IMPORTANT MESSAGE FROM THE CEO: 0% Base Rate Increase

Mark Twain once quipped, “Always do right. This will gratify some people and astonish the rest.” For nearly three decades Medical Mutual has operated with an uncompromising passion for doing right. So it gives me great pleasure to let you know that, as a result of our ongoing efforts to do right and keep your Company strong, there will be no base rate increase during 2007*. The only thing going up at Medical Mutual is our commitment to you.

Certainly this is exciting news, but it is equally important to appreciate the mutual effort that made this milestone possible. Holding our rates stable is not a slick marketing gimmick to retain your business with artificially underpriced rates; it is a sound, responsible business decision based on the strength and stability of your Company. These facts demonstrate our strength:

• Over the past 30 years, Medical Mutual has tried and won more medical malpractice cases than anyone else in NC.
• Medical Mutual has the lowest overhead ratio in the industry, nationwide.
• Medical Mutual provides the best service by providing the largest staff accessibility in the industry.
• A.M. Best has awarded Medical Mutual the highest rating of “A” (Excellent) for a second consecutive year. This rating is assigned to companies having an excellent ability to meet the ongoing obligations of policyholders.
• Medical Mutual’s rigorous and creative risk management programs bring invaluable proactive benefits to our members.
• Medical Mutual is selective of our policy holders, minimizing risk exposure.
• Medical Mutual enjoys unprecedented loyalty from our members.
• Actuarial numbers validated and endorsed the decision to hold base rates steady for 2007.

Your team at Medical Mutual is certainly gratified to issue this zero rate increase announcement, and some outside observers may even be astonished. At Medical Mutual we believe we’re simply doing things right.

Sincerely,
A. Dale Jenkins
Chief Executive Officer

*0% rate increase is effective for 2007 renewals. Other factors specific to your risk profile can impact your actual premium

Are You Supervising a Physician Extender?
by Sharon Musselman, ARM, Director of Underwriting

More and more of our insured physicians are taking supervisory responsibility for physician extenders. If you supervise physician assistants, family nurse practitioners, or any other licensed physician extender, you should be aware of the responsibilities you assume, and the limits of the coverage you have for this exposure under your MMIC policy. The NC Medical Board (“Board”) oversees these supervisory arrangements and their website (http://www.ncmedboard.org/) contains a great deal of information regarding the physician’s responsibilities as a supervising physician.

According to the Physician Assistant Regulations (NC NCAC 32S), accessible from the Board’s website, “supervision” is defined as “overseeing the activities of, and accepting the responsibility for, the medical services rendered by a physician’s assistant.” There are two roles physicians can assume for supervision of physician assistants, “Primary Supervising Physician” or “Back-up Supervising Physician”.

The Board requires that individual Intent to Practice forms must be signed by each primary supervising physician and submitted by the physician assistant to the Board before any medical practice is undertaken pursuant to the intended supervisory arrangement. This form specifically states that the undersigned physician “accepts responsibility for the applicant’s conduct as a physician assistant under the physician’s supervision and understands that conduct which violates the laws and regulations governing physician assistants may subject the supervising physician to sanctions including

(Continued on page 2)
(Are You Supervising A Physician Extender, continued from page 1)

The Physician Assistant Regulations further state that by agreeing to supervise a physician assistant the Primary Supervising Physician:

• accepts full responsibility for the physician assistant’s medical activities and professional conduct at all times, whether the physician personally is providing supervision or the supervision is being provided by a Back-up Supervising Physician;
• assumes responsibility to assure the Board that the physician assistant is qualified by education and training to perform all medical acts required and accepts responsibility for the physician assistant’s performance of those medical acts;
• agrees to approve of all Back-up Supervising Physicians as a person willing and qualified to assume responsibility for the supervision of the physician assistant;
• ensures that the physician assistant has adequate back-up for any procedure performed by the physician assistant in any practice location;
• ensures that there is an agreement signed by the physician assistant and the supervising physician(s) outlining the physician assistant’s scope of practice and the means of collaboration, which must be on site and available for inspection if requested by the Board;
• meets with the physician assistant monthly for the first 6 months to review practice relevant clinical problems and quality improvement measures, thereafter the meetings must occur no less than every 6 months.

The Back-up Supervising Physician, by signing on in this role, accepts the responsibility for the supervision of the physician assistant in the absence of the Primary Supervising Physician, but only when actively supervising the physician assistant.

The Physician Assistant Regulations, specifically 21 NCAC 32S.0108, further establish an agency relationship between the physician assistant and the supervising physician. Specifically, it states that, “[P]hysician assistants shall be considered the agents of the supervising physician in the performance of all medical practice-related activities, including but not limited to, the ordering of diagnostic, therapeutic, and other medical services.”

These regulations and the accompanying required documents which the supervising physician is required to sign before being submitted to the Board, create clear liability and responsibility for the supervising physician. While the regulations addressed above relate specifically to the supervision of physician assistants, many of the same requirements exist for supervision of other physician extenders. Physicians should be aware of the responsibilities being assumed in the supervision of physician extenders, and be able to demonstrate that they are providing the level of supervision required.

The role of the supervising physician for extenders, especially that of a Primary Supervising Physician, is one which carries a great deal of responsibility and liability. Any action of an extender could create liability for the supervising physician, even if not directly or even remotely involved in the care rendered by the extender. We recommend that our insured physicians be extremely cautious when agreeing to supervise physician extenders, especially those who are not practicing within their practices. The supervisory responsibilities required are no different than for an extender within the physician’s practice; however, achieving the same level of supervision is inherently more difficult when not practicing together in an employer/employee relationship.

While we expect our physicians to supervise their employed extenders, we are now aware that a number of physicians are agreeing to also be the “Primary Supervising Physician” or a “Back-up Supervising Physician” for non-employed extenders who are not practicing within the physician’s practice. If you are supervising extenders who are not insured under your policy, you have no vicarious liability coverage unless you have purchased a vicarious liability endorsement to cover your supervision of non-employed, non-MMIC-insured extenders. MMIC will not provide coverage to extenders who are not employees of the insured physician. Because we do not insure the extender, if you are sued solely because of your supervisory role for the extender and you have not purchased a vicarious liability endorsement, then there may be no coverage for you under our policy for liability arising from the acts or omissions of that physician extender.

If you are concerned about your particular role as a supervising physician for an extender or whether your current policy with MMIC provides coverage for this role, please contact your Underwriter at 800-662-7917.

Guaranty Capital Reminder:

All North Carolina physicians, full and part-time (and any slot positions), insured by Medical Mutual must own Guaranty Capital to satisfy the membership requirements of the Company. The minimum Guaranty Capital ownership required is $2,000 per physician and the maximum ownership permitted is $5,000 per physician.

Guaranty Capital packets are mailed to the practice for any physician that is added to a policy. Guaranty Capital must be purchased either by the physician or the practice within two weeks of coverage or the policy will run the risk of cancellation. Please do not send your Guaranty Capital payments with your premium payment. Guaranty Capital purchases must be sent to a different location in order to be processed. Please mail Guaranty Capital paperwork and payments to: Medical Mutual, Attn: Guaranty Capital, PO Box 98028, Raleigh, NC 27624.

Please contact Colleen Larsen, Investor Relations Coordinator, at colleen.larsen@mmicnc.com or (919) 878-7563 with any questions or concerns you may have regarding Guaranty Capital.
Sales and Marketing Update: Michael Reich Retires and New Leaders Join the Team

Michael Reich retired from his role as Vice President of Sales and Marketing at Medical Mutual on June 30th. He was an asset to the company for 24 years. Dale Jenkins captured the essence of Reich’s persona in the following statement: “His enthusiasm and energy were contagious, and his passion for customer service inspired us all. Perhaps more than anyone else, Michael had a keen knowledge of our customers. The relationships he developed over the years were invaluable to Medical Mutual. We will miss his leadership and his personality.”

Jim Kay Named Vice President of Sales and Marketing

After a nationwide search, Jim Kay was appointed as our new Vice President of Sales and Marketing effective October 1. Kay is happily returning to Medical Mutual after a six year absence. He previously worked for MMIC in the late 90’s through 2000 as a professional liability account executive. Kay will be responsible for the sales functions of the entire Medical Mutual Group including professional liability, employee benefits, commercial insurance as well as medical sales.

Kay most recently served as the Vice President of Business Development for a national ambulatory surgery center development and management company. During the span of his career, he has held a variety of positions in the insurance and health care industries ranging from a Senior Underwriter of a Fortune 100 insurance company to a Director of a physician practice management firm. Kay is a graduate of Wake Forest University. He lives in Cary, NC with his wife Laura and three young sons; Harris, Davis and Ellis.

Stephanie Hawco Named Director of Corporate Relations

Stephanie Hawco joined Medical Mutual on September 18th as the new Director of Corporate Relations. Most recently, Hawco served as Executive Director for Protect Health Care Now (PHCN), a non-profit organization dedicated to passing medical liability reform in North Carolina. At PHCN, she worked with the North Carolina Medical Society (NCMS), the county medical and specialty societies, the North Carolina Medical Group Managers Association (NCMGMA), and other advocates of medical liability reform. Hawco is a graduate of the University of Florida with a journalism degree. She worked as a political reporter and television news anchor for ten years, most recently at WRAL-TV in Raleigh. She left the news business to manage communications for Richard Burr’s successful U.S. Senate campaign in 2004 and became involved with the medical liability reform issue while collaborating with physicians who supported Burr’s commitment to passing medical liability reform.

As Director of Corporate Relations, Hawco will work with many familiar faces, including Medical Mutual’s physicians and practice administrators who supported PHCN’s medical liability reform effort. She will act as a liaison between Medical Mutual and the NCMS, the county medical societies, specialty societies, and the NCMGMA.

Medical Mutual Brings Emergency Medicine Providers Together To Discuss Risk Exposures

On December 6, 2006 at our Raleigh, North Carolina office, Medical Mutual hosted a special event focusing on Emergency Medicine Risk Management. We invited physicians, physician extenders, and practice administrators to participate in an interactive discussion. Our goal was simple -- to find the most common threads of liability exposure that Emergency Medicine professionals face, and create a program to mitigate or eliminate those risks. This will not be an instant fix, but we feel that in time, our work will make a difference. The event was a structured program centered on small group sessions as a first line of analysis and based on pre-identified issues. The participants then came together as a large group to share thoughts and agree upon a course of action. We plan to share the results of this session in future editions of Mednotes. A second phase of this program will be introduced in 2007. Watch for details!
NC Legislature Increases Authority of NC Medical Board

by David Sousa, JD, MBA, Senior Vice President and General Counsel

Tell the truth – when was the last time you ever thought about (or even knew of) the coverage under your MMIC liability policy known as Coverage D, MED-DEFENSE©? In light of some last minute legislation enacted into law this summer, you need to pull out your policy, review the benefits available to you under Coverage D – and use them, where and when needed.

Here’s why: when the NC Legislature left Raleigh on July 28th, it did so having greatly expanded the disciplinary authority of the NC Medical Board. Prior to the enactment of H 1301 (signed into law on July 19, 2006, with an effective date of October 1, 2006) the Board had authority to discipline a physician by (1) denying, (2) suspending, or (3) revoking your license. H 1301 expanded those three disciplinary options by amending NCGS 90-14 to allow the Board to:

(1) place you on probation with or without conditions;
(2) impose limitations and conditions on your license;
(3) publicly reprimand you;
(4) assess monetary redress to your patient;
(5) issue public letters of concern;
(6) mandate that you provide free medical services;
(7) require satisfactory completion by you of treatment programs or remedial or educational training;
(8) fine you.

With the expansion of these disciplinary options come potential consequences that far exceed those which you might have faced in the past. We believe them to be consequences serious enough that you should always consider legal representation in a complaint against you before the Board.

Our MED-DEFENSE© coverage provides you legal reimbursement of up to $25,000 (subject to all coverage conditions and limits) for an attorney of your choice to appear with you, and defend you for any disciplinary matter that brings you before the Board. To avail yourself of this coverage, you need only pick up the phone and call us within 30 days of your becoming aware of the Board action or inquiry against you.

Kathy Barnes is our Sr. Claims Representative responsible for handling all MED-DEFENSE© claims. You may reach her at MMIC at 1-800-662-7917 (x 7545), or by e-mail at kathy.barnes@mmicnc.com.

Let us help you on these important matters involving your license.

101 Questions and Answers About Electronic Medical Records: Coming Soon!

“How can I get a list of reputable EMR vendors?”

“How many vendor reference calls should we make?”

“What kinds of things should we include in our vendor contract?”

“Once we have an established EMR, how long will it take before our physicians will be able to see more patients?”

If your practice is considering purchasing an Electronic Medical Record (EMR) system, you probably have a lot of questions. Medical Mutual wants to help you with the answers.

In 2006, our Risk Management Department held focus groups to discuss EMR selection, implementation, and maintenance. Practice administrators from a number of different offices were invited to join the discussion. The ideas generated from those meetings, along with in-house EMR research, allowed us to create “101 Questions and Answers about Electronic Medical Records.” Look for this document to be posted on the Medical Mutual website in early 2007. It will answer the four questions above, plus 97 more.

Contact Information

Medical Mutual Insurance Company of North Carolina
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MMIC Agency Update: NCMS Employee Benefit Plan (Health, Life & Dental Benefits)

by Barry Hill, Director of Sales and Marketing, MMIC Agency, Inc.

As 2007 approaches and the availability of employer sponsored health insurance options continues to shrink, there is a viable option for your practice that will allow you to escape the predatory pricing strategies of large insurance companies. The North Carolina Medical Society Employee Benefit Plan (NCMS Plan) was formed to benefit physicians and their practices in 1998. The NCMS Plan is sponsored by the North Carolina Medical Society. It is managed and marketed exclusively by MMIC Agency, Inc., a wholly owned subsidiary of Medical Mutual. The Plan is licensed in all 100 North Carolina counties and currently insures approximately 1000 medical practices for health insurance benefits.

How does the NCMS Plan differ from other health insurance options? First and foremost, premiums are not paid to an insurance company. Premiums are paid to the North Carolina Medical Employee Benefit Trust. One hundred percent of the funds are used to cover member health insurance claims and operating expenses of the NCMS Plan. The Plan has an administrative contract with Blue Cross and Blue Shield of North Carolina (BCBSNC) that includes their claim adjudication, billing services, dedicated customer service and most importantly, member access to their large physician network.

The NCMS Plan is independent and can design benefits such as “Special Eligibility” classes that are unique to the health insurance marketplace. The “Special Eligibility” classes include:

- Early retiree benefits for physicians until Medicare eligible.
- Early retiree benefits for all employees with at least 10 years of service and who are 55 years of age.
- Retiree benefits for spouses of retired physicians
- Retiree benefits for spouses of deceased physicians
- Domestic Partnership coverage.

The NCMS Health Plan offers five traditional PPO benefit options, three HSA options, and five HRA benefit options. The NCMS Dental Plan offers four fully insured Dental Plans administered by MetLife Insurance Company and fully insured life insurance programs underwritten by USAble Life Insurance Company.

For additional information about the North Carolina Medical Society Employee Benefit Plan, please contact Barry Hill at (919) 878-7576 or barry.hill@mmicnc.com. Please visit our website at www.medicalmutualgroup.com and select “Employee Benefits”.

Prescribing Warfarin: A Risky Business

According to a recent article in American Medical News (July 3, 2006), warfarin (Coumadin®) remains a difficult drug to manage, even though it has been around for more than 50 years. The article points out that “doctors have to get the dose just right, with a lot of trial and error. But even with the closest monitoring, patients maintain their target blood rates only 65% of the time.”

The complicated nature of anticoagulant management has given rise to a number of malpractice lawsuits. Medical Mutual has handled several cases involving Coumadin®, including this one:

A patient on Coumadin® was successfully monitored on the medication for three years. At her last appointment she was scheduled for a follow-up visit two weeks later. However, she failed to keep the appointment. The practice did not follow up with the patient to ask her to return. She was next seen by the physician over a year later with complaints of headache and numbness in the left arm. The physician consulted a neurologist. An MRI was ordered which demonstrated an intracranial bleed. The patient was subsequently treated for an intracranial bleed and seizure activity. Liability in this case was fairly clear-cut. We could not find experts to support failing to monitor Coumadin® levels for over a year and failing to have a procedure in place to attempt proper monitoring. The case was settled for a substantial dollar amount.

How can you best manage the dangers of prescribing anticoagulant drugs? Proactive risk management is the key. If you prescribe Coumadin® or other anticoagulant drugs that require monitoring, visit our website at www.medicalmutualgroup.com for our Coumadin® consent form. If you would like to be placed on the list to receive our Anticoagulation Therapy Toolkit, call the Risk Management Department at 1-800-662-7917. Inside our Anticoagulation Therapy Toolkit, you will find tools to help you reduce one of the largest medical malpractice risks facing physicians today. It includes ready-to-use consent forms, sample policies and procedures, tracking system examples, and more!
The Medical Mutual Group wishes you a safe and joyous holiday

What’s new @ www.medicalmutualgroup.com?

- Physician Defendant Video added to the Claims section of the MMICNC site
- “Applications” link (Physician, Dentist, and Employee Benefits) added to the home page
- New search tool powered by Google will help you locate information throughout the site
- Stay tuned for an e-version of Mednotes and Risk Management webcasts in 2007