



# Five Things to Consider when Looking for Medical Malpractice Insurance Quotes

Like most other buying decisions today, getting medical malpractice insurance quotes is easier than it used to be because of the amount of information available to physicians. Just a few years ago the medical malpractice insurance companies held all the information in a virtual vault and would only reveal it if necessary to make a sale. But the mystery has been removed from the process today with more options than ever before, and the convenience of online research. A physician can now get multiple quotes online and never even have to meet with a broker or agent.

Of course there are pros and cons to doing your own research and getting insurance quotes on your own. If you don't have a trusted broker or agent to consult with, there are five things to consider when comparing your medical malpractice insurance quotes:

## 1. Type of Insurance Company

Medical malpractice insurance companies come in all shapes and sizes, and there are some important differences. The first thing to consider is the structure of the company. Is it shareholder or physician-owned? Is it a risk retention group or exchange rather than an insurance company? It's not that one type of company is better than the other, but it helps to know which one is best for a particular situation, depending on factors such as aversion to risk.

- **Stock Insurance Company** – Owned by shareholders, for profit business, regulated, should have a financial rating
- **Mutual Insurance Company** – Owned by insureds, for profit business, sometimes pays dividends, regulated, should have a financial rating
- **Assessable Mutual Insurance Company** – Owned by insured members, not-for-profit business, usually not rated, loose regulations, can assess members if capital is needed
- **Risk Retention Group (RRG)** – Owned by a group engaged in a similar or related business for the purpose of insuring liability risk, sometimes formed by specialty or group affiliation, loosely regulated, usually not rated, can require a capital or investment commitment from insured members

## 2. Financial Strength of Insurance Company

When looking for medical malpractice insurance quotes many physicians and practice managers simply want the lowest cost option, ignoring one of the most important factors in choosing a company: Financial strength. An insurance policy is more than just a piece of paper for credentialing. It is imperative to know who and what stands behind the promises made in the policy, because unfortunately malpractice claims happen, and physicians need to know their company has the financial resources to defend them.

It doesn't take a CPA to understand and compare malpractice insurance company financials. Most companies make their annual reports available on their website. The annual report is an easy-to-read summary of the detailed financial statement, and there are just a few key company statistics to compare.

#### 4 Key Statistics to Consider

- **Total Assets** – This includes all cash, investments, tangible property, receivables
- **Loss Reserves** – Money reserved for claims or future claims
- **Direct Premiums Written** – Total amount of premiums written annually
- **Policyholder Surplus** – Difference between company's assets and liabilities

These 4 key stats tell a great deal about a company, but how would anyone know what looks good or negative? Take a look at trends by comparing the company's last 3 or 4 annual reports. Is it growing? Did it recently take a hit in any of these areas? Compare these stats to other medical malpractice insurance companies. Is there a big difference? Do they all look to be about the same size and strength? Can the company providing the malpractice insurance quote pay claims and will it be around for the long term?

The structure and financial strength of a medical malpractice insurance company are the big picture overview items, but there are some details about the policy that are just as important to consider.

### 3. Retroactive Coverage

Sometimes referred to as Prior Acts coverage, Retroactive Coverage is only a factor on Claims-Made policies. This is important because most medical malpractice claims arise from something that happened months or even years before the claim is filed. Be sure the Retroactive Date on the quote matches the date on the current policy. For a first year physician or a physician with an Occurrence policy there is no Retroactive Date. A first year physician obviously has no prior acts to worry about, but what about the physician with an Occurrence policy? A brief reminder might help here.

#### Two Types of Medical Malpractice Insurance Policies

- **Occurrence** — coverage is provided by the insurance carrier that insured the healthcare provider at the time the incident or alleged malpractice occurred. Retroactive Coverage is not necessary because a claim for a prior act always goes back to the Occurrence policy. Coverage is portable and no tail insurance is needed when leaving a practice or upon cancellation. This type of policy is more expensive than Claims-Made.

- **Claims-Made** — coverage is provided by the insurance carrier that insures the healthcare provider at the time the claim is made. It doesn't matter if the incident happened years ago because any claim after the Retroactive Date always goes to the current company. This type of policy is less expensive than Occurrence. Tail insurance may be necessary when leaving a practice or upon cancellation depending if the coverage going forward will pick up the Retroactive Date.

## 4. Policy Features

Verifying that the most important policy features in the new quotes are comparable to current policy features should be obvious, but this step is often overlooked. Physicians should carefully read the entire policy before signing and writing the premium check. It may sound daunting, but again, there are only a few vital components that can vary from policy to policy.

- **Consent to Settle held by physician** – means that the company cannot choose to settle a claim or force the physician to settle without consent
- **Free Tail for death, disability, and retirement** – most policies include this provision, but may have a requirement that the physician must be insured with the company for 1 – 5 years for the free retirement tail
- **Incident Sensitive coverage trigger** – means that the company takes responsibility for a claim once the incident is reported—even if a formal claim has not been filed and served, which avoids legal expenses for the physician
- **Legal expenses outside policy limits** – means that the cost to defend and work on an incident or claim will not diminish the limits of liability in the policy
- **Liability limits** – means that the maximum a policy will pay for a claim, which typically \$1,00,000 per occurrence/\$3,000,000 aggregate for the policy period of one year – these limits may vary by state, hospital requirement, or choice

## 5. Price

One of the most important things to consider when looking for medical malpractice insurance quotes is price, but don't make it the only thing to consider, or even the most important thing. Over the past 25 – 30 years medical malpractice insurance companies have come and gone. Many physicians have saved money by choosing the cheapest rate only to be disappointed when the company left the malpractice insurance market, closed its doors, or went in to bankruptcy a few years later. This could be devastating to a practice, and it may make getting coverage in the future very difficult.

Instead of focusing on finding the lowest priced coverage available, zero in on the company that fulfills all of the criteria above with the most competitive price. Look for the best value, that is, the best coverage at the best rate. That may mean the lowest priced option, or it may mean the highest priced option, depending on the practice, the specialty, the state, the volatility of the legal environment, etc.

## Ready to Get a Quote?

*With a little research and some basic insurance knowledge, a physician can learn what type of insurance is best for his/her situation, look into the financial status of the companies available, compare vital coverage provisions such as Retroactive Date, policy features, and price, which will all lead to a level-headed business decision. There are many resources to lean on, as well as the experts at [eQuoteMD.com](http://eQuoteMD.com). We have solutions for physicians, groups, and facilities in any specialty and any state.*

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