

What Limits Should I Carry?

MMIC underwriting and sales employees are frequently asked, “What limits of liability insurance do you recommend for my practice?” Unfortunately, there’s no precise answer to this question, because MMIC cannot determine what is best for each individual situation. However, as a medical professional liability insurance carrier with more than 30 years in the business, we can offer guidance on key questions that may influence your decision.

What Limits Do Other Physicians Carry?

In 2009, a \$2 million per occurrence with a \$4 million aggregate was the most common limit carried by MMIC policyholders in solo and clinic-based practices in Minnesota, Iowa, North Dakota and South Dakota. The second most common limit is a \$1 million per occurrence with a \$3 million aggregate.

Limits selected by physicians in Nebraska and Wisconsin are significantly impacted by the presence of patient compensation funds in those states. The majority of Nebraska physicians carry the minimum limits required to qualify for coverage by the fund. The vast majority of Wisconsin physicians carry the \$1 million/\$3 million limits required by the Injured Patients and Families Compensation Fund.

What About Physicians in My Specialty?

Many MMIC policyholders have increased their limits in recent years. Excluding Nebraska and Wisconsin, the breakdown of limits purchased by physicians in 2009, compared to 2006 and 2001, was:

Internal Medicine – No Surgery	2001	2006	2009
\$1 million/\$3 million	55%	33%	34%
\$2 million/\$4 million	36%	35%	17%
>\$2 million/\$4 million	9%	32%	49%
Family Practice – OB, No C-Section			
\$1 million/\$3 million	49%	39%	32%
\$2 million/\$4 million	47%	49%	27%
>\$2 million/\$4 million	4%	12%	40%
Obstetrics/Gynecology			
\$1 million/\$3 million	55%	23%	16%
\$2 million/\$4 million	36%	58%	40%
>\$2 million/\$4 million	9%	19%	44%
Radiology			
\$1 million/\$3 million	45%	5%	1%
\$2 million/\$4 million	31%	15%	2%
>\$2 million/\$4 million	24%	80%	97%
General Surgery			
\$1 million/\$3 million	55%	42%	27%
\$2 million/\$4 million	40%	43%	28%
>\$2 million/\$4 million	5%	15%	45%
Orthopedic Surgery			
\$1 million/\$3 million	36%	25%	34%
\$2 million/\$4 million	52%	54%	18%
>\$2 million/\$4 million	12%	21%	48%

(continued on back page)

How High are Typical Claim Payments?

In the past few years, MMIC has seen the severity of claims increase significantly in all states. “The outcome of verdicts is getting more difficult to predict. Jury awards are getting larger, especially in wrongful death cases,” says Tim Schultz, MMIC Assistant Vice President of Claim. “In addition to covering higher claimed medical expenses, juries are also awarding larger amounts for non-economic damages, such as loss of consortium and loss of aid.”

Defense attorney Richard Thomas points out the importance of having adequate limits when attempting to resolve a claim. “It can take the focus off the defense of the claim. Physicians may feel pressure to settle — even defensible claims — within the limits of the policy in order to protect their personal assets.”

Information from the National Practitioner Data Bank is helpful in getting a general sense of current values on physician claims in your state and on a national basis:

National Practitioner Data Bank 2004 & 2005 Data, All Specialties

	Largest Physician Reported Award		
	2004	2005	2009
Minnesota	\$2,448,500	\$4,100,000	\$4,521,000
Iowa	\$1,949,250	\$2,000,000	\$2,043,000
North Dakota	\$3,741,250	\$2,100,000	\$ 123,000
South Dakota	\$ 982,500	\$2,000,000	\$ 908,000
Wisconsin	\$2,848,500	\$4,000,000	\$1,902,000
Nebraska	\$1,046,500	\$1,000,000	\$1,676,000
National	\$16,499,950	\$15,000,000	\$11,184,000

Minnesota, which has some of the lowest malpractice rates in the country and is generally thought to have conservative juries, has recently experienced some dramatic malpractice verdicts in excess of \$20 million.

Should I Buy Limits Based on the Procedures I Perform?

When it comes to malpractice claims and awards, not all types of treatments are created equal. If you are performing therapeutic or diagnostic procedures that carry higher risks of serious adverse outcomes, higher limits of liability may be worthwhile. Among the common claims that most often result in higher-than-average damages are those involving birth-related injuries and failure to diagnose cancers, myocardial infarctions, meningitis and pulmonary emboli. Neurological procedures also carry high risk of serious damage.

What is My Tolerance for Risk?

Although medical malpractice verdicts that exceed policy limits are not common in the Midwest, there are no guarantees about how a jury will respond to any one particular case. Schultz advises physicians to select limits that will place them squarely in their comfort zone. “If you become involved in a claim, you need to have your energies focused on mounting an appropriate defense, not worrying about the adequacy of your limits.”

What is the cost of additional coverage?

The marginal cost of increasing limits is calculated as a percentage of the base \$1,000,000/\$3,000,000 rate. Some examples of increased limits are:

Increased limit	Factor of base rate
\$2 million/\$4 million	25%
\$3 million/\$5 million	38%
\$5 million/\$7 million	49%
\$11 million/\$13 million	56%

“The cost factor carries different weight for every group,” says MMIC Vice President of Underwriting, Jeff Pearson. “Physicians need to find their own balance of risk, cost and benefit for their unique exposures.”

Making the right choice for you

There are many factors to consider when determining what limits of liability are most appropriate for your practice. What is best for one group can be entirely different from what a similar group is comfortable with. No one can recommend the right limits for any physician or group.

If you work with an agent or broker, he or she should be your first contact for help in making your decision. MMIC underwriters and sales employees can also provide you with additional information and discuss options with you. To reach us, call 1-800-328-5532.