

Peter Forbes

- Chartered Accountant
- Founding partner of HLB Mann Judd (Perth office)
 - Retired from partnership in October 2003
- Chief Executive of The MDU, Australasia, 1995
 - while maintaining his role with MDA National
- Managing Director - MDA National Insurance Pty Ltd
- Non-executive director of LawCover Insurance
 - (NSW Compulsory Indemnity Scheme)

Beginnings

- The MDU (Medical Defence Union) formed in the UK in 1885
 - *“By 2 lawyers and 5 gentlemen”*
 - Less about medical malpractice and more about protecting the profession’s good name
- The MPS (Medical Protection Society) was formed in the UK in 1892
 - By a breakaway group of London doctors

Australia - the Beginnings

- NSW MDU 1893
- MDAV 1895
- MDASA 1899
- MDSQ 1901
- MDA WA 1925
- MPS(Tas) ?

Up to 1990s

- Relatively quiet state based doctor mutuals
 - Little litigation
 - Little visibility outside legal and medical professions
- Competition increased in 1980's
 - As the MDU entered Australia
 - Local operators reacted to protect market share
- Rise in litigation
 - Commenced in 1980's

By 1995

- Nine Providers
 - 8 MDOs
 - 6 Australian, 2 UK
 - 1 insurance broker
 - Macquarie Underwriting
- Limited market
- Looming funding issue
 - Identified in ‘the Tito Report’

1998

- UK providers withdrew
 - Most of their members absorbed into United
 - MDSQ absorbed into United

1999 - 2000

- Four MDOs make 'calls' for more funds
- US insurer (St Paul) enters market
- State barriers to operations start to diminish

2001 - 2002

- The St Paul withdraws from medical indemnity
- United Medical Protection is placed into provisional liquidation
 - The “medical indemnity crisis”

2003

- The Medical Indemnity Act
 - And attendant legislation and regulation
- UMP returns from provisional liquidation
 - After Federal intervention and assistance
- All cover by Insurance
 - Through regulated insurance companies
- All commence capital acquisition strategy
 - In response to APRA regulation

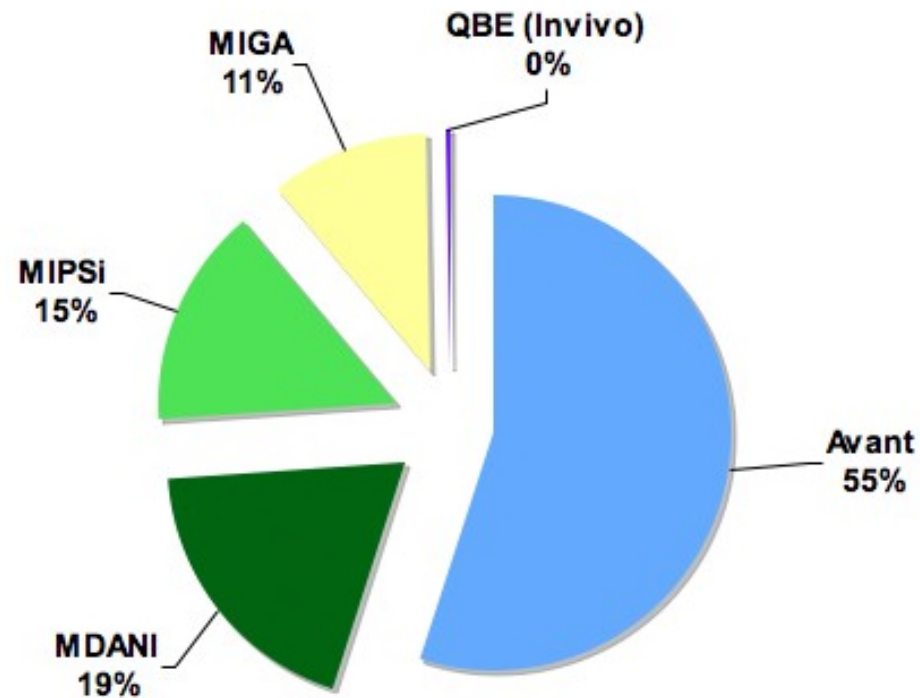
2004 - 2006

- New entrant (QBE) via Invivo agency
- Five remaining doctor mutual owned insurers
 - Period of consolidation
 - Capitalisation
 - Co-operation
 - With Federal Government
 - Within industry • • •

2007

- MDAV and UMP merge
 - To form Avant
- Four doctor mutual owned insurers
 - Avant
 - MDA National
 - MIPS
 - MIGA
- And QBE (Invivo)

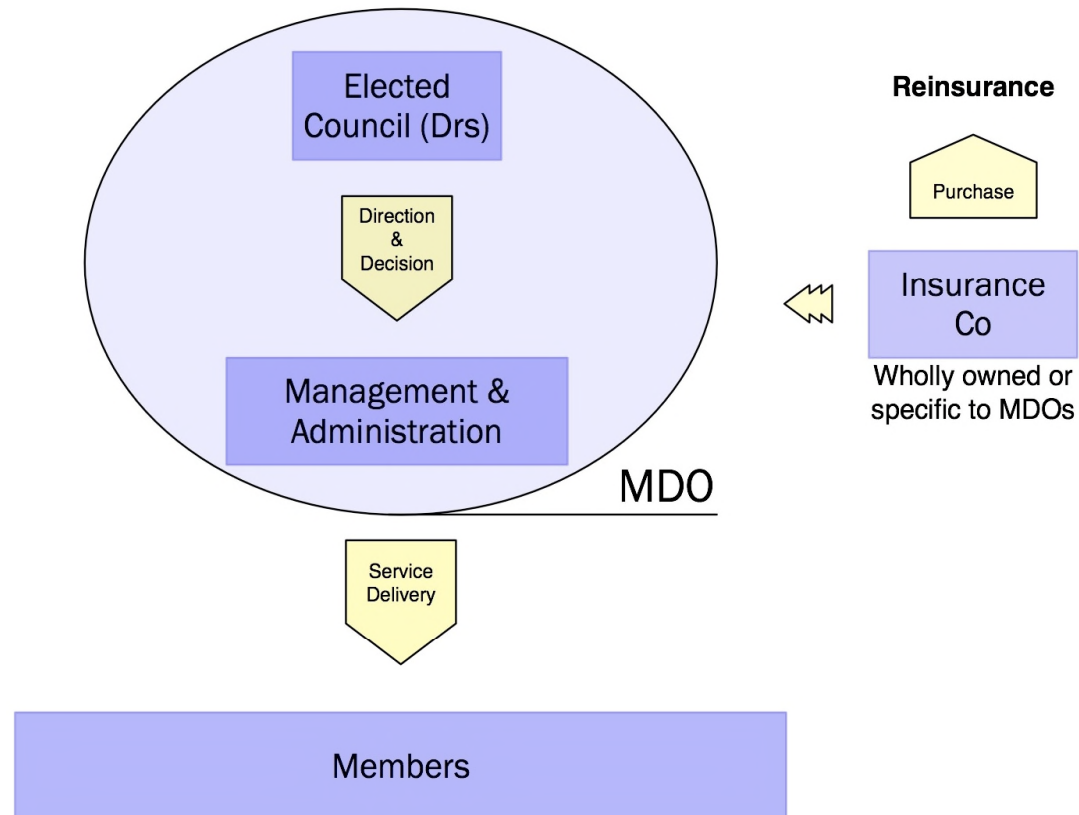
State of the market today



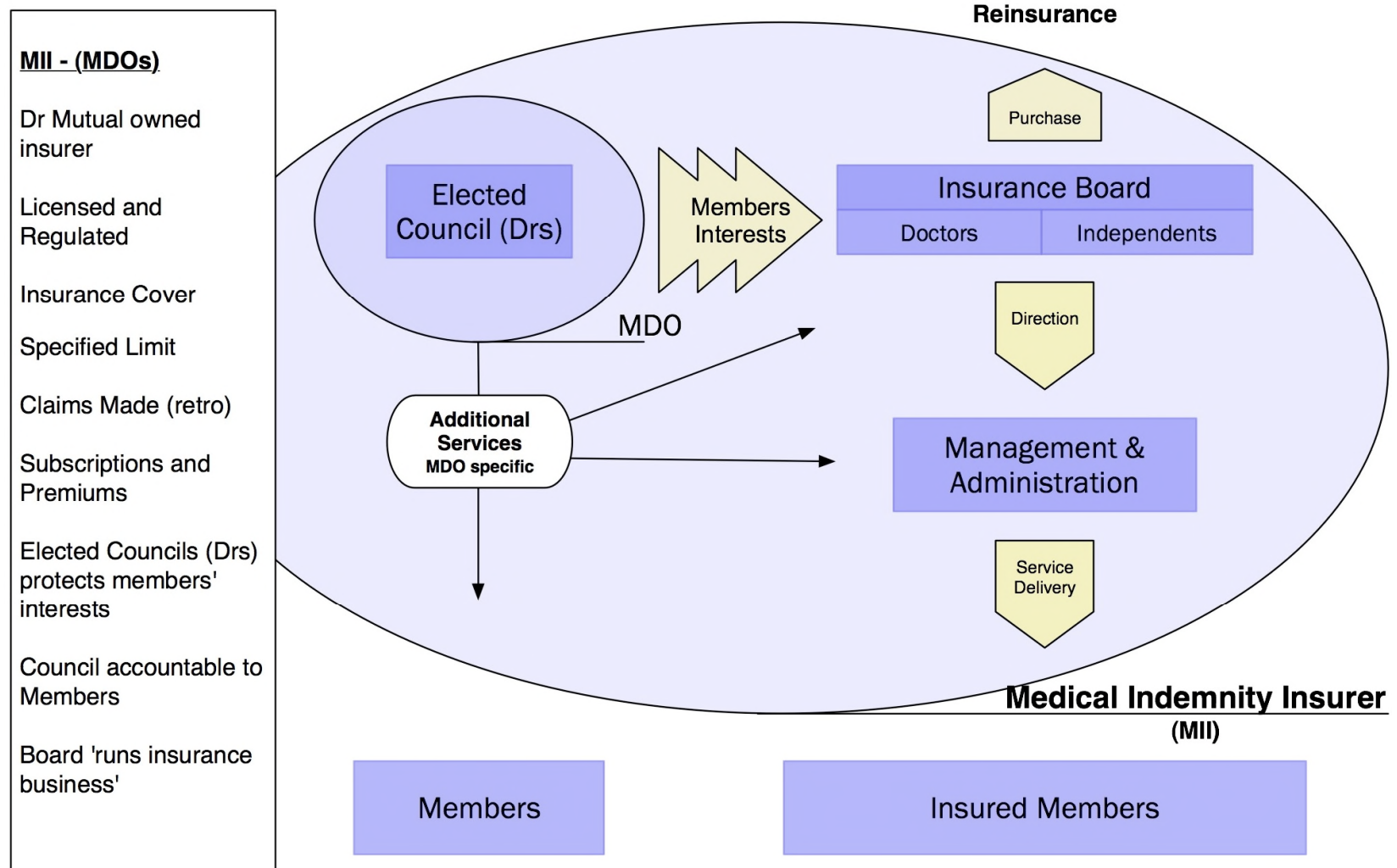
Based on Second Report on the costs of ROCS (2005/06 Financial Year) - Govt Actuary

Evolution - pre 2003 MDO

- MDO - Features**
- A mutual association
 - "Self" regulated
 - Discretionary Cover (when exercised almost always in favour of Member)
 - No specified limit
 - Occurrence Based (until 1997/2003)
 - Subscriptions - not Premiums
 - Elected Councils (Drs) 'ran the business'
 - Council accountable to Members
 - In all but one case (MIPS) members 'own' the mutual association



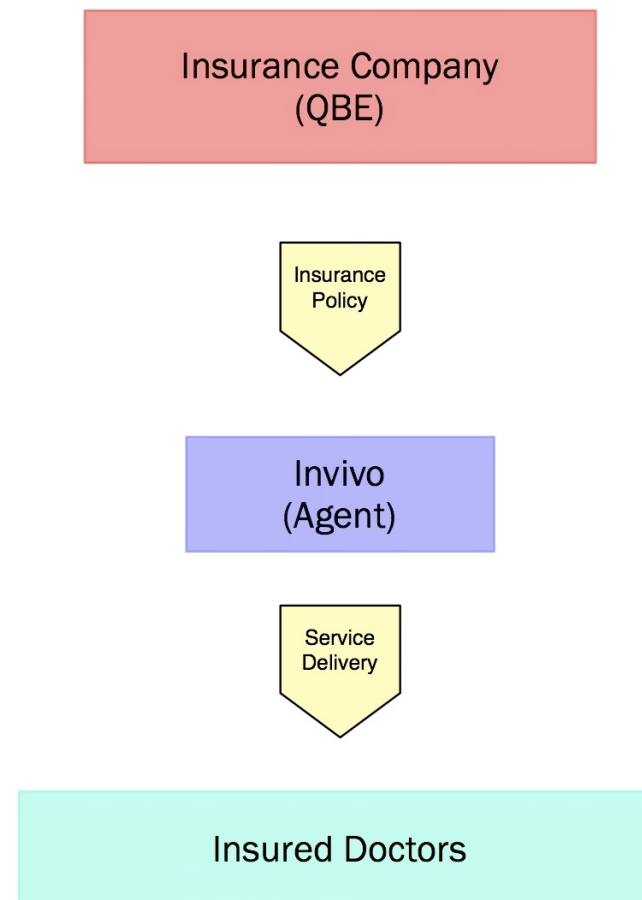
Post 2003 MDO-MII



The QBE/Invivo Model

MII - Invivo

- Owned by Insurer/ Agent
- Licensed and Regulated
- Insurance Cover
- Specified Limit
- Claims Made (retro)
- Premiums Only
- Doctors insured but not members
- Appointed Dr Panels to consider Drs interests
- QBE provides insurance
- Invivo provides service



Prognosis?

- Favourable!
 - Perhaps further rationalisation?
 - Stability in premiums
 - Providing tort reforms remain effective
 - Government Schemes remain

Questions

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