



# ALPS

## Practice Management Pointers

## Ask the Right Questions When Purchasing Malpractice Insurance

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Every one of us knows the pitch. Why buy from the little guy when the big box stores have so much more to offer. Of course, as the Bush years were coming to an end who would have predicted AIG's difficulties, the collapse of Lehman Brothers, the real estate meltdown, and the financial instability of so many European economies? I don't know about you, but I wasn't exactly pleased about the size of all the government bailouts that occurred as a result. Our kids and grandkids will be paying for this mess for years to come. As I see it, big definitely doesn't equate with better, more secure, well managed or anything else. Big is just that, big. I'm not impressed by it.

But wait, big companies regularly run ad campaigns that promise the best price, period. It's the old "We won't be undersold!" song and dance. I will go to my death bed still having to remind my kids that you get what you pay for. While a \$39 knockoff Rolex may make you look good for a short time, don't try wearing it in the rain and don't be surprised when the gold rubs off. I also hope they will remember that old joke about GM. GM lost money on every car they sold, but that was okay because they made up the difference on volume. Well, we all know how that eventually played out and it wasn't cheap. The reality is this. If the price isn't appropriate for the product or service being sold, one of two things will happen; the price will go up or the company won't remain in the marketplace.

My point is this. The world remains in an extended economic downturn and the financial markets are more volatile than ever. So when a big company says we're the only ones who can survive in these troubled economic times, I suggest you take it with a grain of salt and remember what happened back in 2008.

Now I need to be clear here. This isn't a "buy from ALPS" piece. My intent is to try to help others help themselves when it comes to purchasing malpractice insurance. When someone says we're bigger and thus better and we can undercut anyone on price, ask yourself if that rings true and is meaningful to you. If so, fine. Buy from the big boys. They may or may not raise your rate next year and they may or may not remain in your market long term. Their staying in any market is going to depend upon how much money you helped them make, whether or not their investment portfolio performed well, and what global losses looked like among all their lines. In short, they'll let you know.

Yes to some degree the above statement will be true for any company, big or small. If you can't make money, invest wisely, and responsibly handle your claims, you're not going to remain in business for long. The real issue for me is this. What will I get for my dollar when I decide to purchase an insurance policy? Price is just one piece of the equation. There is value in also knowing things like is the company financially stable? Has the company ever pulled out of one or more markets, and if so, why? Then the big question is what coverage will the policy actually provide? By way of example, there is a huge difference between a policy that has defense costs inside limits (often referred to as a self-cannibalizing policy) and a policy that has defense costs outside policy limits. Often a low price quote is an indicator that defense costs are inside limits, that the deductible is high, and/or that policy limits are low. It might also indicate that the professional liability coverage is an incidental endorsement to another policy. If that happens to be the case, I start to really wonder just who would actually handle my claim should one ever arise? Then there are the "softer" issues. Does the company value me, meaning can I call and ask questions to the decision makers? Do they invest in my local bar in support of grass roots initiatives? Do they give back to the legal community as a whole? Do they offer loss prevention programs? Are all claims staff licensed attorneys? Personally, I prefer to work with businesses that take the time to get to know me, value my business, and invest in my profession in some manner. Of course all of this will matter more to some than others and that's fine.

In sum, try not to fall prey to the temptation to focus only on the present when purchasing a malpractice policy. To focus solely on price and/or to buy into the sales hype, although tempting and so easy to do, is a misstep and here is why. In essence, you're about to pay to make certain that someone has your back should the worst happen. Focus on that, on what would happen if and when a claim arises. Who is this company really and just what are they saying they will do for you? I believe this to be a better perspective from which to make any insurance decision. After all, do you really want the company you're about to place in the position of "having your back" be the one who threw you a low ball price? Take the time to ask the right questions and make sure. Learn to compare policies on the coverage issues that are important to your practice and compare the services that are important to you personally; and of course, never forget that you will get what you pay for.



## Risk Management Questions?

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