

## Docs Band To Solve Insurance Woes

*Reprinted With Permission From The Daily Record, November 30, 2002*

**By Michael Daigle**

A new company has entered the volatile medical malpractice insurance market with hopes that its doctor membership and conservative financial plan will create a path for success.

Conventus Inter-Insurance Exchange is a not-for-profit, physician owned and governed medical malpractice insurance company.

It announced Monday that it has met and exceeded its initial membership and capitalization goals. As of Nov. 15, the company raised more than \$5 million in cash and capital commitments, enabling it to begin underwriting medical malpractice insurance in New Jersey pending final approval by state regulators.

To apply for state approval, a company must show it has a minimum of \$2 million in cash, said Ellen Lovejoy, spokeswoman for the state Department of Banking and Insurance. The company's business plan will be reviewed and it must show that it has enough assets to cover the cost of its potential claims, she said.

With its initial development goals met, Conventus is accepting new applications from New Jersey physicians now through January 31, 2003.

"This is an important turning point for physicians and surgeons across New Jersey. With these critical business development goals met, we are now positioned to provide New Jersey doctors with a rational, affordable, and comprehensive alternative in medical malpractice insurance," said NIP Management Co. chief executive officer Richard Augustyn.

NIP Management Company, LLC, a subsidiary of National Insurance Programs of Woodbridge, will administer the Conventus program and oversee the day-to-day operations of the company under the auspices of its physician-comprised board of governors.

"We have a very conservative approach to rate setting and the types of policies we will write," Augustyn said. He said the company will offer policies to all primary care physicians and specialists.

Dr. Allan Gardner, a Morristown neurosurgeon, said he joined Conventus because it was a chance to go back to an insurance company controlled by doctors. He formerly was part of a company that was at first doctor-controlled, but later changed leadership.

Gardner said his hope is that Conventus will offer an alternative to the rapidly increasing malpractice insurance premiums that have put his annual cost in the "six-figure" range. Neurosurgeons have been especially hard hit by recent premium increases, along with obstetricians-gynecologists.

Gardner has privileges at Morristown Memorial Hospital and St. Clare's Hospital-Denville. He said he tries to control his exposure to risk by not taking trauma calls, which tend to be high-risk. He said that tort reform could be a way to limit the amount of some jury awards.

"But," he said, "if there was a quick fix, they would have found it."

New Jersey is one of 12 states on an American Medical Association watch list showing where rising premiums are forcing doctors to change or leave their practices.

The AMA analysis estimated that some New Jersey surgeons or obstetricians pay as much as \$200,000 or more for annual professional liability coverage.

In addition, three major insurance companies stopped selling medical malpractice insurance in recent years.

As a result, six out of 10 New Jersey physicians will be forced to find a new medical malpractice insurance company amid a shrinking market and sharp increases in pricing.

Membership in the Conventus Inter-Insurance Exchange is open to individual primary care physicians and specialists who conduct more than 75 percent of their practice in the state of New Jersey. Conventus members will comprise a reciprocal insurance exchange, an unincorporated group of individuals who mutually insure one another, and whose chief administrator is an attorney.

The mutual-type structure of Conventus makes this an ambitious undertaking," said Augustyn.

Conventus will underwrite claims-made medical malpractice insurance policies at cost, with excess profits being returned to policyholders in the form of dividends or distributions. It will offer payment limits of up to \$5 million per occurrence or \$7 million aggregate. According to a study by Jury Verdict Research, an independent research company, 28 percent of settlements in recent malpractice suits have exceeded \$1 million.

Augustyn said Conventus hopes to grow to 2,000 members over the next several years.

"We are saying to doctors, 'it's your company,'" he said. "It will be affordable. You now have a way to control the process."