



THE LATEST NEWS AND TRENDS ON RISK

Risk Reporter

INTERNATIONAL INSURANCE MARKETS RESTRUCTURE

New insurance legislation in four countries is expected to strengthen markets and change the structure of liability, according to the UNISON network of insurance brokers. As part of a move to reduce a deficit in its social security system, Belgium's government has imposed new no-fault legislation as of Jan. 1 that obligates automobile insurers, and not the insureds, to pay for accidents resulting in bodily injury or death to pedestrians. The only exception to the general no-fault principle is for the insurer to demonstrate the injury was caused intentionally. Automobile insurers have been authorized to raise their rates between 5 and 10 percent to compensate for the increased exposure.

Insurance companies in Brazil must now regularly review their policy limits since the National Council of Private Insurance has passed a resolution prohibiting indexing of insurance contracts. Indexing originally was designed to automatically compensate for inflation. Without the indexing of policy limits and a moderate rate of inflation, the insured amount in a liability policy, for example, would be reduced to 30 percent of its original limit after 20 years. The only way to avoid the erosion of liability limits is to

select comfortable policy limits and to review and adjust them periodically to keep pace with inflation.

The new insurance law in Venezuela expected to pass in 1995 will help to stabilize the insurance market there through increased capital requirements for insurance companies and the potential for full ownership by foreign companies. The increased capital requirements are expected to end local insurers' liquidity problems by weeding out many weak single companies and mergers and by strengthening the survivors. Even when the new law is passed, however, it is expected that continuing economic problems will keep many foreign companies out of the market.

In Japan a new product liability law to become effective July 1 is expected to change the claims situation in the long term. Japanese companies that have not insured their own product liability exposures are now advised to do so. Also, there is now a provision for strict liability for manufactured products where damage was caused by a specific product. Manufacturers that can prove their products were "state of the art" when delivered can avoid liability for damages they cause, a key departure from the situation in the United States.



Medical Malpractice Discount

Liability Agency Ltd. announced it will award premium credits to physicians using EMR software. Both insurers endorsed

EMR software developed by MedicaLogic Inc.

Stephen Trosty, director of risk management services at Michigan Physicians Mutual, said electronic medical records address a number of common contributors to malpractice claims by documenting a patient's history, diagnoses, prescribed med-

ications and treatment progress. The software also records patients who fail to keep appointments and provides security and confidentiality protection. A pharmaceutical module alerts physicians to potential drug interactions and adverse drug reactions patients have experienced, and a separate educational module provides patient information on nearly 1,500 topics in pediatrics and adult health. This module is designed to improve patient understanding and encourage

drug compliance.

MedicaLogic's EMR software is one of nearly 24 medical records packages currently available. The company estimates that about 5,000 medical malpractice suits are filed annually in the United States, with estimated settlement costs of \$5 billion. In Michigan, which has some of the highest malpractice premiums in the country, annual coverage costs range from \$25,000 for internists to as high as \$100,000 for doctors in some surgical specialties.

To help reduce the risk of medical malpractice, at least two malpractice insurers are offering premium discounts to doctors using electronic medical records (EMR) software. Michigan Physicians Mutual Liability Co. announced discounts of up to 6 percent, and the Medical Professional

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