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CBS - New Carrier, Same Rates

By Editorial Staff

Chiropractic Benefit Services (CBS), a chiropractic malpractice insurance program, has just moved to its sixth insurance company in its 12-year history. CBS is now with Lumbermans Mutual Casualty Company (part of the Kemper Group). Since its inception in 1990, CBS has used TransAmerica Insurance Company; Investor Insurance Company; Gulf Insurance Company; Reliance; and TIG.

The program was forced to move from Reliance when Reliance approached bankruptcy two years ago.^{1,2,3} The move to TIG proved to be only temporary, as TIG was downgraded by A.M. Best to a B++ rating just one year later, making the CBS program the lowest rated malpractice insurance in the profession at that time.⁴

Still No "A" Rating

The move to Lumbermans brings the CBS program up one notch to an A.M. Best rating of A-. Kemper's rating was lowered earlier this year by A.M. Best because "(t)he capitalization of Kemper declined substantially in late 2001 due to a reduction in surplus caused by adverse loss reserve development principally in asbestos reserves, adjustments driven by the new NAIC accounting principles and modest losses from the September 11, 2001 World Trade Center disaster."⁵ The lowered rating last May by A.M. Best put Kemper "under review with negative implications pending the close of sale of its personal lines business and the consummation of its comprehensive strategic relationship with Berkshire Hathaway, which includes certain reinsurance and capital raising transactions." Kemper remained under review until last July, when it was lifted by A.M. Best.

But the A- rating still leaves the Lumbermans/Kemper chiropractic malpractice program tied with two other carriers for the lowest rated national malpractice insurance program in the chiropractic profession.⁶ And while moving from a B++ rated company to an A- rated company is an improvement, both ratings fly in the face of advice given by CBS' vice president in March 2001:

"Do not choose a company whose underwriter is rated less than 'A' by A.M. Best, the industry's foremost insurance rating service."⁷

At the same time that Kemper/Lumbermans was placed under review, A.M. Best also assigned a "bbb"-rating to Lumbermans' surplus notes.⁵

In its press release, A.M. Best states: "(A)lthough Lumbermans' (the lead member of the Kemper group) cash flow will benefit from tax-sharing and other arrangements with the newly formed holding company, debt-servicing capabilities are weakened by a significant reduction in the asset base and the stand-alone earnings of Lumbermans, as well as restrictions on dividends without prior regulatory approval in 2002."⁵

TIG 25-Percent Rate Increase Sticks

Perhaps of even greater concern to chiropractic policyholders is the effect the change will have on their premiums. Just months before CBS switched from TIG, TIG announced a 26.2-percent average rate increase on their "Allied Healthcare Program" which covers "over 100 different classes of complementary and alternative health care providers nationwide." Chiropractic is among the providers listed in TIG's Allied Healthcare Program.

TIG's chiropractic program incurred a 25-percent malpractice insurance rate increase. It is probably one of the largest chiropractic malpractice rate increases in recent history.

A review of the June 18, 2002 California filing by Lumbermans shows rates essentially the same as those filed two months earlier by TIG. A comparison of \$100,000/\$300,000 occurrence rates for doctors in Los Angeles, shows the following for CBS' four classes of policyholders: *

	TIG⁸	Lumbermans⁹
Class 1 Premium	\$1,438	\$1,439
Class 2 Premium	\$1,918	\$1,918
Class 3 Premium	\$2,685	\$2,685
Class 4 Premium	\$4,410	\$4,411

CBS offers four different classes of chiropractic malpractice insurance, which allows them to insure "subluxation-only" DCs and chiropractic medicine doctors. Each of the four classes has its limitations and risks that are reflected in the above premiums. While all doctors would naturally seek the cheapest class, they are cautioned to ensure that their practice procedures, billing and referral habits do not violate and possibly negate their policies.

Of particular note are the requirements placed on the Class 1 policy. This program requires doctors to always use a "Terms of Acceptance" form that "clearly explains their practice objective." Failure to consistently use this form with patients could affect the doctor's coverage.

Extra Fees

CBS adds what it calls a "Risk Purchasing Group Fee" ("RPG Fee") of \$200 on top of the premium when it invoices for its malpractice insurance. This is essentially a fee charged by CBS at its sole discretion to increase its revenue; it is not passed on to the insurance carrier. This \$200 fee is in addition to the 16-percent commission already included in the premium.

Thus a Class-I doctor of chiropractic practicing in Los Angeles, California would pay over \$430 per year, or almost 30 percent of the premium in commissions and fees every year on a \$100,000/\$300,000 occurrence policy premium of \$1,439. Given CBS' claim of almost 10,000 policyholders, this works out to over \$4.3 million a year. Some have suggested that it is time for CBS to reduce its RPG Fee to \$100 and include it in its premiums. Both practices are consistent with other chiropractic malpractice programs offered by risk purchasing groups.

Highest Priced?

With the 25 percent increase and the \$200 add-on RPG fee, CBS rates are no longer among the lowest in chiropractic. A quick comparison with NCC,** which is considered to have some of the lowest rates, shows all four CBS rates substantially higher.*

**Annual Premium on a
\$1 million/\$3 million Occurrence
Policy for a Doctor of Chiropractic
in Los Angeles, California**

NCC**	\$2,100
NCMIC**	\$2,604
CBS* - Class 1	\$3,006
CBS* - Class 2	\$3,940
CBS* - Class 3	\$5,436
CBS* - Class 4	\$8,801

While the insurance industry is still facing its share of challenges, no other chiropractic malpractice insurance program has instituted such dramatic rate increases. The situation with CBS may have a number of underlying causes; some of these may include losses, an unstable carrier base and additional fees.

- All quoted rates exclude any discounts or credits that may apply.
- As NCC has only one rate for doctors of chiropractic, its policy premiums are applicable to all CBS policyholders, regardless of class. NCC does not require any type of "Terms of Acceptance" form or binding arbitration agreement to be signed by its policyholders to qualify for the above rates.

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