

# "Bankruptcy Looms" for Reliance/CBS: CBS Malpractice Insureds Exposed

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Doctors of chiropractic who have purchased their malpractice insurance through Chiropractic Benefit Services (CBS) have cause for concern. Until recently, CBS sold malpractice policies from Reliance, whose parent company (Reliance Group Holdings, Inc.) has seen a continuous drop in their ratings by Moody's Investors Service. Recent reports<sup>1</sup> now cite that Moody's has cut Reliance Group's debt ratings to "Ca" (second lowest rating) and "C" (lowest rating). Reliance's financial strength rating was cut to "Caa1" which Moody's terms "very poor."

In addition, Reuter's News Service reports that: "Reliance Group is expected to declare bankruptcy in the next few months..."<sup>2</sup>

Unfortunately, many CBS insureds are still covered by Reliance. The expectation of bankruptcy seriously calls into question the reliability of that coverage. And because Reliance is not an admitted carrier (not licensed) in many states, DCs in those states will not be covered by their state insurance guarantee fund either.

What this means is that if you are still insured by CBS/Reliance and are in a state where the company is not licensed to sell insurance (also known as "nonadmitted"), you will not be protected by your state's insurance guarantee fund should your malpractice insurance carrier go bankrupt and be unable to defend you and/or pay any claims. Should Reliance go bankrupt and the doctor have a claim against them that Reliance isn't able to pay, doctors in states where Reliance is not licensed or nonadmitted would be liable to defend themselves and pay any damages assessed by the court.

Those doctors who have purchased Reliance malpractice insurance from CBS should carefully review the declarations' (face) page of their policy to determine if their coverage is in jeopardy. First, check to see if you are still covered by Reliance. Second, check to see if your policy "has been placed with an insurer that is not licensed in (your state)..." (This language can usually be found in small letters at the bottom of your malpractice policy declarations page near your signature. Each state requires different language, but "not licensed" and "nonadmitted" are the terms that apply.)

If either of these are the case, you will want to take action to review and correct this situation as needed to avoid any potential liability.

To fully protect the doctors of chiropractic insured by them, CBS should have done two things. First, CBS should have arranged for a "novation" by their new insurance company for all of their existing policyholders. In the insurance industry, a novation is where the new insurance company agrees to retroactively cover all claims made during the old policy, as well as all claims under the new policy. In this way, even if Reliance goes bankrupt, as expected, CBS' Reliance policyholders are protected.

Unfortunately, because Reliance is still not licensed in many states, doctors in those states are still not protected by their state's insurance guarantee fund. For these doctors, a novation may be the only way to protect them from a Reliance bankruptcy.

Second, CBS has failed to even inform CBS/Reliance insureds that they can cancel their CBS/Reliance insurance coverage immediately and receive a full refund for the unused insurance. CBS/Reliance insureds can then immediately switch to a strong, solvent chiropractic malpractice insurance company. Instead, CBS is allowing all of CBS' members to remain insured with Reliance until their annual policies expire. CBS is then sending renewal billings switching their members to TIG. This leaves every CBS member insured with Reliance for up to a year longer than is necessary. Given that Reliance is facing potential bankruptcy, this inaction by CBS is both inexplicable and inexcusable.

### *References*

1. Reliance mulls bankruptcy. August 15, 2000. CBS MarketWatch.com. ([www.cbsmarketwatch.com](http://www.cbsmarketwatch.com))
2. Reliance group ratings fall as bankruptcy looms. November 1, 2000, Reuters.

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