Healthcare Professional Liability Program Update

Board of Trustees Meeting
June 5, 2006
Liability protection for health care professional employees and students in health care profession training programs is provided through the medical professional self-insurance program combined with excess liability insurance.

The coverage addresses medical professional liability claims and public liability claims of the hospital and clinics.

UIH resides in one of the most difficult medical malpractice venues in the United States (Cook County).
Excess Insurance Purchase Recognized
UIC Risk Management Efforts

- University Healthcare Consortium provider (Zurich) offered the lowest quote for excess program lead.

- The cost of the excess insurance program will be reduced by more than $200K versus the prior year.

- An update on UIC Patient Safety and Risk Management initiatives was presented to underwriters by
  - Timothy B. McDonald, MD,JD–Professor, Department of Anesthesiology, Associate Chief Medical Officer for Safety and Risk Management
  - Nikki Centomani–Director, Safety and Risk Management
  - Zurich provided discretionary premium reductions in FY06 and FY07.

- The University liability program compares favorably with peers in the Chicago market, however, UIH total revenue generation is not comparable.
Expiring vs. Renewal Insurance Quotes

Expiring Insurance Program FY06

ACE
$10M/10M

AIG
$25M/25M

Zurich
$25M/25M

Buffer SIR
$7.5M/10.0M

Self Insured Retention (SIR)
$10M/EE

$6,011,484 Total Risk Transfer Cost

Renewal Insurance Program FY07

TBD
$10M/10M

TBD
$25M/25M

Zurich
$25M/25M

Buffer SIR
$7.5M/$10.0M

Self Insured Retention (SIR)
$10M/EE

$5,785,200 Total Risk Transfer Cost

-$226,284
University Medical Professional Liability
Annual Cost Components

Amounts in Millions

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**Past & Current Yr. Claims**

**Excess Insurance**

**St. Paul "Tail"**

**Admin. Costs**

**Number of Claims**

- **FY99**: 45
- **FY00**: 45
- **FY01**: 49
- **FY02**: 56
- **FY03**: 43
- **FY04**: 50*
- **FY05**: 50*
- **FY06**: 50*
- **FY07**: 50*

*Estimate based on past trends

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Hospital/Medical Professional Insurance
Discounted Liabilities and Self Insurance Trust
Fund Balance
FY98-FY07

HOSPITAL/MEDICAL PROFESSIONAL INSURANCE
DISCOUNTED LIABILITIES and SELF INSURANCE TRUST FUND BALANCE
(in millions)
Appendix

- Buffer Explained
- Peer Institution Excess Limits
Easiest to think of self-insured buffer as a diminishing or vanishing deductible – in this case – a buffer in two layers - $7.5M and $2.5M.

Buffer is eroded by 1 loss at $17.5M or multiple losses excess of $10M totaling $7.5M in one policy year. An additional $2.5M must be eroded on other claims above $10M. Once the $10M buffer layer has been exhausted, all other claims in this policy year are capped at $10M each.

**FY 2007 Example**

$10M with $7.5M/$10M Buffer

<table>
<thead>
<tr>
<th>U of I Pays</th>
<th>Zurich Pays</th>
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</thead>
<tbody>
<tr>
<td><strong>Claim 1:</strong> $20M</td>
<td>$17.5M</td>
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<tr>
<td><strong>Claim 2:</strong> $14M</td>
<td>$12.5M</td>
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</table>

*(buffer exhausted- $10M paid excess of $10M)*

| Claim 3: $11M | $10M | $1M |
| **Total:** | **$40M** | **$5M** |
## Healthcare Umbrella/Excess Limits
### Cook County Hospitals

<table>
<thead>
<tr>
<th>Hospital</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>H</th>
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</thead>
<tbody>
<tr>
<td>Service/Patient Revenue</td>
<td>$1.5B</td>
<td>$2.28B</td>
<td>$1.1B</td>
<td>$926M</td>
<td>$876M</td>
<td>$629M</td>
<td>$327M</td>
<td>$937M</td>
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<tr>
<td>Excess HPL insurance Attachment Point (Self Insured Retention)</td>
<td>$20M</td>
<td>$15M</td>
<td>$7.5M/$10M xs $17.5M</td>
<td>$20M</td>
<td>$10M/$10M xs $15M</td>
<td>$10M/$20M xs $1M</td>
<td>$7.5M/$10M xs $10M</td>
<td>$10.5M</td>
</tr>
<tr>
<td>Per Claim Excess limits Purchased</td>
<td>$130M</td>
<td>$200M</td>
<td>$150M</td>
<td>$175M</td>
<td>$75M</td>
<td>$70M</td>
<td>$60M</td>
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Source: Marsh Client Data