

Kemper/Lumbermans Pull Out of Chiropractic Malpractice

CBS POLICYHOLDERS SCRAMBLE FOR COVERAGE

Dynamic Chiropractic Staff

On March 4, 2003, Kemper Insurance Companies, the insurance group that insures the policyholders of Chiropractic Benefit Services (CBS), made the decision to stop selling malpractice insurance to doctors of chiropractic through its Lumbermans company. According to a Kemper representative: "Chiropractic malpractice insurance will no longer be offered by Kemper. Kemper will not be renewing the chiropractic professional liability (malpractice) policies."¹

The decision by Kemper's board of directors is in response to 2002 net losses of \$312 million and a surplus reduction of approximately \$475 million - almost one-third of its previous surplus. Kemper's board of directors voted to "sell certain lines of its existing businesses to a new company capitalized by private equity funds," but the chiropractic professional liability line was not among those lines sold.²

At the same time, A.M. Best lowered its rating on Kemper Insurance Companies for the second time in just over two months, and the third time in less than a year.^{3,4} The last downgrade (to "B+") came on Dec. 24, 2002, when Kemper was "placed under review given the uncertainty of Kemper's financial strength." On March 3, 2003, Kemper was again downgraded to "B" and kept under review for potential further action.

Of obvious concern is where the current CBS chiropractic policyholders can go to renew their malpractice insurance policies. CBS policyholders may once again be moving to a new carrier, assuming CBS can find one in the current distressed insurance climate.

Kemper was the sixth insurance carrier used by CBS in the last 13 years. CBS has only been with Kemper since Oct. 1, 2002. Previous to Kemper, CBS policyholders were with TIG, which was downgraded to "B++" prior to the move to the now "B"-rated Kemper.⁵ Prior to the move to Kemper, CBS policyholders experienced a 25 percent rate increase with TIG (in addition to the \$200 "Risk Purchasing Group" fee charged by CBS) that remained in effect with the Kemper policies.^{6,7}

Prior to TIG, CBS policyholders were insured with Reliance, a company that also followed a pattern of A.M. Best downgrades until it finally went bankrupt.⁸⁻¹¹ This left some CBS policyholders without effective malpractice coverage. It is not yet clear whether current CBS policyholders will face the same situation with the Kemper pullout.

References

1. Phone interview with Kemper representative.
2. Kemper's 2002 results deteriorate. Press Release. Kemper Insurance Companies. March 4, 2003. www.kemperinsurance.com/about/pressrelease_03042003_b.html.

3. A.M. Best lowers rating of Kemper Insurance Companies Intercompany Pool. Press Release. A.M. Best Company. Dec. 24, 2002.
4. A.M. Best lowers rating of Kemper, assigns rating to surplus notes. Press Release. A.M. Best Company. May 7, 2002.
5. A.M. Best downgrades rating of TIG; affirms rating of Crum and Forster; affirms ratings of Fairfax and its subsidiaries. Press release, Nov. 30, 2001.
6. CBS carrier files for 26% rate increase nationwide. *Dynamic Chiropractic* Aug. 16, 2002. www.chiroweb.com/archives/20/17/04.html.
7. CBS - New Carrier, Same Rates. *Dynamic Chiropractic* Oct. 21, 2000. www.chiroweb.com/archives/20/22/02.html.
8. Reliance mulls bankruptcy. Aug. 15, 2000. CBS MarketWatch (www.cbsmarketwatch.com)
9. Reliance group ratings fall as bankruptcy looms. Nov. 1, 2000, Reuters.
10. "Bankruptcy iooms" for Reliance/CBS: CBS malpractice insureds exposed. *Dynamic Chiropractic* Nov. 30, 2000. www.chiroweb.com/archives/18/25/18.html.
11. CBS/Reliance: the bottom line. *Dynamic Chiropractic* Feb. 26, 2001. www.chiroweb.com/archives/19/05/04.html.

APRIL 2003