

THE ADVOCATE

A Medical Mutual Insurance Company of Maine Publication

First quarter 2007

Medical Mutual Declares Dividend

Premium credits for '07-'08 policy renewals a reflection of founding philosophy

On the strength of exceptional operating results from 2006, Medical Mutual's Board of Directors voted on May 2 to declare a dividend aggregating approximately \$4 million to be paid out in the form of premium credits to eligible policyholders in Maine, New Hampshire and Vermont. Company President and CEO, Terrance Sheehan M.D., announced the dividend declaration in a letter to policyholders May 15.

All physicians, hospitals, nursing homes and allied health care facilities that have an active policy on July 1, 2007 and that was in effect on December 31, 2006, will receive a lump sum credit against their renewal premium.

"The declaration of this dividend is made possible by the continued modera-

tion of incurred losses resulting in significant draw-downs from claim reserves from prior years," said Sheehan. "The significant improvement in claims experience has had the greatest impact on our solid financial performance. It clearly reflects the outstanding quality of care that you are delivering to the people of Northern New England."

Sheehan noted that the declaration also reflects the Company's founding philosophy of returning funds collected in excess of what is deemed necessary to cover claims and the costs of doing business.

Since 1992, Medical Mutual has declared dividends seven times and has given back over \$19 million to policyholders in the form of dividend premium credits.

New Hampshire Rate Stabilization Continues

No increases for physicians or hospitals

Medical Mutual is pleased to announce that member-insured physicians and hospitals in New Hampshire will not have their premiums impacted by changes in filed rates for the ensuing year. This marks the second straight year that rates have remained unchanged for New Hampshire hospitals. For physicians, who saw a modest 3.9 percent increase for the current rate cycle, the new flat rates take effect on policies renewing after June 30, 2007.

The rate decision was based on the annual analysis recently completed by Medical Mutual's independent actuarial firm, Milliman USA. Milliman's comprehensive analysis indicated that the Company's currently filed rate structure in New Hampshire is adequate to support projected losses.

"Expected losses plus expected expenses are always the two biggest factors in any credible ratemaking decision," said Sheehan. "The continued reduction of

Since 1992, Medical Mutual has declared dividends seven times and has given back over \$19 million to policyholders in the form of dividend premium credits.



In This Issue

Commentary: Claims Advocacy and What it Means to Do The Right Thing — p.2

New Hampshire Rate Stabilization Continues
No increases for physicians or hospitals — p.2

Medical Mutual Reports Solid First Quarter Operating Results — p.3

Medical Mutual to Host Practice Manager's Workshop
Video and discussion on handling medical errors to highlight day of learning — p.3

Eye Doctors Like What They See in MMIC Case-Based Presentation — p.4

Continued on next page

Commentary: Claims Advocacy and What it Means to Do The Right Thing

By **Terrance J. Sheehan, MD**
President & CEO



Medical Mutual's fundamental reason for being is to help doctors, hospitals and other providers move forward with their practices and their personal lives in the event of a claim against them. It is the area of Company operations in which we can all be both proud and grateful.

Let's face it. Despite the high quality of care provided by the medical community of Northern New England, some claims have merit. In those situations, we do our best to assess the claim and pay a fair settlement, showing compassion to all parties involved. It's simply the right thing to do. And to that end, in 2006, Medical Mutual made indemnity payments of over \$16 million, plus nearly \$8 million in expenses on behalf of our insureds to patients throughout Maine,

New Hampshire and Vermont.

Not all cases are settled, however. Indeed, if the medicine was good, the extent to which Medical Mutual will advocate for its policyholders is unrivaled in the Northern New England market.

In one recent case, for instance, we defended a hospital and two doctors who were sued for negligence and accused of both colluding against the plaintiff and falsifying material reports, charges which they flatly denied.

The five-year old case came to a head last year. After unsuccessful mediation, the Company won the court case, rejected an attempt by the plaintiff to settle during a lengthy appeals process and eventually won the appeal. In all, the claim cost the Company nearly half a million dollars to defend.

Due to the allegations, it was an intensely emotional case. Both doctors confided that from the moment the claim was filed, not a day passed when the gut-

wrenching nature of the lawsuit did not cross their minds.

Similarly, Medical Mutual recently tried a case on behalf of a physician who had taken a new position in the South, outside our service area. Prior to trial, the plaintiff had demanded a settlement that represented the full limits of the physician and the OB/GYN practice. After winning the trial earlier this year, the physician wrote an unsolicited thank you to the Company, expressing her gratitude for the fact that the Medical Mutual team handling the case did not attempt to cut corners and even hired a nationally-renowned expert from the other side of the country to testify on the procedure in question. In all, on a tail policy which cost the doctor \$64,000, Medical Mutual spent over \$200,000 to defend the case.

In the doctor's post-trial letter, she wrote, "I wanted to make sure you and your superiors at Medical Mutual of Maine know how very appreciative I am of the opportunity to try the case. I had your unyielding support... I pray that I will never need your service again. But if I do, I know I am in good hands."

To be sure, not every case carries such high stakes. And, luckily for all of us, the reality is that only five percent of the claims we handle actually go to trial. But on behalf of the Company, I, for one, take great pride in relating these stories because they demonstrate the extent to which Medical Mutual goes to defend care that meets the high standards of American Medicine.

We do it because we firmly believe it is the right thing to do. And we remain committed to doing it better than any other medical professional liability insurance carrier in the market.

New Hampshire Rate Stabilization Continues

No increases for physicians or hospitals

Continued from page one

reported claims in New Hampshire, coupled with a moderation in claims severity, are the primary forces behind this recent rate stabilization.

"Relative to Maine, New Hampshire has historically been more litigious. Yet more recently, New Hampshire's claims environment has stabilized, which has translated into less pressure on rates. So I am extremely happy that we can provide

this bit of relief to our New Hampshire policyholders. But I am also grateful to them, because they themselves have made it possible through their diligence in meeting and exceeding standards of care," said Sheehan.

Sheehan said the annual reviews of the rate structures in Maine and Vermont are currently underway. Announcements on rate actions in those states, if any, can be expected this summer.

Medical Mutual to Host Practice Manager's Workshop

Video and discussion on handling medical errors to highlight day of learning

Physicians in private practices of all sizes and specialties rely on their practice managers to handle the myriad operational responsibilities of the practice (financial management, risk management, human resource management, contract negotiations, technology, regulatory issues and more), so they can focus on what is most important to

The evaluation of the medical professional liability insurance program is a critical component of protecting both the viability of the practice and the livelihood of its physicians and other healthcare providers.

them — their patients and their care. Because the evaluation of the medical professional liability insurance program is such a critical component of protecting both the viability of the practice and the livelihood of its physicians and other healthcare providers, Medical Mutual is offering a one-day Practice Manager's Educational Workshop on June 13, 2007 at the Portland Regency Hotel.

The free workshop, open to all insured physician practice managers, is designed to help enhance the understanding and awareness of Medical Mutual's mission, philosophy and operating structure. The workshop will provide a look at key departments within Medical Mutual — Marketing, Insurance Operations, Underwriting, IT, Risk Management, Claims — and how different it really is from any other option in the market. To that end, the day will also feature a screening of a video on handling medical errors titled, *When Things Go Wrong*, produced and sponsored by CRICO/RMF, the professional liability carrier for the Harvard Medical community. Medical Mutual President, Terrance Sheehan, MD, will lead a group discussion to further explore the topic following the video presentation.

The afternoon-long session will begin with complimentary snacks, coffee and soft drinks at 1:00 p.m. with the program starting at 1:30 p.m. and running through approximately 4:15 p.m. Medical Mutual is offering complimentary overnight accommodations for practice managers traveling three or more hours to attend. For reservations, contact Betsy Maxwell at 800 942-2791, ext. 2505 or by email at bmaxwell@medicalmutual.com.

Medical Mutual Reports Solid First Quarter Operating Results

Medical Mutual Insurance Company of Maine is pleased to report its operating results for the first fiscal quarter ended March 31, 2007.

Executive Vice President and Chief Financial Officer Domenic Restuccia commented, "All our policyholders should be commended for their part in helping the Company achieve such outstanding operating results. Truly, the dedication they have to their patients and their commitment to deliver the highest quality healthcare possible have significantly enhanced the Company's bottom line. Our improved claims experience has been the single largest contributing factor in our exemplary financial performance, paving the way for our announced dividend in Maine, New Hampshire and Vermont. The dividend reflects one of the greatest benefits of a mutual company like ours — the ability to return excess premiums collected to policyholders when claims activity proves to be better-than-expected."

Highlights and significant results for the first quarter 2007 include:

- **Pre-Tax Income:** Income before taxes was \$1,450,000. This compares to \$1,740,000 for the same period in 2006.
- **Pre-Tax Operating Income:** Pre-tax operating income (ignoring capital gains/losses) was \$1,392,000, a decrease of \$387,000 (22%) from that reported in the same period in 2006.
- **Net Earned Premiums:** Net earned premiums rose slightly to \$10,834,000 from \$10,633,000 reported in the same period in 2006.
- **Losses on Claims:** Losses were \$6,388,000, a 12.5% decrease from the \$7,302,000 reported in the same period in 2006.
- **Insurance Operations:** The Company reported a small underwriting loss of \$441,000. This compares to an underwriting gain of \$365,000 for the same period in 2006.
- **Investment Income:** Investment income was \$1,833,000, an increase of \$419,000 or 29.6% over the same period in 2006.
- **Surplus:** Surplus increased \$1,244,000 to \$73,562,000 since year-end 2006 because of positive net operating results for the quarter, an increase in the net unrealized capital gains in the equity portfolio and a reduction in non-admitted assets.

One City Center
PO Box 15275
Portland, Maine 04112-5275

Tel: (207) 775-2791 • (800) 942-2791
Fax: (207) 775-6576
www.medicalmutual.com
Email: info@medicalmutual.com

New Hampshire Eye Doctors Like What They See at Case-Based Presentation

Using the benefit of hindsight as a tool for learning, Dr. Richard Chace, Founder and Partner of Eyesight Ophthalmic Services, PC of Portsmouth, NH, led the latest installment of Medical Mutual's Case-Based Learning Initiative May 16 at Fratello's Restaurant in Manchester, New Hampshire.

Thirty-four of the 55 members of the NH Society of Eye Physicians and Surgeons gathered for the semi-annual meeting, where Chace reviewed two cases from the Medical Mutual claims archives — the first, a foreign body missed in an initial exam and the second, a case initially diagnosed as floppy eyelid syndrome that was later found to be a malignant tumor in the patient's lacrimal gland. Chace outlined



Richard Chace, MD, Founder and Partner, Eyesight Ophthalmic Services, PC, Portsmouth, NH.

the salient points of each case, urging attendees to take note of factors like patient health, exam findings, the use of imaging and other diagnostic tests and referrals made. Following each case through to its eventual resolution, Chace then opened the floor for a dialogue on lessons learned.

Both cases generated lively discussion about the diagnoses and options available to the physicians at both the initial and subsequent presentation of symptoms in each case.

Chace said the spirited interaction by the attendees "was a great demonstration on the part of New Hampshire ophthalmologists that they were on top of the standards of care." And one physician in attendance suggested that such presentations become part of every NH Society of Eye Physicians and Surgeons meeting.

Hindsight may or may not be 20/20. But it appears that more and more physicians, including eye doctors in New Hampshire, are finding out through Medical Mutual's Case-Based Initiative that it can hold the key to learning valuable lessons.