
The

Risk Retention Reporter

It's All About the Underwriting

*Featuring Richard B. Welch, President
Applied Medico-Legal Solutions Risk Retention Group*

Running a successful medical malpractice insurance company depends first and foremost on good underwriting. For Richard B. Welch, who serves as president of Applied Medico-Legal Solutions Risk Retention Group (AMS RRG), and president and CEO of its related companies — Best Practices Medical Partners, LLC (BPMP) and its wholly-owned subsidiary, Best Practices Insurance Services, LLC (BPIS) — this simply stated goal forms the core of the RRG's continued success.

Career in Healthcare Industry

Tracing the evolution of Welch's career path helps to explain how he came to the alternative marketplace, establishing AMS RRG in 2003 as an Arizona-domiciled RRG to insure physicians and physician groups that meet stringent underwriting standards.

After receiving his Masters in Health Administration from Duke University, Welch began his career at a Florida hospital system, ultimately rising to the position of vice president, where he gained valuable experience and learned about the complex healthcare delivery system in Florida, as well as that of the United States. He also gained insight into the integral role that insurance, both on the medical payment side and the property and casualty side, plays within that healthcare system.

It was during this time that he met Dr. Steven M. Shapiro, who now serves as chief medical officer for AMS RRG and BPIS. He and Shapiro identified a need that was not being met in the delivery of healthcare within hospitals — that of managing the care of hospitalized patients in coordination with primary care physicians and specialists, a role that has come to be known as "hospitalists." Together, they developed Applied Medical Solutions as a "hospitalist" organization, and subsequently sold it to Cogent Healthcare in 1999, an organization that also specializes in hospital care. Welch stayed with Cogent until 2002, and then looked to apply his knowledge and experience in another enterprise.

Again Welch met another doctor, Dr. Brian D. Udell, a neonatologist, who served as principal of AMS RRG and technology officer of BPIS. Udell was dealing with the hard insurance market in Florida in 2002 and like

Welch and Shapiro, believed that there were too many good doctors insured in the Joint Underwriting Association. They believed that if they could identify the best doctors as best practice partners, they could create a proactive clinical organization — a unique approach from that of the typical reactionary approach often taken by most medical organizations.

Instead of reacting to claims and setting up risk management practices accordingly, they would identify the best practices ahead of time, then press for those best practices long before claims arose. With these principles in mind, Welch established BPIS and after that, AMS RRG, enabling it to seek the best doctors on a national

Richard B. Welch, President

RRG: Applied Medico-Legal Solutions Risk Retention Group, Inc.

Organizational structure: Stock company owned by its policyholders

RRG member/insureds: Physicians and Physician groups

Education: B.A. Florida State University; Masters in Health Administration, Duke University

Experience: Vice President for a Florida multi-hospital system; founding Board member of Applied Medical Solutions, Inc.

Boards and associations: President of Alzheimer's Association in Broward County, other non-profits, past member of American College of Health Care executives; past board member of Florida Hospital Association; Board member of Children's Diagnostic and Treatment Center; President of TPA of the North Broward Hospital District; member of several other local non-profits

Greatest Challenge: Dealing with the turmoil from the financial markets and its potential impact on preservation of capital and restrictions in reinsurance

Proudest achievement: Ability to focus on managed growth and not lose sight of the RRG's initial vision

In his words: It's all about the underwriting!

basis, not just Florida. Welch also adopted an important insurance principle — how to spread the risk. By having doctors outside Florida, AMS RRG was able to diversify away from the difficult Florida legal climate.

The timing was impeccable. AMS RRG became an attractive alternative market for many doctors in the hard market, and through “viral” marketing, or doctors talking to other doctors, many were attracted to this new insurance company. Today AMS RRG insures about 1,700 physicians, issuing approximately 500 policies (as many are in groups) from all the major medical specialties.

Reinsurers also liked the AMS RRG concept. Within months, several expressed an interest in reinsuring the RRG. They felt the underwriting discipline foundation was a good business model and worth the chance.

Best Practices Defines Core Business Model

The AMS RRG business model focuses on attracting those doctors who are committed to implementing best practices in their practices. At the heart of the underwriting approach is reliance on the doctors themselves to establish best practice standards. AMS RRG combines traditional insurance underwriting of rate, class, and territory with pricing models that reflect adherence to these medical best practice standards to develop pricing and insurability. Here is how the best practice standards work.

Each medical discipline or specialty insured by the RRG has a Specialty Medical Director (SMD). This SMD is the leader of that specialty’s Medical Advisory Panel (MAP). The MAP is composed of the SMD and four other members from that specialty.

Each MAP uses best practice standards as currently espoused within each respective medical discipline. The committee reviews new applicants to see how well they implement the best practice standards. It also sets risk management criteria that insured doctors and clinics are expected to follow, as well as creating protocols to educate members to assure they stay current with best practices.

Underwriting itself relies also on a MedPASS Survey. For each medical specialty, a set of risk factors is identified and weighted then compared to an overall physician population. Insurability is determined based on these criteria. Again, this supplements the traditional insurance underwriting criteria of class, territory, and rate.

Finally, medical-legal liability risk is set, tailored to each physician and clinical practice. This is done through specialized data collection that includes specialized risk evaluations.

Proudest Achievements

Welch’s proudest achievements over the last six years include:

- *Continued focus on AMS RRG’s managed growth and its ability to not lose sight of its initial vision*
- *Building a health care organization first with an insurance product second*
- *Obtaining an “A” (Exceptional) rating from Demotech*
- *Attracting a 13 member employee staff with a strong work orientation whose efforts align to those of AMS RRG and BPMP.*

Macroeconomic and Insurance Challenges

Welch has no doubt that the future holds challenges, particularly stemming from macroeconomic issues. For instance, how will the turmoil in the financial markets affect insurers? Will this affect their growth of capital or willingness to provide capital? Will it affect his own capital, especially as he relies on reinsurance to protect AMS RRG’s own capital integrity?

The soft market also poses challenges. Welch admits that AMS RRG has been able to “pick the low hanging fruit.” But in a soft market, does AMS RRG really know the proper price? Admitted carriers are under pressure to lower prices and that affects the RRG’s own pricing demands.

Ultimately, preservation of capital weighs most heavily, not only for a growing, yet still relatively small insurer, but for all insurers and financial institutions.

What CEOs Need

To do the best for his or her company, the CEO needs traditional leadership skills, as well as:

- *the ability to develop and articulate a clear vision and keep it at the forefront via deliverables to insureds.*
- *a clear understanding of the sector being insured by the RRG*
- *the ability to delegate to good people — both to employees and contracted outsiders*
- *an in-depth understanding of the macroeconomic issues that impact the market*

To date, AMS RRG has performed well by adhering to its core mission. Staying the course, especially when the macroeconomic climate may cause unexpected changes, creates challenges. However, with the right team in place and an ability to anticipate problems, Welch believes that he can continue to steer AMS RRG to continued success.

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