

CAPSULES

LAMMICO: your company

The Louisiana State Medical Society's House of delegates has approved a plan to form a physician-owned insurance company to provide malpractice insurance for the state's physicians.

The decision by the House came without objection at a special session of the House held Aug. 15 in Baton Rouge. The move followed guidelines put forth by the LSMS Ad Hoc Committee on Professional Liability Insurance Program. That committee was formed by order of the House issued at the Annual Meeting in March of this year.

The committee had been charged to implement a plan to form the new insurance company. After consulting with 19 experts - including attorneys, insurance consultants, brokers and actuaries and others - the committee asked that the House be called into special session. This move was needed to approve the committee's decision and activate the plan.

Reasons given for the recommendation included:

- A physician-owned company would insure future availability of coverage whatever the experience of commercial companies.

- The new company would be in a better position to provide rate stability than experienced in the past.

- The captive company would allow physician control over all aspects of claims investigation, reserving and settlements.

- Income derived from premium investments would be for the full benefit of physician policyholders.

- Such a move would place Louisiana in the mainstream of the profession. Some 27 other state medical societies have already taken such a step and six more are planning physician-owned insurance companies.

- A captive and mutual company, issuing non-assessable policies, would insure that Louisiana physicians are paying the lowest possible premiums due to elimination of profit margins needed by commercial carriers.

The company will be known as the Louisiana Medical Mutual Insurance Company (LAMMICO). Policies issued by the company will go into effect Jan. 1, 1982. A dividend of 10 percent for policyholders is projected, subject to the experience of the company.

The consultants advising LSMS pointed out that even though the premiums physicians can expect to pay



Although the special session of the House of Delegates was limited to one topic, no limits were placed on the number or scope of questions raised.

should be lower than those charged by a commercial carrier, LAMMICO will be subject to inflation as is every enterprise. Rates will need to be kept at such levels needed to maintain an adequate surplus accumulation.

Several other states with captive insurance companies have had to impose dramatic rate increases because such sound business practices were not followed.

Start-up costs for the first year are projected at \$150,000. Fixed operating expenses of \$300,000 are anticipated in the first year of operation. The latter figure includes provisions for loss adjustment, legal, auditing, directors' fees, consultants and other costs for general company operations.

Before any policies are written, LAMMICO will need to accumulate sufficient surplus to receive a certificate of insurance from the state insurance commissioner. That surplus, \$2 million, will be raised by the sale of surplus debentures. (See related story, page six.)

The non-assessable occurrence form insurance policies will be marketed by Johnson and Higgins.



Eugene F. Worthen, M.D., LSMS president-elect, stands on the left as he answers questions from two delegates during a recess. Dr. Worthen served on the ad hoc committee



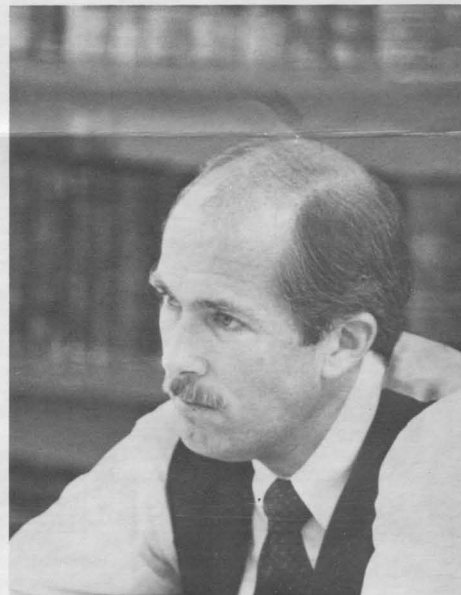
Although sparsely attended, there was no doubt as to the mood of the House. When the vote to form LAMMICO was called, there were no objections. Many credited the hard work and study by the ad hoc committee for resolving any doubt as to the proper course of action.



These three consultants, from McNeary Insurance Consulting Services, Inc., are among the 19 experts who have been advising LSMS over the past several months.



Gerald R. LaNasa, M.D., served as chairman of the Ad Hoc Committee on Captive Professional Liability Insurance. After several months of intense study and debate, the committee asked for the special session of the House to seek activation of the Louisiana Medical Mutual Insurance Company.



Henry J. Jumonville, III, an attorney on the LSMS staff, has been the principal staff contact during the formation of LAMMICO. He will continue to work closely with the company in the future. Jumonville had administered the LSMS-sponsored Hartford professional liability insurance program.



There was a joint meeting of the ad hoc committee and the LSMS Executive Committee prior to the call for a special session of the House. When members of both committees were satisfied that all alternatives had been given a fair hearing, the call was issued.