



Malpractice Insurance

**A GUIDE FOR
CHIROPRACTIC PRACTITIONERS**

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NCMIC Insurance Company
14001 University Avenue, Clive, IA 50325-8258

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Choosing the Best Chiropractic Coverage for You

Even the best doctors can be accused of making a mistake, can have a bad outcome, or be hit with an unwarranted allegation of malpractice. That's why choosing the right malpractice coverage is so important. Your policy protects your patients, your financial well-being and your reputation. In the unfortunate event of an injury, you'll want to ensure that your malpractice insurance is sufficient to compensate your patient and protect you and your practice.

In addition, being subject to a claim is stressful enough without having to wonder if your coverage is adequate or if you'll be defended effectively. That's why the time to understand your malpractice insurance coverage is before you need it.

So, when choosing a malpractice insurance policy, you should know the answers to the following questions:

1. What does the policy cover?
2. How much coverage do I need?
3. What types of policies are available?
4. How does the policy's consent-to-settle feature work?
5. What is the company's expertise and involvement with the profession?
6. Is the company financially stable?
7. What does the policy cost?

1. What does the policy cover?

In the event of a lawsuit, you face a possible loss of business, time away from patients, a potentially damaged reputation in the community, not to mention the personal anguish experienced by you, your family and your office staff. To ensure you're properly protected, it's critical that you understand a policy's indemnity, legal defense and supplemental coverages.

Indemnity

One of the main purposes of malpractice coverage is to pay damages suffered by the plaintiff (patient). The amount of money paid to the plaintiff as the result of a settlement or award is called an indemnity payment.

Payments for indemnity are available up to the limits of liability of your policy. (See limits of liability in the next section.)

Legal Defense

Your malpractice insurance company is responsible for providing you with a defense and paying for it. This is a significant part of your coverage because defending a chiropractic malpractice claim can easily cost tens, even hundreds, of thousands of dollars. Even if you've done nothing wrong, the cost to defend a claim can be significant.

It's important to understand how your malpractice company will pay for your legal fees. Some companies limit their defense expenses by paying your legal fees within the limits of liability of your policy.

In this case, the policy limit is the maximum amount the insurance policy will pay for both your defense and any awards to the plaintiff. This reduces the amount you will have left to pay for any award or settlement, and it also limits the amount the policy will pay for your defense. As a result you are personally exposed or liable for any legal fees, award or settlement in excess of the policy limits.

Because NCMIC's Malpractice Insurance Plan was created by chiropractors for chiropractors, each benefit was designed with your needs as a D.C. in mind. Our motto "We Take Care of Our Own®" reflects our commitment to give you the kind of protection you deserve.

At NCMIC, our policy pays unlimited defense costs in addition to any jury awards or settlements. For example, if you have a \$1 million policy limit on your malpractice coverage, you would be covered for up to \$1 million per claim in jury awards or settlements, PLUS unlimited defense costs.

(See page 5 for a detailed description.)

Clearly one of the biggest expenses for a malpractice insurer is providing a defense to the doctor.

Another practice some insurance companies may employ is to have doctors enter into arbitration agreements with their patients. This requires you to ask your patients to sign a form mandating that they submit to arbitration should they decide to pursue an allegation of malpractice.

Under this provision, any claim by the patient is presented to an arbitrator for review, and both you and the patient forfeit the right to pursue litigation. Arbitration is binding, so there is no appeals process.

Arbitration is less expensive for the insurance company because the doctor gives up the option to go to court. The doctor may more likely be found at least partially at fault because the arbitration process typically favors compromise.

Further, some states do not uphold arbitration agreements for insurance policies because they bar the constitutional right to a jury trial.

NCMIC does not believe arbitration agreements are in the best interest of our policyholders or their patients. Our plan never requires doctors to enter into these agreements with their patients.

2. How much coverage do I need?

Determining your level of coverage is an important part of your decision to protect your patients, practice and assets. You'll want to take into consideration the amount of money that may be needed by a patient who was inadvertently injured as a result of treatment, as well as sufficient coverage to protect your other patients, your practice and your financial future.

There are other factors, as well. Third-party payer contracts generally require you to carry malpractice insurance with certain limits of liability, so be sure to ask the provider relations department of any network in which you participate about their requirements. In addition, state statutes may require coverage minimums, and an employer may require similar policy limits for everyone in the office.

It's important to keep in mind that lower policy limits can affect the outcome of a case. Lawsuits are often a process of negotiation and compromise, and if your policy limits

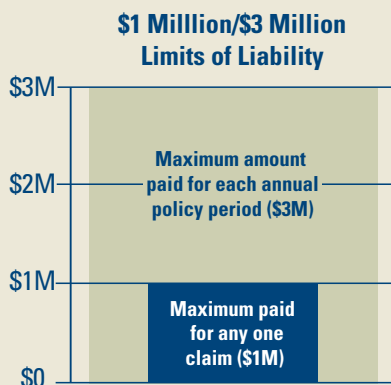
NCMIC offers a variety of policy limit options, so you can choose the right levels to meet your obligations as well as your specific needs and preferences.

are inadequate to negotiate a settlement, they can become a barrier to reaching a successful outcome. Moreover, low policy limits can also expose your personal assets if a judgment exceeds policy limits. Then, you are liable to pay the excess.

As you can see, the issue can be complex, so it is wise to consult with your accountant, lawyer, or another business advisor to assist in determining how much coverage you need. Then, revisit your malpractice coverage annually to make sure you have adequate protection as your practice grows or changes.

Malpractice insurance policies offer a wide range of limits for both single claims and total claims per year, known as single claim limits and aggregate limits. In Figure 1, the inset section refers to the maximum amount your policy will pay for any one claim. The entire graph represents the maximum amount your policy will pay during each annual policy period.

FIGURE 1



3. What types of policies are available?

There are two basic types of malpractice insurance: occurrence and claims-made. Ideally, your malpractice insurance company should offer both occurrence and claims-made policies, so you can decide which is best for your individual circumstances.

It is important to understand that both types of policies have the same coverage and both will provide you with a defense. What differs between the two is how and when the coverage triggers.

An occurrence policy provides coverage against claims for alleged incidents that occur anytime during the policy period. Even if the policy has expired or been canceled, if the alleged incident occurred while the policy was in force, the coverage is there.

In other words, if an act or omission allegedly causing an injury occurs today, then the occurrence policy that's in effect today would cover you against a malpractice claim, regardless of when that claim is made.

Why is this important? Most claims are filed relatively soon after the treatment or incident in question, but

some lawsuits have been filed and successfully litigated for incidents that took place many years earlier. This is particularly relevant when minors are involved or when the alleged injury doesn't manifest itself until much later.

Claims-made coverage, on the other hand, provides coverage against claims for alleged incidents that both occur and are reported during the policy period. The first day claims-made coverage begins is called the retroactive date, or "retro" date.

Claims-made coverage is triggered when:

- 1) The alleged injury occurs on or after the policy's retro date.
- 2) A written claim is made and reported during the current policy period or within the term of the policy or any extended reporting period following the current policy period, generally 60 days following termination of the policy.

OCCURRENCE VS. CLAIMS-MADE PREMIUMS

Along with understanding the difference in the coverage triggers of occurrence and claims-made policies, it is important to understand the difference in the premiums.

Occurrence policies offer a steady base premium. The base premium does not increase as the policy matures.

The claims-made policy offers a lower premium during early years of the policy. The premium steps up each year until reaching maturity in year five of the policy. While this saves some money in your early years of practice, potential coverage gaps can occur, and you need to work closely with your insurance company at the time of cancellation to ensure all potential gaps are identified.

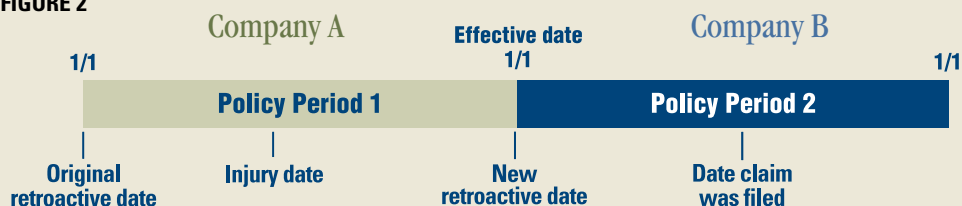
Figure 2 on the following page maps potential gaps in coverage when moving from one claims-made policy to another.

Avoiding Gaps in Coverage with Claims-made Coverage

It is important to make sure that a gap in your malpractice coverage doesn't occur.

A gap in coverage can result in a number of ways. If the retroactive date (coverage date) of a claims-made policy changes, a gap in coverage may result. The timeline (Figure 2) shows what happened when a doctor switched from a claims-made policy with Company A (Policy Period 1) to a claims-made policy with Company B (Policy Period 2) and did not purchase tail coverage from Company A or prior acts coverage from Company B. This switch resulted in a change to the doctor's retro date. This same scenario would apply if the coverage was completely canceled.

FIGURE 2



(Because the D.C. did not purchase tail coverage or prior acts coverage, injuries occurring before 1/1 are not covered by Company B.)

As shown above, the injury occurred during Policy Period 1. Because the doctor changed coverage and did not purchase tail coverage from Company A or prior acts coverage from Company B, he has a new retro date. Consequently, an injury that occurred 7/1/10 but was not submitted by the patient until 7/1/11 would not be covered by either Company A or Company B.

This gap represents a significant risk to the doctor and his/her patients. To avoid a gap in coverage when canceling your policy or switching insurance companies, you need to purchase either tail coverage from your former insurer or prior acts coverage from your prospective insurer. Without

this additional coverage, there is no coverage for the entire period of time the previous policy was in place.

When purchasing tail coverage, you need to understand the terms of its coverage. Typically, tail coverage must be purchased within a certain period of time following cancellation. It is a one-time purchase, does not expire and cannot be canceled by you or the insurance company that issues it. Generally, tail coverage may not be purchased if the policy was canceled for non-payment of premium.

4. How does the policy's consent-to-settle feature work?

One of the most critical features of a malpractice insurance policy is whether it gives you the authority to settle—or not settle—a malpractice claim.

All policies name the party who is authorized to give consent to settle, but

NCMIC provides tail coverage at no additional charge after 10 years of continuous coverage. When switching from another company to NCMIC or when switching from one type of NCMIC plan to another, we will work with you to make sure that all coverage issues are addressed, gaps are identified and solutions are suggested for your protection. Don't cancel any coverage without checking with us first.

not all are created equal. The ideal consent to settle is one that can be authorized only by the insured (you), period.

However, some policies have clauses that limit a doctor's decision to settle or not. Two variations are:

Hammer or Modified Hammer Clauses.

If the policy contains a Hammer Clause and during the claim process there is an offer to settle the case and the doctor withholds his or her consent to settle, the doctor becomes personally responsible for any judgment in excess of the proposed settlement amount.

The insurance company may wish to settle for a number of reasons. For example, if there are poor medical records in the case, unresolved conflicts between your testimony and others', or personal/professional problems that could influence a jury if disclosed at trial, settlement may be rigorously pursued by the insurance company. If the company believes you are unreasonably withholding your consent to settle, the company will invoke the hammer clause.

A settlement can save the insurance company money by shortening the litigation process, but it forces doctors to make some difficult decisions about whether to continue to fight and prove their innocence. Doctors must also consider the impact on their personal finances if they press on with the claim.

Arbitration Clauses. These clauses are connected to the Hammer or Modified Hammer Clause and mean an arbitrator will be brought in whether or not the doctor is being unreasonable in withholding his/her consent to settle.

Then, if the arbitrator decides the doctor is being unreasonable in withholding his or her consent, the insurance company can proceed to settle the case without the doctor's consent.

Because of its impact on your reputation and profession, it's important that you have a policy with a true consent-to-settle clause that gives you—not the insurance company—control regarding whether to settle.

NCMIC offers a true consent-to-settle clause.* So, in the event of a malpractice allegation, NCMIC will support you every step of the way and will not settle a claim without your authorization. So, if you decide you want to pursue the case, you'll have your day in court. What's more, the NCMIC plan does not include arbitration or hammer clauses.

* Not allowed by Maryland.

5. What is the company's expertise and involvement with the profession?

When it comes to protecting your reputation, you don't want to take chances. It's vital to have a knowledgeable, experienced company that specializes in chiropractic fighting for you.

An experienced malpractice insurance company will know the latest chiropractic issues, chiropractic-specific cases, litigation strategies, and so on. In contrast, a doctor's defense may suffer if ...

- Claims are outsourced to an outside insurance company.
- Neither the claims staff nor the D.C.'s defense attorney know much about chiropractic issues.
- There's a lack of respect for the chiropractic profession by the claims staff or the attorney.

What's more, it's important to ensure your malpractice company is invested in giving back to chiropractic rather than just benefiting from it. Look for companies that support chiropractic research and education programs, take an active role in state and national professional organizations, and understand the chiropractic issues facing the profession today.

Another important consideration is how the company supports the chiropractic colleges. Ask if the company has ...

- Provided funding for research that enables curriculum enhancements.
- Offered a business education training program for students through the colleges.
- Expanded risk management education and materials to teach colleges, students and practitioners about malpractice business risks.

Back in 1946, NCMIC was formed by a group of chiropractors with the express purpose of offering malpractice insurance to D.C.s at a time when no one else would. Today, we're just as dedicated to chiropractic. NCMIC has given more than \$12.3 million to chiropractic research and education since 1995. NCMIC also offers business training and malpractice risk management seminars and resources to D.C.s as a complement to the education provided by the chiropractic colleges.

We also support chiropractic associations and colleges by providing speakers free of charge and offering premium discounts to our policyholders who attend qualifying programs. In short, NCMIC is committed to the chiropractic profession, continually fostering growth and advancement through investment and collaboration.

6. Is the company financially stable?

It is critical that the insurance company you choose will be there for you over the long term.

One good way to check this is to assess a company's financial position, including their A.M. Best ratings. A.M. Best is an independent industry analyst that evaluates insurance companies' financial strength and operating performance. Their ratings range from A++ to S.*

You should look into a company's assets, ask to see a copy of its annual report or financial summary, check on complaints or problems through your state insurance department and find out how long the company has been in business. More specifically, find out how long the company has been in the chiropractic market.

It is important to find out who owns the company. Is the company publicly traded so that shareholders, not policyholders, are the company's focus? Is it a mutual company owned by its policyholders? And who are those policyholders ... chiropractors like you or medical doctors? Is it owned by a

broker who places your policy with a company of his or her choosing, or are you working directly with the company that is providing coverage?

NCMIC has a firm commitment to chiropractic, writing malpractice insurance for chiropractors practicing all 50 states, plus Puerto Rico, the Virgin Islands and Guam.

NCMIC Insurance Company has continued to retain an A.M. Best rating of "A" (Excellent). This is a significant accomplishment considering that many insurance and financial institutions have had difficulty maintaining their ratings.

Additionally, policyholders are members of National Chiropractic Mutual Holding Company, owned by its chiropractic policyholders. As further evidence of our financial stability and commitment to our policyholders, we have offered a premium dividend every year since 1996 (though this is not guaranteed).

With Doctors of Chiropractic actively involved throughout many areas of the company, we understand chiropractic, the challenges you face each day and the issues involved with malpractice allegations. In short, we ARE the chiropractic malpractice experts.

* A.M. Best ratings range from A++ to S. For more information, visit www.ambest.com.

7. What does the policy cost?

When looking at price, there are several things to consider. It is important to look at the value you will receive for your policy dollar.

When it comes to protecting your reputation, you don't want to cut corners. It's vital to have a knowledgeable, experienced company fighting for you. Moreover, it's important that you receive excellent service whether you're calling about a payment, policy details, a claim, or for advice about a troubling situation.

Protecting your good name

The value of your malpractice coverage becomes apparent if you become subject to a malpractice claim. Because the chiropractic profession is unique, it's important that your legal counsel and claims representatives understand chiropractic and are experienced in putting together a chiropractic defense. When your reputation is on the line, you want the best representation and coverage possible.

With NCMIC's plan, a variety of premium discounts may be available to you as a policyholder. And, while not guaranteed, policyholders have received a premium dividend every year since 1996.

What's more, you won't be required to pay any membership fees. Other plans may require you to pay up to \$200 in membership fees in addition to your premiums.

NCMIC's Malpractice Insurance Plan Discounts

1st Year License	75%	D.C.s licensed for the first time within 18 months of graduation who sign up for NCMIC's plan within 1 year of their original licensure date.
2nd Year License	40%	D.C.s licensed within 30 months of graduation who sign up for NCMIC's plan within 2 years of their original licensure date.
3rd Year License	25%	D.C.s licensed within 42 months of graduation who sign up for NCMIC's plan within 3 years of their original licensure date.
4th Year License	15%	D.C.s licensed within 54 months of graduation who sign up for NCMIC's plan within 4 years of their original licensure date.
Risk Management	5%	D.C.s who complete NCMIC-approved risk management seminars. The discount will apply for 3 years.
Claims-free	3% to 20%	D.C.s covered by NCMIC for at least 3 consecutive years who have not had a claim filed against them. (Also available to D.C.s who have been claims free with another carrier.)

Policyholder discounts may be different in N.Y. and N.J.; please call for details.

There is no substitute for experience

It's important to look for experience defending chiropractors and in-depth expertise on the subject of chiropractic malpractice. The support of a professional claims staff means you may be able to receive guidance even before you face a claim.

In addition, your coverage will provide a better value if it includes broad scope of practice coverage, a true consent-to-settle provision, and supplemental coverages such as professional discipline and other governmental proceedings at no additional charge.

On-going customer service support is vital

One of the things you're paying for in a malpractice policy is service. It can make your life easier to call one place whether you're calling about your policy, a claim or simply have general questions.

Some companies outsource their services to large medical organizations, meaning you don't get the expert, personalized service you deserve. Instead, look for a company that puts an emphasis on treating policyholders with the utmost respect.

Another helpful feature is the ability to go online to manage your policy. It is nice to be able to make payments, access forms and get the information you need when it's convenient for you.

Valuable extras

At NCMIC, we also offer you value-added extras including:

Legal expertise—NCMIC maintains a nationwide network of highly respected defense attorneys with years of experience in defending chiropractic malpractice cases. We host conferences for our attorneys where they hear from worldwide experts, learn about chiropractic research and exchange strategies on defending D.C.s.

Claims Advice Hotline—Policyholders can call to confidentially discuss any concern or situation they're not sure how to handle.

Continuing education seminars and monographs—Keep doctors up to date on developments in chiropractic.

Examiner—Quarterly magazine with compelling cases studies and tips for avoiding malpractice allegations.

www.StartingIntoPractice.com—Website and blog that help students and new D.C.s begin, build and manage a successful chiropractic career.

The NCMIC Malpractice Insurance Plan ... For the Way You Practice Now

Because NCMIC's Malpractice Insurance Plan was created by chiropractors for chiropractors, each benefit was designed with your needs as a D.C. in mind. Our motto, "We Take Care of Our Own®," reflects our commitment to give you the first-rate, personalized service and protection you deserve. A variety of additional coverages are available, if allowed by your state, allowing you to customize your protection for the way you practice now and in the future. Coverages include:

- **\$25,000 Supplemental Legal Defense Endorsement available at no additional charge.** This endorsement includes defense coverage for civil sexual misconduct allegations. The other components of this endorsement include HIPAA and Privacy Related Proceedings, State Disciplinary Proceedings, Wrongful Billing and Related Proceedings, and Federal Professional Review Organization Sanctions. Note—coverage for civil sexual misconduct allegations differs in N.Y.; contact NCMIC for details.
- **Chiropractic Entity Coverage** with Shared Limits of Liability is available at no additional charge (subject to underwriting approval and as allowed by your state). This protects the corporation, LLC or partnership for its liability due to the negligent acts of employees. Separate limits of liability are available for an extra charge. (Please note: This does not apply to entities that include licensed M.D.s or D.O.s.)
- **Peer Review and Utilization Review.** This is coverage for rendering an opinion on the adequacy, necessity or reasonableness of care furnished by another practitioner, based on a review of the patient's records without a physical examination. Coverage is also provided for review or evaluation of professional services rendered by a professional practitioner for the purposes of determining competency.
- **An additional \$5,000 in Professional Discipline Coverage** for each covered proceeding (up to \$10,000 each policy period) to pay your defense costs for appearances before a state licensing board in addition to the Supplemental Legal Defense coverage.
- **Dual License Coverage is available to D.C.s** who hold an additional license as a naturopathic physician, acupuncturist, massage therapist or physical therapist (subject to underwriting approval). Doctors of Chiropractic who hold an additional license as a naturopathic physician or acupuncturist can be covered under the same policy for both licenses for a nominal additional premium. No additional premium is charged for chiropractors who maintain a second license as a physical therapist or massage therapist. (Please note: Dual license coverage is for physical therapy is not available in MA.)

Comprehensive List of NCMIC's Benefits and Features

NCMIC's Plan

Company

- 65+ years of experience in chiropractic malpractice
- Supports and insures chiropractic colleges and universities across the U.S.
- Founded by Doctors of Chiropractic



Plan features and benefits

- True Consent-to-Settle feature*
- No arbitration clauses
- All legal fees paid outside policy limits
- \$25,000 Supplemental Legal Defense Endorsement at no additional charge**
- An additional \$5,000 for state disciplinary proceedings



Premium discounts

- For new practitioners
- For claims-free record
- For part-time status
- For risk management



Claims

- Claims-made and occurrence plans available
- Expert defense attorneys and claims staff who specialize in healthcare malpractice
- Hotline for questions regarding a potential claim or a delicate situation



Extras

- No membership fees
- Premium dividends paid every year since 1996***
- FREE subscription to risk management magazine
- Underwriting, claims and service handled in one place—no outside broker or outside call center
- Online educational resources available for risk management and business training



* Consent to Settle is not allowed by MD.

** Subject to underwriting approval.

*** This is not a guaranteed benefit.

Financial Products & *Insurance Services*

In addition to NCMIC's Malpractice Insurance Plan, you have access to a wide array of financial products and insurance services. Each one is geared to your unique needs as a D.C.

Financial Products

Credit Card Processing

MilesAway® MasterCard®

Insurance Services and Plans

Auto and Homeowners Protection

Business Owners' Insurance

General Liability

D.C. Long Term Disability Insurance*

Workers' Compensation Insurance

Employment Practices Liability Insurance (EPLI)

For more information regarding these offerings
or NCMIC's Malpractice Insurance Plan,
call 1-800-769-2000, ext. 3344.

* Coverage under the D.C. Long Term Disability Insurance Plan is issued by The Prudential Insurance Company of America, 751 Broad Street, Newark, NJ 07102-3777. Please refer to your certificate for Plan details, including any exclusions, limitations and restrictions which may apply. Contract series 83500. This policy provides disability income insurance only. It does NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. **North Carolina residents: THIS IS NOT A MEDICARE SUPPLEMENT PLAN. If you are eligible for Medicare, review the Guide to Health Insurance for People with Medicare, which is available from the company.**

This plan is not available in all states. Please call 1-800-769-2000, ext. 3344 to inquire about your state. The contract holder for the D.C. Long Term Disability Insurance Plan is the National Business Association for Chiropractors (NBAC). NCMIC Insurance Services is the exclusive agent.

Policy terms may vary by state law. The NCMIC Malpractice Insurance Plan is underwritten by NCMIC Insurance Company. In the state of Florida, the NCMIC Malpractice Insurance Plan is issued by NCMIC Risk Retention Group, Inc. Auto and Homeowners, Business Owners' and General Liability Insurance are underwritten through some of the industry's leading insurance carriers. NCMIC Insurance Services is a licensed insurance agency (CA license #0B84564). Credit Card processing and MilesAway credit card are offered through NCMIC Finance Corporation. MilesAway is a registered service mark of NCMIC Finance Corporation. MasterCard is a registered trademark of MasterCard International.