

LANCET INDEMNITY RISK RETENTION GROUP FREQUENTLY ASKED QUESTIONS

LET THE REVOLUTION BEGIN!

You are confident in the quality of your skills when delivering care. You have a good relationship with your patient base. You have never had a malpractice claim and can't recall any event in the past few years that may lead to a claim.

You pay tens of thousands of dollars a year in malpractice premiums and what do you have to show for it? If you are with a traditional insurer, the answer is nothing. Traditional insurers collect your premium and keep it all. If you want more control over your future and a solid return for your continued good experience, you are the perfect partner for the physician-owned LANCET Indemnity Risk Retention Group.

WHAT IS THE LANCET INDEMNITY RISK RETENTION GROUP ("LANCET RRG")?

LANCET RRG is a new physician-owned malpractice insurer domiciled in the state of Nevada. LANCET RRG is doing business in eight states and is authorized to do business in Florida.

WHY DO I WANT TO BE PART OF THE LANCET INDEMNITY RISK RETENTION GROUP?

- You pay a substantially reduced premium
- You contribute to your coverage risk but on a limited basis and if you have no claims, you get to keep substantial premiums and capital in an investment account you own.
- You are part of a Physician-Owned insurer with your best interests in mind.

THE FALLACY OF "DO I NEED TO BUY A "TAIL" OR EXTENDED REPORTING PERIOD ENDORSEMENT FROM MY PRIOR INSURER IF I GO TO ANOTHER INSURER?"

There appears to be a serious misconception about Claim Made coverage.

As an example, you bought a claim made policy when you first started practice on July 1, 1998. Thus, your first malpractice policy had a retroactive date of July 1, 1998. Every year you renew with your current insurer, your renewal policy carries with it a retroactive date of July 1, 1998. That means that any event or professional services provided after July 1, 1998 that becomes a malpractice claim in your current insurance policy year is the responsibility of your current malpractice insurer. This does not mean you are "stuck" with your current insurer. If you move to a new insurer, as long as that retroactive date of July 1, 1998 is carried over to your new insurer's policy, you then have continuity of coverage.

-YOU DO NOT NEED TO BUY A "TAIL" TO MOVE TO A NEW INSURER-

WHAT IS THE EXTENT OF MY RISK?

The secret formula to your benefit being a LANCET RRG insured is that you and we are expecting you will not have a malpractice claim. If you do not have a malpractice claim, you will build a substantial savings fund. If you do have a malpractice claim, your risk is limited by LANCET'S insurance structure and you can still build a new savings fund. Here's how it works:

1. You will make a capital contribution in the amount of \$50,000 or \$62,500. You pay this amount into a SEGREGATED ACCOUNT CELL ("**\$SAC**") (A) up front or, (B) pay it off over 48 months through a finance company under contract with LANCET RRG, or (C) secured by a Letter of Credit. A \$50,000 contribution returns 25% of your annual base premium to your **\$SAC** each year. A \$62,500 contribution returns 35% of your contribution to your **\$SAC** each year.
2. **Lancet RRG also offers a traditional malpractice insurance program.** If you wish to get comfortable with our company and have a no deductible policy which you will find comparable in terms to traditional insurers, you will probably find we are most competitive with this option. Should you choose to change to our "vision" model of what is the best insurance structure for good physicians as outline in this paper, you may do so at any time.
3. Your capital will be invested at your direction (with certain limitations) and build a nest egg for you. Consider this fund your Professional Liability Savings Account. IF YOU NEVER HAVE A CLAIM, YOUR CAPITAL CONTRIBUTION AND ITS GROWTH ARE YOURS TO KEEP.
4. In addition to your capital investment, 35% of each year's premium will go into your **\$SAC** if you choose the \$62,500 contribution which also goes into your **\$SAC**. IF YOU NEVER HAVE A CLAIM, you keep the 35% of each year's premium and all of your fund's growth plus your capital contribution and its financial growth. (Same applies if you contribute \$50,000 to your **\$SAC**, but only 25% of your premium goes back to your **\$SAC** each year.
5. Often the delay between incident and time of settlement or judgment is 4.1 years. During this time your **\$SAC** is building reserves at a compounded rate of return. With a traditional insurer, this added income goes to them and not you; the difference being that these compounding dollars are in YOUR **\$SAC**, not the insurers. During this time, you continue to control the investment.
6. If you do have a claim, your exposure is limited. LANCET RRG is structured so you will never pay more than your initial capital contribution in one year. Plus, the most you can pay in one year is limited to \$31,250 for legal fees and another \$31,250 towards settlements and judgments, assuming a \$62,500 contribution. You are limited to \$25,000 for legal fees and another \$25,000 towards settlements and judgments if you contribute only \$50,000 to your **\$SAC** and If you have a claim). You are not likely to settle for many years, so it is unlikely you will be at risk for more than \$31,250 in any one year. Plus, if you have multiple claims in one year, the claims other than your first one are the responsibility of Lancet RRG. (or \$25,000 if you contribute only \$50,000 to your **\$SAC**, assuming no immediate settlement.)

-LANCET RRG AND OUR REINSURERS WILL ASSUME MOST OF YOUR POLICY LIMIT EXPOSURES-

WHAT IS A SEGREGATED ACCOUNT CELL (“\$SAC”)?

A Segregated Account Cell is your own insurance company within an insurance company. LANCET RRG has a special insurance facility based in Bermuda. The facility, approved by law, allows you to put money into your own fund and accrue the investment gains for yourself. With LANCET RRG, you own your own insurance company and have a partner minimizing your risk. Your **\$SAC** is domiciled in Bermuda; your money is safe in an account with the Bank of Butterfield that you control. If you would prefer a domestic account, this option is available to you also. We suggest you speak with your accountant or our representatives about the benefits of a Bermuda-based account.

TELL ME ABOUT THE LANCET RRG POLICY FORM

- Limits of \$250,000 per claim / \$750,000 annual aggregate
- Defense costs are in addition to the Limits of Liability
- Prior Acts coverage is available
- ACHA administrative defense coverage
- “Claim-Asserted” trigger
- Extended Reporting Period coverage (“Tail”) available at a cost. In the event of Death, Disability or Retirement, there is no cost to you as with traditional insurers.
- ▶ Asset protection and favorable tax benefits
- ▶ Complete participation and control in defense of claims

HOW DO I SECURE A QUOTATION FOR COVERAGE WITH LANCET?

Please provide the following:

- ▶ The completed LANCET malpractice insurance application or a recently completed malpractice application from another insurer
- ▶ Current copy of each Physicians Curriculum Vitae (CV)
- ▶ Copy of your current medical liability policy declarations page (not a Certificate of insurance) a Certificate of insurance may not show premium, policy type or retroactive dates; a certificate may also be created by an insurance AGENT rather than an insurance COMPANY
- ▶ Copy of all “on hand” loss information: old loss runs, credentialing forms submitted to hospitals that include loss information, old medical liability insurance applications, letter of dismissal or other court records
- ▶ Or a National Practitioner Data Base self query

-WITH THESE ITEMS ABOVE WE CAN THAN ISSUE A QUOTE-

WHAT WILL MY COST BE TO BECOME AN INSURED WITH LANCET RRG?

Your price will vary based on geography, specialty, limits of insurance and other factors. Below is an actual, example cost for a plastic surgeon that recently purchased coverage.

\$62,500 investment into the **\$\$SAC** (Segregated Account Cell) which may be paid in its entirety up front or funded through a finance company over 48 months, plus,

Base Premium	\$13,979.00
Nevada Tax	55.91
Florida Tax	698.95
Association Fees	300.00
Capital Contribution	<u>2,500.00</u>
TOTAL COST	\$17,533.86

Of the above total costs, \$62,550 plus 35% or \$4,893 for a total of \$67,393 goes into your **\$\$SAC** as a Professional Liability Savings Account. Also, remember that 35% of each year's renewal premium also goes into your **\$\$SAC** and not just the first year's premium.

In order to obtain an actual offer from LANCET, please provide the information requested in the "**HOW DO I SECURE A QUOTATION**" section above of this FAQ.

FOR MORE INFORMATION, PLEASE CONTACT:

CHRISTOPHER PRESTERA, JD, CPCU
PRESIDENT
THE PHYSICIANS ADVOCATE, LLC
CELL: 954-336-7284
OFFICE: 866-765-1058
E-MAIL: CHRIS@PHYADV.COM

THIS FAQ IS AUTHORIZED BY LANCET INDEMNITY RISK RETENTION GROUP:

William Luria, MD
President

Dennis Watts
Chief Operating Officer