



November 4, 2010

Dear Utah Policyholder:

The beginning of 2010 was difficult in that it was necessary to increase rates. The rate increase was felt to be a result of the CPI inflator that was placed upon the Non-economic Damage Cap in 2001 which resulted in a doubling of our average claim payment. In the 2010 Legislative Session, the UMIA worked closely with the Utah Medical Association in an attempt to enact reform. I am pleased to report that we were successful in these efforts. Two critical bills were passed and have now been signed into law. The first piece of legislation reduces the Non-economic Damage Cap to \$450,000 and removes the CPI inflator. There is a five year moratorium on cap discussions which means that we will have a stable Non-economic Damage Cap for at least the next five years.

The second piece of legislation requires a "Certificate of Merit" after the pre-litigation screening panel renders a "No Merit" decision. To proceed with the case the plaintiff is required to have a healthcare provider execute an Affidavit of Merit that states: 1. There are reasonable grounds to believe that the applicable standard of care has been breached, 2. That the breach was the approximate cause of the injury claim and the Notice of Intent to Commence Action, and 3. The reasons for the healthcare provider's opinion.

We believe that the Certificate of Merit will have an impact on frequency, the number of claims being made against our insureds. The stable Non-economic Damage Cap should help stabilize severity, payments made to settle cases.

After careful actuarial analysis, your Board of Directors and Board of Governors have made the decision that there will be NO RATE INCREASE in 2011. In fact, two medical specialties will be seeing rate decreases due to much improved loss experience.

A Relativity Study measures the risk of a medical specialty against the baseline of an office-based medical practice. Such a study was performed last year. The study revealed improving loss experience over the last 10 years for the specialties of Anesthesia and Office-based Family Practice. As a result, Anesthesia will be reduced from Class 2B to Class 1B and Office-based Family Practice will be reduced from Class 1B to Class 1. Both of these risk class changes result in more than a 25% rate reduction for these two medical specialties. The study also revealed that everyone else is in the appropriate risk classification.

Both Boards would like to take this opportunity to thank you for your loyalty. We pledge to continue to provide unparalleled service and the best coverage at the lowest possible cost.

Sincerely,

Ronald A. Miller, MD
Board of Directors
Chairman

Mark S. Shockey, MD
Board of Governors
Chairman

Martin J. Osowski
President/CEO

UTAH MEDICAL INSURANCE ASSOCIATION