

# **2006 ANNUAL REPORT**



## **The University of Texas System Professional Medical Liability Benefit Plan**

**September 1, 2005 – August 31, 2006**

FY 2006 was a very good year for The University of Texas Professional Medical Liability Benefit Plan ("Plan"). The number of UT physicians and medical students covered under the Plan has increased, payouts have declined, coverage has expanded, premiums are stable and the value of the fund has increased.

For FY 2006, the Plan provided indemnification against professional liability claims to 10,553 physicians and medical students in the UT System. This represents a 3.5% increase from FY 2005. In addition, 28 medical students purchased coverage for externships outside of Texas under a new coverage option provided by the Board of Regents beginning in FY 2006.

Fiscal year 2006 saw the continuation of a declining trend in lawsuits that began with the enactment of tort reform legislation, effective September 1, 2003. During this past fiscal year, only 28 new lawsuits were filed making lawsuit filings comparable to the FY 2005 level. Despite the decline in lawsuits, there was a 13 % increase in the number of claims this year, evidenced by the receipt of Notice of Claim letters.

The effects of tort reform were noticeable in the payouts for FY 2006 as fewer pre-tort reform cases remain. For this fiscal year, the Plan paid out \$5.9 million (for 36 lawsuits and/or claims), compared to almost \$11 million (for 47 lawsuits and/or claims) in FY 2005.

Although one of the largest carriers in the state with a potentially riskier pool of insured due to the educational mission of UT System, the Plan has been successful in keeping premiums low. On average, Plan premiums are only one-fourth of the cost of the premiums assessed by commercial carriers, while the Plan provides broader coverage than other carriers. In the past five years, the only premium rate changes have been an average reduction of 40% for FY 2004 and an average increase of 9.6 % for FY 2005.

In addition to lawsuits and claims, the Plan began providing coverage to UT physicians for licensing and disciplinary matters before the Texas Medical Board in FY 2005. In FY 2006 the Plan provided coverage to 48 physicians for these matters, most of which were disciplinary matters. This is slightly higher than the number handled last fiscal year.

The overall financial health of the Plan remained stable. At approximately \$1.2 million, administrative costs paid from the fund are the same as those for FY 2005. Defense costs for handling of claims and lawsuits have declined by 39% over the past year, as would be expected with the decline in number of cases. Taking into account claims that have not yet been reported, the fund balance at the end of the fiscal year was \$64.2 million.

3,796	Faculty Insured
831	Fellows Insured
2,028	Residents Insured
3,898	Medical Students Insured
29	Medical Student Externships
28	New Lawsuits
121	New Claims
1	Number of Trials (successful)
78%	Cases Closed with No Plan Payment
\$1,268,808	Administrative Costs
\$4,499,288	Defense Costs
\$5,907,847	Settlement (Indemnity) Costs
\$191,235	Texas Medical Board Defense Costs
\$5,741	Plan Average Premium Occurrence (\$500,000/\$1,500,000)
\$22,850	TMLT Average Premium Mature Claims-Made Rate (\$500,000/\$1,000,000)
\$24,350	Advocate, MD Average Premium Mature Claims-Made Rate (\$100,000/\$300,000)
\$20,555,289	Premiums Collected
\$145,955,599	Market Value of Professional Liability Fund

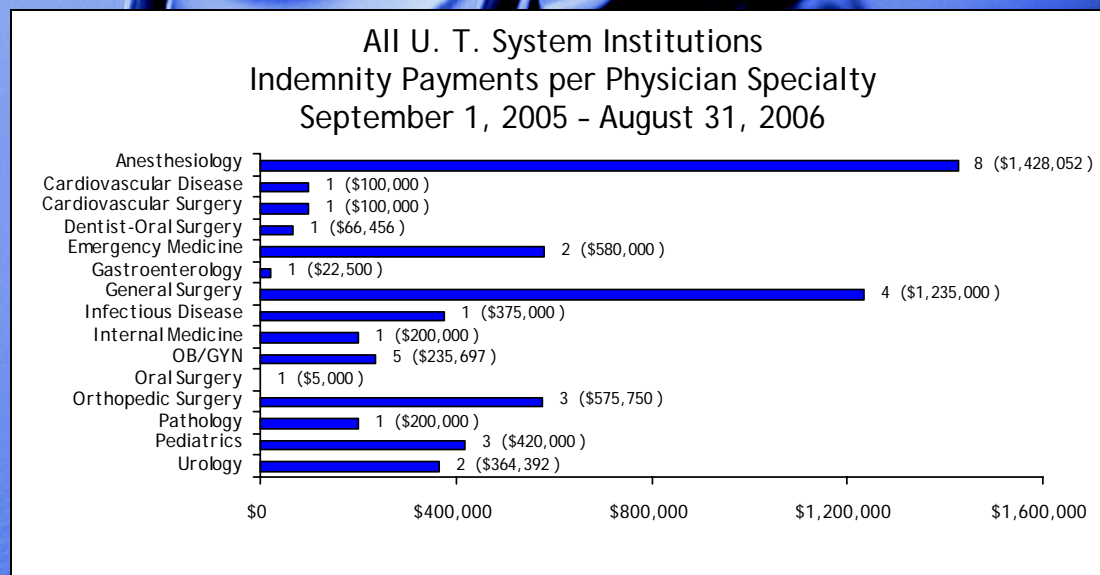
Plan premium rates continue to be significantly lower than Texas commercial insurance carriers. The chart below compares Plan rates by risk class in Harris County with Texas Medical Liability Trust (TMLT) and Advocate, MD, two commercial carriers.

Risk Class		TMLT*	Advocate, MD**	UT Faculty Rates***
I	General Practice No Surgery	\$14,349	\$15,745	\$1,624
II	General Practice Minor Surgery	\$14,823	\$17,894	\$2,541
III	Emergency Medicine / Minor Surgery	\$21,089	\$26,568	\$4,059
IV	General Surgery	\$37,143	\$45,098	\$7,550
IV	Anesthesiology	\$18,438	\$22,902	\$7,550
V	Gynecology Minor Surgery	\$31,256	\$17,894	\$11,120

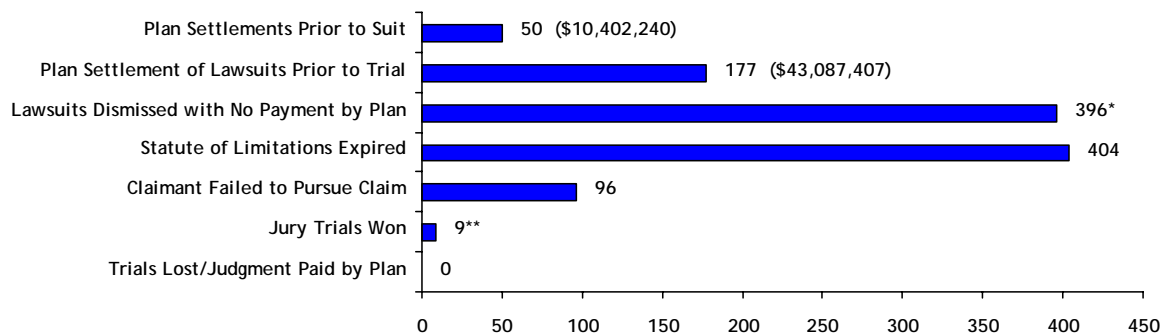
\* Mature Claims-Made Rate (\$500,000/\$1,000,000 Limits) Effective January 1, 2006

\*\* Occurrence (\$500,000/\$1,000,000 Limits) Effective August 1, 2005

\*\*\* Occurrence (\$500,000/\$1,500,000 Limits) Effective September 1, 2005



### All U. T. System Institutions Closed Claims & Lawsuits September 1, 2001 - August 31, 2006



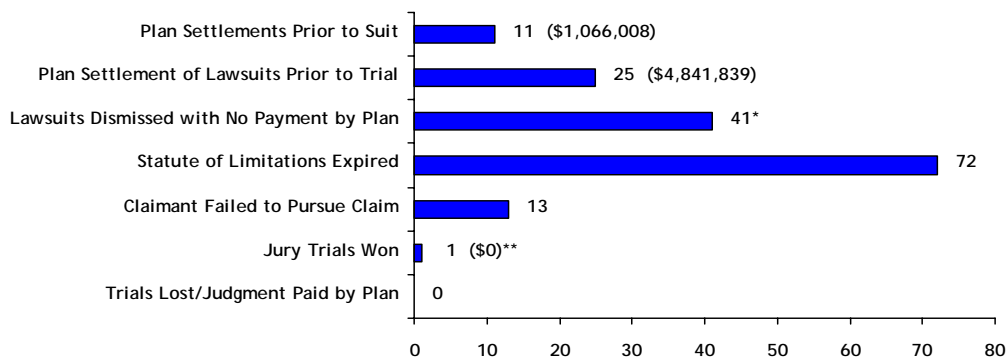
Total Number Closed Claims & Lawsuits = 1,132 (\$53,489,647)

80% of all claims and lawsuits closed with no payment

\* Includes Summary Judgments, Non-Suits, Dismissals and Settlements by Co-defendants at No Cost to the Plan

\*\* Includes 8 Jury Verdicts and 1 Instructed Verdict

### All U. T. System Institutions Closed Claims & Lawsuits September 1, 2005 - August 31, 2006



Total Number Closed Claims & Lawsuits = 163 (\$5,907,847)

78% of all claims and lawsuits closed with no payment

\* Includes Summary Judgments, Non-Suits, Dismissals and Settlements by Co-defendants at No Cost to the Plan

\*\* Includes 1 Jury Verdict

**The University of Texas Health Center at Tyler**

	2006	2005	2004	2003
Faculty	81	80	81	98
Fellows	0	0	0	2
Residents	24	24	27	31
Open Claims & Lawsuits	6	8	18	24
New Claims	2	0	5	9
New Lawsuits	0	0	5	3
Settlements Paid	\$0.00	\$690,000	\$0.00	\$572,800

**The University of Texas Health Science Center at Houston**  
(Includes U.T. Dental Branch-Houston enrolled 11/04)

	2006	2005	2004	2003
Faculty	711	709	562	519
Fellows	131	138	137	117
Residents*	338	337	300	288
Open Claims & Lawsuits	73	61	80	85
New Claims	26	23	15	37
New Lawsuits	12	8	35	26
Settlements Paid	\$1,314,403	\$4,364,445	\$4,105,708	\$2,051,189

\*Does not include U.T. residents on rotation at Memorial Hermann Hospital (in 2006 a total of 413)

**The University of Texas Health Science Center at San Antonio**

	2006	2005	2004	2003
Faculty	700	675	661	608
Fellows	41	28	50	62
Residents*	442	450	411	476
Open Claims & Lawsuits	33	36	47	64
New Claims	15	14	12	27
New Lawsuits	2	3	17	11
Settlements Paid	\$1,166,500	\$1,687,500	\$952,500	\$2,270,000

\*Does not include U.T. residents on rotation at V.A. Hospital (in 2006 a total of 123 U.T. residents and 10 fellows)

**The University of Texas M.D. Anderson Cancer Center**

	2006	2005	2004	2003
Faculty	700	673	638	588
Fellows	240	211	180	162
Residents	7	8	9	15
Open Claims & Lawsuits	21	21	21	29
New Claims	16	17	9	22
New Lawsuits	0	2	8	4
Settlements Paid	\$736,250	\$400,000	\$932,000	\$107,000

### The University of Texas Southwestern Medical Center at Dallas

	2006	2005	2004	2003
Faculty	968	960	927	887
Fellows	318	296	285	281
Residents*	651	397	341	319
Open Claims & Lawsuits	60	52	64	73
New Claims	36	26	17	30
New Lawsuits	7	10	28	21
Settlements Paid	\$1,169,944	\$1,375,000	\$3,199,593	\$1,500,467

\*Does not include U.T. residents on rotation at Parkland Hospital (in 2006 a total of 271)

### The University of Texas Medical Branch at Galveston

	2006	2005	2004	2003
Faculty	603	558	540	540
Fellows	101	108	93	75
Residents	566	462	471	471
Open Claims & Lawsuits	56	76	102	150
New Claims	24	24	39	61
New Lawsuits	7	4	19	24
Settlements Paid	\$1,520,750	\$2,478,730	\$2,843,000	\$2,270,000

The University of Texas at Austin (Student Health Center)				
	2006	2005	2004	2003
Faculty	28	26	19	20
Fellows	0	0	0	0
Residents	0	0	0	0
Open Claims & Lawsuits	3	2	1	0
New Claims	1	1	1	1
New Lawsuits	0	0	0	0
Settlements Paid	\$0.00	\$0.00	\$0.00	\$74,324

The University of Texas System  
Professional Medical Liability Plan  
Financial Statements  
for the year ended August 31, 2006

Professional Medical Liability Plan Fund Balance

**Assets**

Operating Cash	\$ 691,457
Investments	<u>145,956,188</u>
Total	<u>\$ 146,647,645</u>

**Liabilities**

Accounts Payable	\$ 101,019
IBNR	<u>82,298,019</u>
Total	\$ 82,399,038

Fund Balance	<u>\$ 64,248,607</u>
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Total Liabilities and Fund Balance	<u>\$ 146,647,645</u>
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Professional Medical Liability Plan Statement of Revenue and Expenses

**Revenue**

Premium Income	\$ 20,555,289
Investment Income	6,007,045
Investments market value increase	<u>6,265,585</u>
Total Revenue	\$ 32,827,919

**Expenses**

Legal Expenses	\$ 4,499,288
Claim Liability Expenses	6,082,513
Medical Examiner Expenses	191,235
General & Administrative Expenses	<u>998,948</u>
Total Expenses	\$ 11,771,984

Excess Revenue Over Expenses	\$ 21,055,935
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**Other Changes in Fund Balance**

Premium Refund - FY 2005-2006	\$ (17,000,000)
Transfer to Collaborative Projects	(8,000,000)
Change in IBNR	9,297,560
Reinvestment of Compliance Fee Distribution	<u>67,809</u>
Total	\$ (15,634,631)

Change in Fund Balance	\$ 5,421,304
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Beginning Fund Balance	\$ 58,827,303
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Ending Fund Balance	<u>\$ 64,248,607</u>
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