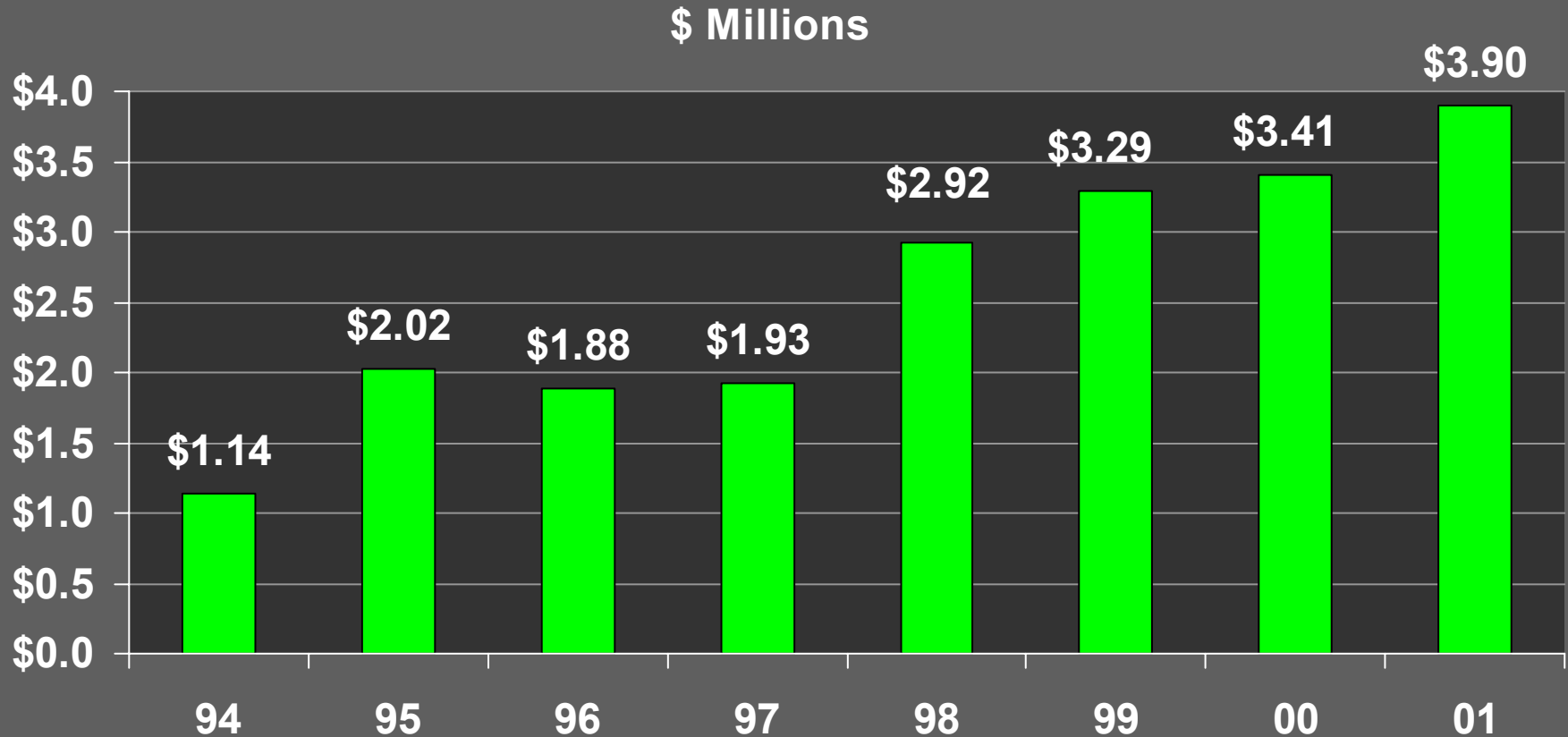


Frequency

Meaning

- On any given day, there are more than 125,000 malpractice suits in progress against America's 700,000 doctors.

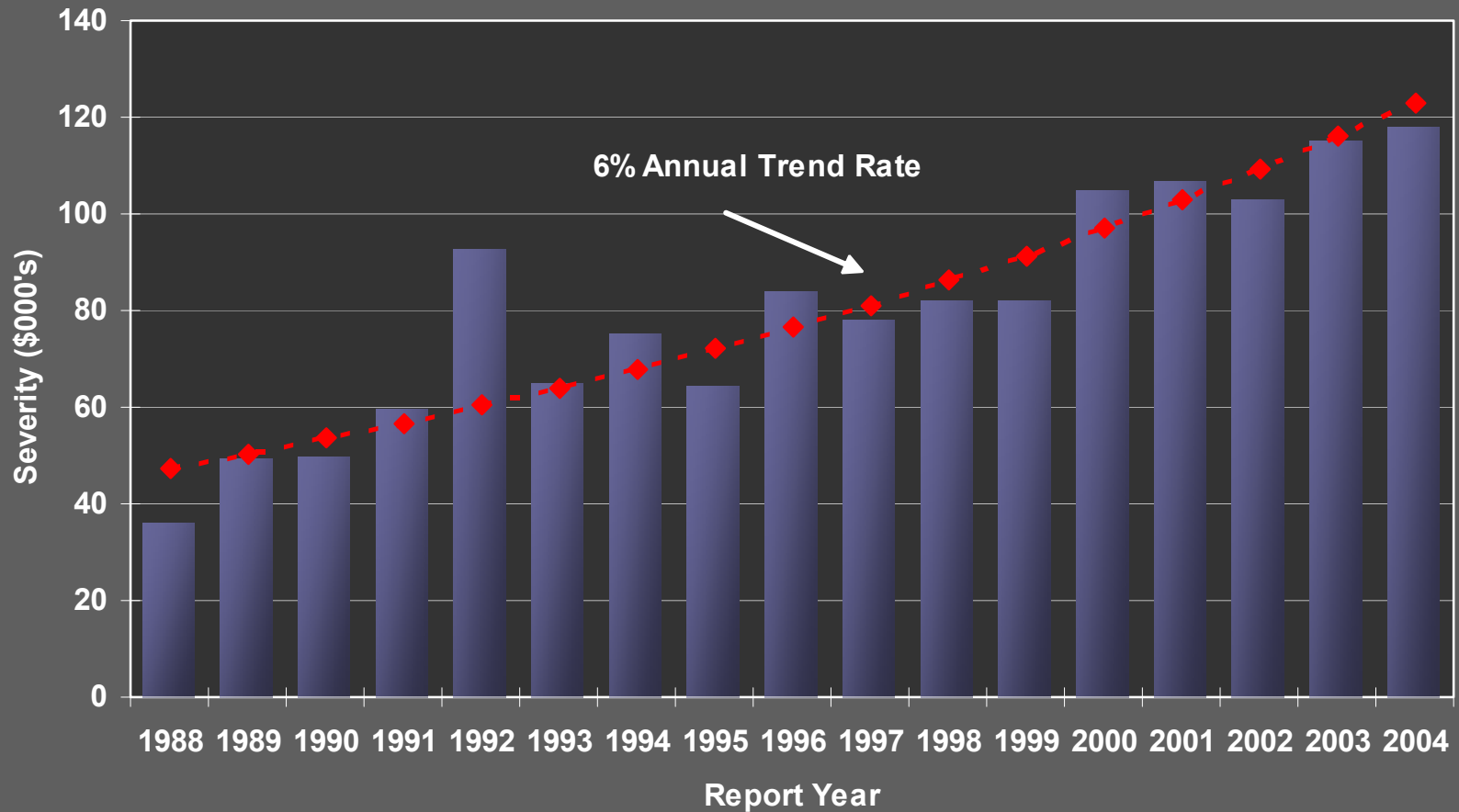
Average Jury Award in Medical Malpractice Cases



Source: Jury Verdict Research; Insurance Information Institute.

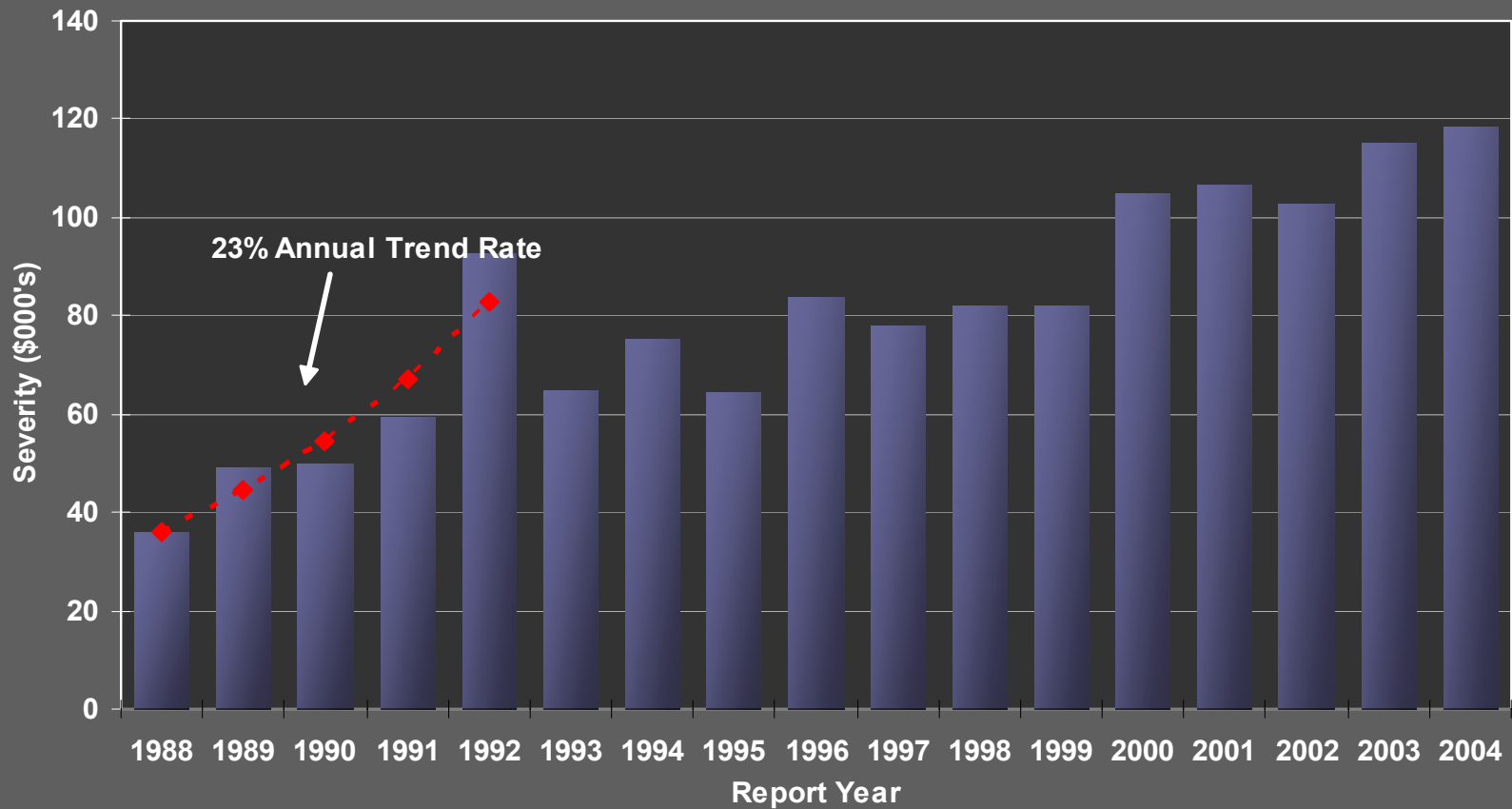
Severity Trend?

TDC PHYSICIAN SEVERITY (Gross of Deductibles) NATIONWIDE EX-CALIFORNIA



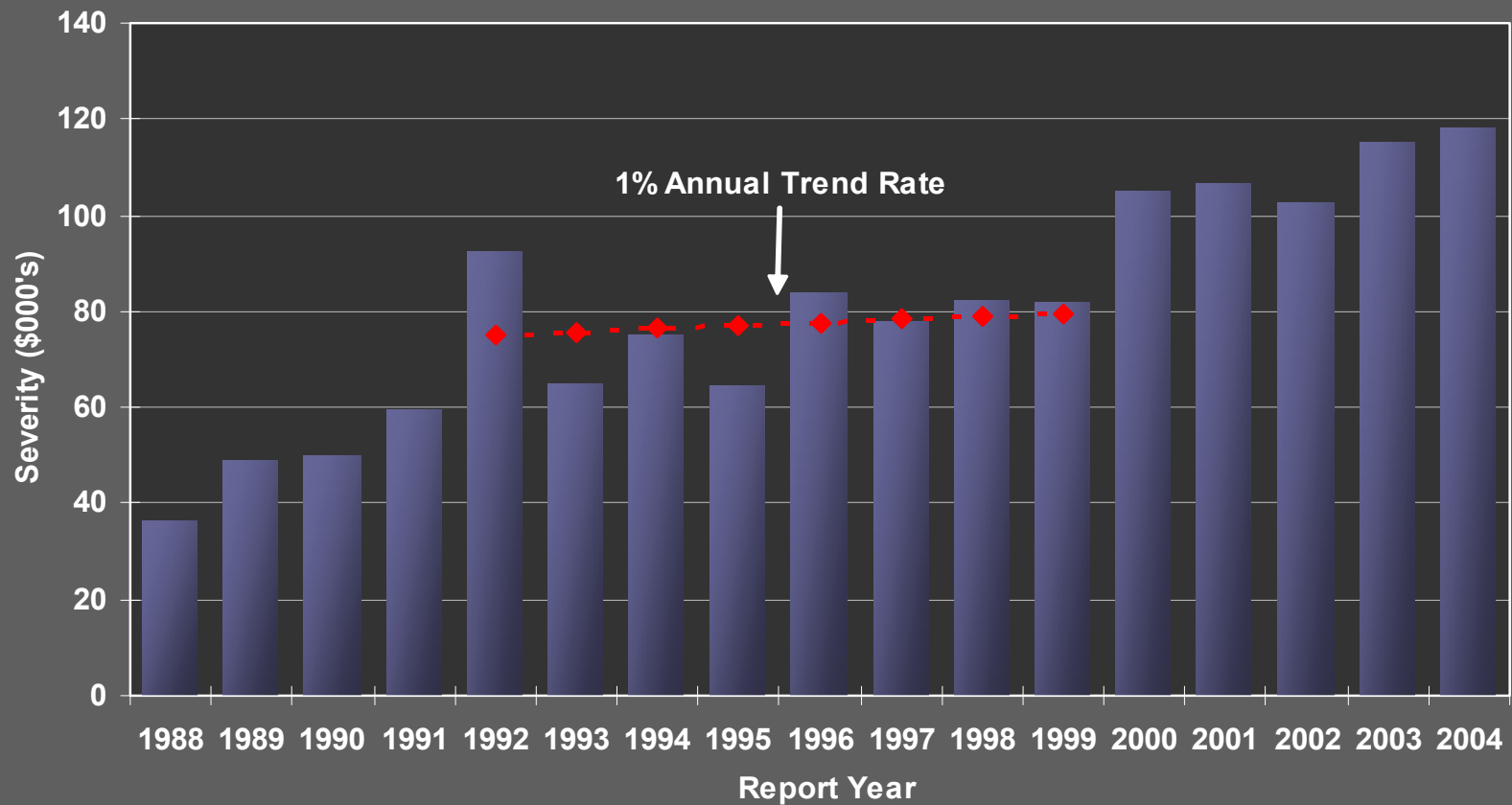
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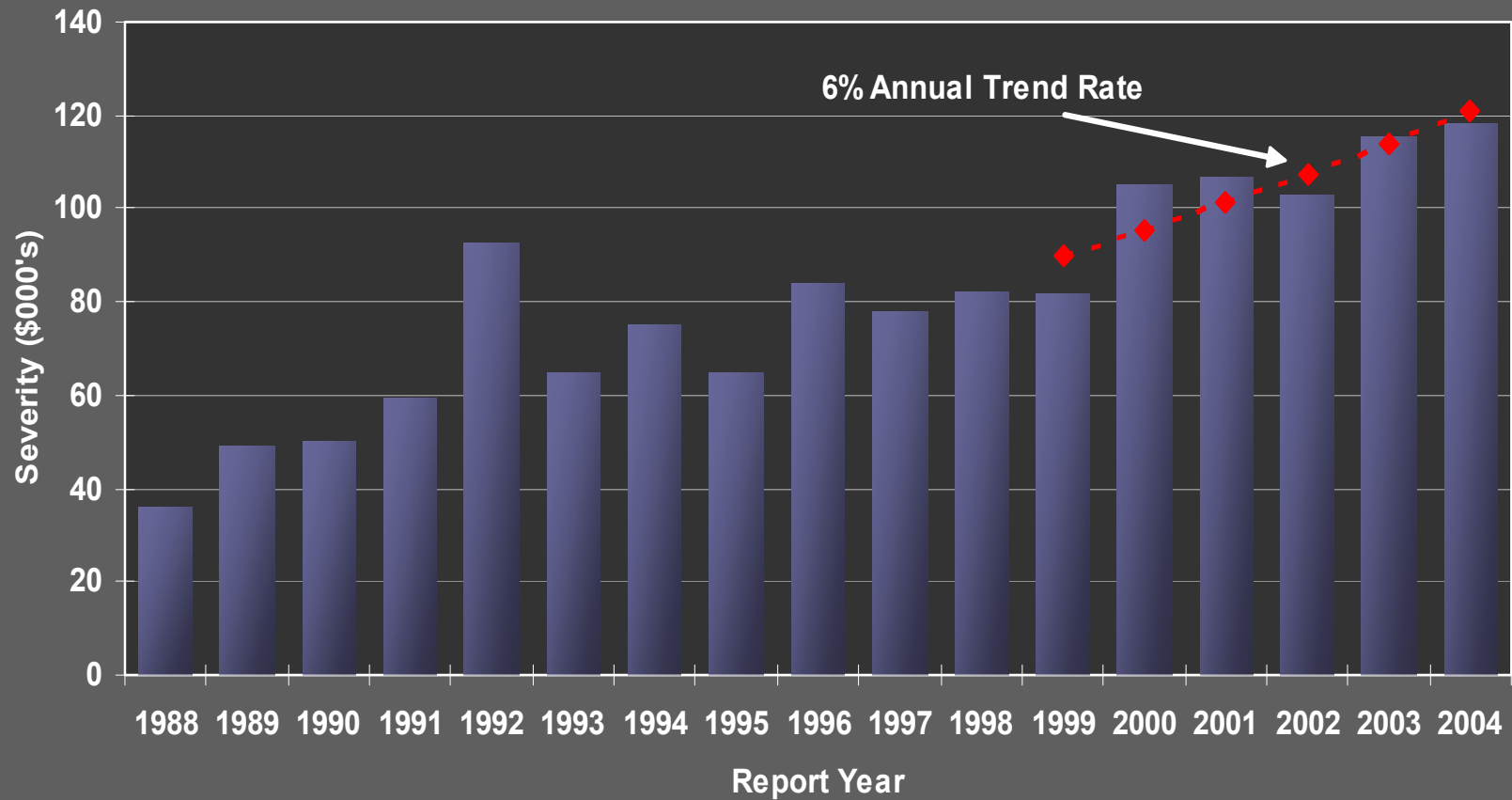
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Severity Trend?

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- *So, what is your 5-year plan?*

Challenges

- Cost of goods sold
 - *Envelope please...*
 - *Do you know where your actuary is today?*
- Price
 - 10,000 prices for the same product
 - *Can we do discounts and surcharges with that?*
- Differentiation
 - *Only after the house burns down*
- Biology
 - *Hard to do 6 sigma on doctors*
 - Forget about patients
- Regulators
 - *Who watches the watchers?*

- Understanding the business
- Rates and Filings
- Research (Data Mining)
- Culture
 - 24/7 vs. insurance