



INFORMATIONAL MEMORANDUM

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ISSUED

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Florida Department of Insurance

Tom Gallagher

Treasurer, Insurance Commissioner and Fire Marshal

Florida Medical, Dental, and Allied Professions WARNING REGARDING PHONY PROFESSIONAL LIABILITY INSURANCE

The purpose of this memorandum is to warn physicians and other health care professionals of the existence of certain malpractice insurance scams.

Florida health care professionals and providers are being approached with offers to purchase unauthorized, illegal, and, likely, financially unsound malpractice insurance coverage. The offer may be to "join", "subscribe", or to buy "seats" in one or more organizations to obtain the coverage. The solicitations often include unfamiliar company names or unfamiliar types of insuring arrangements. **The Department of Insurance advises you to reject any such offers or proposals and to contact us if you are approached by anyone making an offer that you find suspicious.**

One illegal operation that has been identified as operating in Florida and other states involves an alleged "Risk Retention Group". It is alternatively known as **Physicians Exchange Association, Inc.**, **Physicians Exchange Risk Retention Group**, and **Doctors Liability Exchange**, and has claimed to operate from the Atlanta, Georgia area. It also claims to have a connection with **Reliance General Insurance Company**. Reliance appears to be located in Yugoslavia, and is not a licensed insurance company in Florida.

Although a "risk retention group" can be a legal and viable way to obtain certain types of liability insurance protection, both Florida law (Chapter 627, Part XIX, *Florida Statutes*) and aspects of Federal law (the Liability Risk Retention Act) control the way in which they must be formed, capitalized, licensed, and operated. These entities have not complied with those legal requirements, and are operating illegally.

Illegal insurance entities such as these attempt to avoid the strict scrutiny of the Department of Insurance as to their management, operation, and solvency. It is therefore likely that they will be unable, or will refuse, to honor (to defend or to pay) the claims that you may incur under the policy.

In all insurance transactions, the purchaser must identify the entity that has ultimate financial responsibility for paying claims. That entity must be authorized to conduct insurance business in Florida. It is not enough that the agent who is offering the insurance is licensed. Ask questions. Demand proof. Verify before you buy. Contact the Department of Insurance at 1-800-342-2762 for assistance.