

PURCHASING EASE OF MIND

PROFILE



TEXT AND
DIAGRAM BY

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Choosing a personal insurance policy is probably not the favourite activity on one's to-do list. It can be bewildering and frustrating to sift through various plans from different companies to compare the coverage, the premiums and the exclusions, and then weigh the costs and benefits of each proposal. Does one pay a higher premium for better coverage with less deductible, or take a risk and choose to pay less annual fees because your money could be better spent elsewhere? You could be pouring money down the drain for decades without ever realising any benefit. On the other hand, if you were unfortunate enough to suffer a major illness, having a good insurance policy would help to mitigate the financial pain. Ultimately, it is about buying ease of mind because the future is unpredictable.

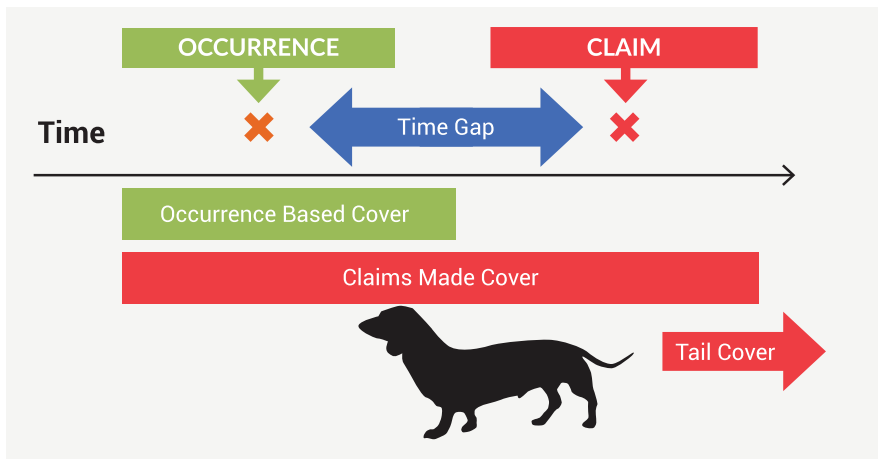
For doctors, purchasing medical malpractice protection used to be a relatively simple affair because there were not many providers in the market and there was no requirement to choose from a plethora of plans. Furthermore, the indemnity plans you paid for did provide ease of mind both for your professional practice and your retirement.

Good things do not seem to last forever, as the medical malpractice landscape is set to change in the near future. There are more providers coming into this niche market now, which makes choosing a suitable product more complicated. More importantly, the landscape is changing because the future is becoming harder to predict, for both doctors and insurers.

OCCURRENCE-BASED VS CLAIMS-MADE COVER

Before I go on, I would need to bring up two core concepts of cover in medical malpractice insurance — occurrence-based cover and claims-made cover. Dr Lee Pheng Soon and Dr Bertha Woon wrote an excellent article and explained this in detail in the November 2015 issue of the *SMA News*. If you have not yet read it, the article "Your Medical Practice Protection: Know your ABCDEs Before Something Goes Bump in the Dark" should be a good reason for you to fetch that issue from your waiting room, recycling bin or bedside reading pile (or simply download it online at <https://goo.gl/PvrE1J>).

The diagram provided summarises the two types of malpractice cover. When



an adverse event occurs at some point in your professional career, there will usually be a time gap between the occurrence of the event to the time that the patient files a complaint against you. Occurrence-based cover offers protection when the doctor had been paid-up at the time when the adverse event “occurs”. Claims-made insurance requires that the doctor be continuously paid-up not only at the time of the adverse event, but throughout the time until the “claim” is made against the doctor.

The wild card in this relationship is the time gap. The period when the consequences of an error manifest itself may be short, for example, in an immediately obvious surgical error, or long, as in delays in mental development years after a difficult delivery.

In occurrence-based cover, the protection afforded is almost “permanent” because the protection covers time gaps without limit. In Singapore, the malpractice insurance that the majority of doctors had was that of occurrence-based cover offered by the Medical Protection Society (MPS). As long as you were a member of MPS when the incident occurred during your professional practice, you were (mostly) entitled to medical protection and access to legal defence even if you had stopped practising years after the event occurred. This provided doctors with ease of mind.

Under a claims-made insurance policy, you have to be covered under an insurance plan at the time a claim

is filed in order to enjoy coverage. The protection ceases when the doctor stops paying his premiums (eg, upon retirement, when changing indemnity schemes or when changing employers). Because of this, you would need to purchase insurance coverage even after you have stopped practising. This is the so-called “tail” or “run-off” cover.

Occurrence-based cover is great to have but it is becoming increasingly expensive to run because the insurance providers cannot possibly predict the future of litigation in the next ten, 20 or 30 years, especially in an era of rising healthcare costs and a litigious society where extraordinary amounts of damages are handed down by courts in western countries. Premiums for occurrence-based cover have been increasing annually and disproportionately across different fields of practice. There is now a 20-fold difference in premium between a GP and a doctor practising in a high-risk specialty.

These problems came into the limelight recently when MPS stopped offering occurrence-based cover for obstetricians in Singapore, switching to a claims-made basis for all new policies instead. Obstetrics is a notoriously difficult field to predict future claims because of the long period where a claim can be made against the obstetrician. In Singapore, a patient has up to three years after turning 21 years of age to lodge a complaint against the doctor. Obstetricians found themselves having to choose to either remain with MPS and accept the limitations

of the new claims-made policy or switch to another provider such as NTUC Income. Some obstetricians nearing retirement even decided to stop practising obstetrics altogether, in order to avoid having new deliveries coming under a claims-made policy. SMA had to work closely with MPS to keep communication channels open and provide answers for all our members; even those in other high-risk specialties were wondering whether they would be next to be converted to claims-made cover. (For the record, MPS reassured them that other specialties were not affected).

Claims-made policies are more predictable for providers, who are able to look at the claims paid out of the policies from recent past years and adjust premiums accordingly. The premiums in claims-made policies are lower than that for occurrence-based cover and translate into savings for the doctor. The amounts saved could be used to eventually purchase tail cover after the doctor stops professional practice.

OTHER FACTORS

There are other factors to consider when choosing a suitable provider, such as the assistance provided, presence of risk management courses to keep premiums in check and the reputation of the company. These factors are thoroughly explained in the aforementioned article in the November 2015 issue of *SMA News*. The point is that choosing a provider should be done carefully, after understanding the differences and nuances of each scheme. Doctors who are nearing retirement are understandably more concerned as to which plan would provide better ease of mind, but junior doctors should also be aware of the choices available to them as they will be parting with significant amounts of money over the span of their careers.

The SMA will be meeting providers such as MPS, NTUC Income and Aon to better understand the products they offer and help communicate this to our members. *SMA News* will continue to run regular columns and articles to educate our readers on this important aspect of professional practice. ♦