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Doctors have set up firms to insure themselves

The firms, one in N.J., one in Pa., are reciprocal insurance exchanges, in which the insured doctors own the company.

By Josh Goldstein
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New Jersey and Pennsylvania doctors who are struggling to find medical-malpractice insurance for next year now have new state-approved insurers available to them. Both states have, in recent years, lost insurers to insolvencies and to decisions to drop malpractice as a line of business. Now, alternative insurance providers are emerging to fill that gap.

In New Jersey, Conventus Inter-Insurance Exchange touts itself as an insurer created by doctors to insure doctors. Conventus officials plan to cover only New Jersey doctors and will not expand to insure hospitals.

Across the river, the Pennsylvania Healthcare Providers Insurance Exchange said yesterday that the state Department of Insurance approved its license to write malpractice insurance.

The cost of medical malpractice insurance has increased dramatically over the last three years, and as a result, many area doctors say they have scaled back their practices, retired early, or decided to move to states with affordable coverage.

"Physicians now have an alternative in a very difficult market for their medical-malpractice coverage that will provide them the liability insurance they need to continue working in Pennsylvania," said Thomas S. Gaudiosi, president and chief executive officer of Providers.

Conventus and Providers are not traditional insurance companies. They are reciprocal insurance exchanges in which the insured doctors own the company, similar to a mutual insurance company.

Both companies are covered by their respective states' insurance guaranty fund, which provides policyholders some backup coverage if their insurer fails.

"Our doctors didn't wake up one day and want to form a new insurance company, but their backs have been against the wall," said Richard Augustyn, chief executive officer of NIP Management Co., a business-insurance management firm that will administer Conventus. "There have been very few offers of coverage, particularly for high-risk specialists... This enabled them to continue to do what they love the most, which is to practice medicine next year."

The American Medical Association lists Pennsylvania and New Jersey among the dozen states with malpractice-insurance crises, marked by steep premium increases and a lack of affordable commercial coverage.

"By setting up a company that has no profit motive, will only issue medical-malpractice insurance, and will restrict membership to New Jersey doctors, we don't have to worry about ballooning premiums to satisfy the need for shareholder profits," said Albert A. Talone, a Conventus founding member and president of the New Jersey Association of Osteopathic Physicians and Surgeons.

The availability of these alternative insurers may have an impact on the malpractice problems in both states.

Abington Memorial Hospital in Montgomery County announced Wednesday that, starting tomorrow, it would divert patients from its trauma center because a dozen orthopedic surgeons and two neurosurgeons who were needed to care for the most severely injured patients would not have insurance coverage next year.

Andrew Star, one of the orthopedic surgeons, said he and his partners had applied to Providers.

"We are in a position right now where time is short, but we need to do this as quickly as possible," Star said. "We will try to evaluate this option to see if this is a company that will meet our criteria."

In Pennsylvania, Gov.-elect Ed Rendell has created a task force to find solutions to the malpractice-insurance problem.

Yesterday, through spokesman Ken Snyder, Rendell responded to the emergence of Providers: "We are still a long way from resolving the crisis, but a little competition goes a long way, and we are pleased about this development."

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