

CBS Issues Statement: Kemper Extends Underwriting of Chiropractic Malpractice

KEMPER DOES NOT ISSUE CONFIRMING STATEMENT

Editorial 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."²

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 a 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.³

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.

On April 3, 2003, CBS provided DC with a copy of a letter⁵ dated March 27, 2003, indicating that Kemper Insurance Companies had apparently extended the suspension date for the sale of the Kemper/Lumbermans chiropractic malpractice coverage:

"... the letter shall serve as a revised underwriting authority suspension letter and shall supercede my March 10, 2003 underwriting suspension letter. Effective 12:01 AM August 1, 2003 and for any policy having a policy inception date on or after August 1, 2003, the underwriting authority of Manager (SSA, CBS' insurance broker) pursuant to this Agreement (Program Manager Agreement) is hereby suspended and all submissions for coverage by the Company (Lumbermans Mutual Casualty Company) or its affiliates pursuant to the Agreement on and after 12:01AM August 1, 2003 and for any policy having a policy inception date on or after 12:01AM August 1, 2003 shall be referred to the Company for review, acceptance or rejection. ..."

This extension would appear to supercede the decision reported previously by *Dynamic Chiropractic* (April 7 and April 21 issues).^{6,7}

When contacted regarding the significance of the extension, a Kemper representative stated:

"I want to confirm that Kemper is in the process of exiting the business of providing professional liability insurance for chiropractors. It will take us some time to complete our exit, in part because we want to be sure to comply with state regulations regarding notification of customers, etc. We

have begun to send notices of non-renewals and to terminate our relationships with our program managers. We expect to complete our exit process soon and do not intend to write professional liability for chiropractors in the future."

DC sent a written inquiry to Kemper in an effort to determine if CBS/SSA was one of the program managers that had already been terminated; Kemper did not respond to our inquiry by press time.

References

1. Phone interview with Kemper representative.
2. Kemper's 2002 results deteriorate. Kemper Insurance Companies press release, March 4, 2003. www.kemperinsurance.com/about/pressrelease_03042003_b.html.
3. A.M. Best lowers rating of Kemper Insurance Companies intercompany pool. A.M. Best Company press release, Dec. 24, 2002.
4. A.M. Best lowers rating of Kemper, assigns rating to surplus notes. A.M. Best Company press release, May 7, 2002.
5. Letter to SSA Special Programs, LLC, from Kemper Insurance Companies. March 27, 2003. "Suspension of Underwriting Authority..."
6. Kemper/Lumbermans pull out of chiropractic malpractice. *Dynamic Chiropractic*, April 7, 2003. www.chiroweb.com/archives/21/08/09.html.
7. A.M. Best downgrades CBS/TIG ... again. *Dynamic Chiropractic*, April 21, 2003. www.chiroweb.com/archives/21/09/06.html.

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