

MEDICAL INDEMNITY INSURANCE: AN INTRODUCTION

Why is medical indemnity insurance important?

Medical indemnity insurance plays a vital role within the Australian health system by working to protect both doctors and patients in the event of an adverse incident arising from medical care. While Australia's health system is generally very safe, things occasionally go wrong and sometimes patients may be harmed in the process of receiving medical care.

What is the MIIAA?

The Medical Indemnity Industry Association of Australia (MIIAA) is the peak body representing most participants in the medical indemnity insurance industry. The members of the MIIAA are the four insurance companies and their medical defence organisation owners shown in the table below. MIIAA members provide insurance for doctors working in private practice, including GPs and specialists (outside of public hospitals).

MIIAA was established in 2003 to represent the medical indemnity insurance industry and to provide information on medical indemnity issues to governments, the medical profession and the community. MIIAA is committed to working collaboratively on non-competitive issues to create an industry environment that supports safe, high quality and affordable medical care.

The current role of medical defence organisations

The role of medical defence organisations has grown and changed over the past century. They are now large organisations, with a high degree of expertise in medical and legal issues, providing a diverse range of services to their members.

Since July 2003, medical indemnity must be provided via an insurance contract. Medical indemnity insurers are therefore required to meet the same prudential standards as general insurance companies and are regulated by the Australian Prudential Regulatory Authority (APRA). This provides a high level of security for consumers and doctors.

The history of medical indemnity insurance in the Australian healthcare system

Medical defence organisations were originally set up by doctors over 100 years ago to deal with legal and ethical aspects of medical practice, such as claims of negligence made against doctors by patients. They were established as friendly societies and mutual funds which were owned by their members and provided indemnity to doctors on a discretionary basis.

Medical Indemnity Insurer	Parent Medical Defence Organisation
Medical Insurance Australia Pty Ltd	Medical Defence Association of South Australia Ltd
MDA National Insurance Pty Ltd	MDA National
Australasian Medical Insurance Ltd	UNITED Medical Protection Ltd
Professional Indemnity Insurance Company Australia Pty Ltd	Medical Defence Association of Victoria Ltd

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Medical indemnity is an important part of Australia's health system and provides security and protection for both doctors and consumers.

Who pays for medical indemnity insurance?

The majority of the funds held by medical indemnity insurers comes from the premiums paid by members. Doctors' premiums are based on the risk and size of claims arising generally from the type of medical services they provide. For example, most specialists pay higher premiums than most general practitioners.

The Federal and some State Governments also support medical indemnity insurance through a range of different schemes. An example of this is the Premium Support Scheme, which provides subsidies to doctors with very high insurance premiums, relative to their incomes, such as obstetricians and doctors working in rural and remote areas. This reduces the risk of doctors being discouraged from providing important medical services because of the high cost of insurance.

Who owns and runs medical defence organisations?

Medical defence organisations and their subsidiary insurance companies are owned by the doctors who are members of the medical defence organisation. They are governed by Boards of Directors, made up of both doctors and non-medical members. Board members are either elected by the membership or appointed by the Board. Board members generally are required to have expertise in a range of areas, including members with expertise in the medical, legal, financial, accounting, actuarial and insurance fields.

What services does the medical indemnity insurance industry provide?

As well as providing medical indemnity insurance to doctors, the medical indemnity insurance industry plays an important role in working with the medical profession to reduce the risk and increase the safety of medical care. Medical indemnity organisations have significant expertise in collecting and analysing data on adverse events in medicine and are committed to using their expertise to increase the safety of Australia's medical system. Working together with the medical profession, the medical indemnity insurance industry is making real gains in risk management, making our health system safer for everyone.

What would happen if there was no medical indemnity insurance?

Without medical indemnity insurance, consumers, other than public patients in public hospitals, would have less certainty of receiving compensation, even if the courts awarded damages to them. For example, if the doctor did not have sufficient resources to pay the amount awarded, the consumer may not receive the compensation to which they were entitled.

Without medical indemnity insurance doctors, who were found to be negligent would risk losing their personal assets, such as their family homes, if a major claim was awarded against them. This would act as a deterrent to people entering the medical profession and could exacerbate shortages of doctors, particularly in high risk areas of medicine.

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