

WEST VIRGINIA LEGISLATURE

2018 REGULAR SESSION

ENROLLED

Committee Substitute

for

House Bill 4400

BY DELEGATES WESTFALL, HARTMAN, CRISS, WHITE, LANE,

WALTERS, UPSON, FRICH, CAPITO AND SHOTT

[Passed March 7, 2018; in effect ninety days from passage.]

OFFICE WEST VIRGINIA
SECRETARY OF STATE

2018 MAR 20 P 5:09

FILED

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1 AN ACT to repeal §33-20F-6 of the Code of West Virginia, 1931, as amended, and to amend and
2 reenact §33-20F-3, §33-20F-5, and §33-20F-9 of said code, all relating to the West
3 Virginia Physicians Mutual Insurance Company; removing language that is no longer
4 relevant to the operation of the company as a private mutual insurance company; and
5 adding language to accommodate policies written to physicians outside the State of West
6 Virginia.

Be it enacted by the Legislature of West Virginia:

ARTICLE 20F. PHYSICIANS' MUTUAL INSURANCE COMPANY.

§33-20F-3. Definitions.

1 For purposes of this article, the term:

2 (a) "Board of medicine" means the West Virginia Board of Medicine as provided in §30-3-
3 5 of this code.

4 (b) "Board of Osteopathy" means the West Virginia Board of Osteopathy as provided in
5 §30-14-3 of this code.

6 (c) "Commissioner" means the Insurance Commissioner of West Virginia as provided in
7 §33-2-1 of this code.

8 (d) "Company" means the Physicians' Mutual Insurance Company created pursuant to the
9 terms of this article.

10 (e) "Medical liability insurance" means, for the purposes of this article: All policies
11 previously issued by the Board of Risk and Insurance Management pursuant to §29-12B-1 *et seq.*
12 of this code which are transferred by the Board of Risk and Insurance Management to the
13 company, pursuant to §33-20F-9(b) of this code and all policies of insurance subsequently issued
14 by the company to physicians, physician corporations, physician-operated clinics, and such other
15 individual health care providers as the commissioner may, upon written application of the
16 company, approve.

17 (f) "Physician" means an individual who is licensed by the Board of Medicine or the Board
18 of Osteopathy to practice medicine or podiatry in West Virginia, or who is licensed by a licensing
19 board or body in another state to practice medicine or podiatry.

20 (g) "Transfer date" means the date on which the assets, obligations, and liabilities resulting
21 from the Board of Risk and Insurance Management's issuance of medical liability policies to
22 physicians, physician corporations, and physician-operated clinics pursuant to §29-12B-1 *et seq.*
23 of this code are transferred to the company.

§33-20F-5. Governance and organization.

1 (a) The Board of Risk and Insurance Management shall implement the initial formation
2 and organization of the company as provided by this article.

3 (b) The company shall be governed by a board of directors consisting of 11 directors, as
4 follows:

5 (1) Six directors who are physicians licensed to practice medicine in this state by the Board
6 of Medicine or the Board of Osteopathy, including at least one general practitioner and one
7 specialist: *Provided*, That only physicians who have purchased medical professional liability
8 coverage from the Board of Risk and Insurance Management are eligible to serve as physician
9 representatives on the company's first board of directors;

10 (2) Three directors who have substantial experience as an officer or employee of a
11 company in the insurance industry;

12 (3) Two directors with general knowledge and experience in business management who
13 are officers and employees of the company and are responsible for the daily management of the
14 company;

15 (c) In addition to the eleven directors required by subsection (b) of this section, the bylaws
16 of the company may provide for the election of at least two additional directors.

17 (d) The directors and officers of the company are to be chosen in accordance with the
18 articles of incorporation and bylaws of the company. The initial board of directors selected in

19 accordance with the provisions of subdivision (3), subsection (a) of this section shall serve for the
20 following terms: (1) Three for four-year terms; (2) three for three-year terms; (3) three for two-year
21 terms; and (4) two for one-year terms. Thereafter, the Directors shall serve staggered terms of
22 four years. If an additional director is added to the board as provided in subsection (c) of this
23 section, his or her initial term shall be for four years.

24 (e) The incorporators are to prepare and file articles of incorporation and bylaws in
25 accordance with the provisions of this article and the provisions of this chapter and chapter thirty-
26 one of this code.

§33-20F-6. Management and administration of the company.

1 [Repealed]

**§33-20F-9. Kinds of coverage authorized; transfer of policies from the state Board of Risk
and Insurance Management; risk management practices authorized.**

1 (a) Upon approval by the commissioner for a license to transact insurance in this state,
2 the company may issue nonassessable policies of malpractice insurance, as defined in §33-1-10
3 (e)(9) of this code, insuring a physician. Additionally, the company may issue other types of
4 casualty or liability insurance as may be approved by the commissioner.

5 (b) On the transfer date:

6 (1) The company shall accept from the Board of Risk and Insurance Management the
7 transfer of any and all medical liability insurance obligations and risks of existing or in-force
8 contracts of insurance covering physicians, physician corporations, and physician-operated
9 clinics issued by the board pursuant to §29-12B-1 *et seq.* of this code: *Provided*, That the
10 company may decline or refuse to renew any and all such contracts of insurance transferred to
11 the company from the Board of Risk and Insurance Management upon the expiration of the
12 respective terms of each contract of insurance so transferred and nothing in this section is
13 intended to or shall be construed to otherwise obligate the company to accept, underwrite or
14 renew any contract of insurance whatsoever. The transfer shall not include medical liability

15 insurance obligations and risks of existing or in-force contracts of insurance covering hospitals
16 and nonphysician providers;

17 (2) The company shall assume all responsibility for and defend, indemnify, and hold
18 harmless the Board of Risk and Insurance Management and the state with respect to any and all
19 liabilities and duties arising from the assets and responsibilities transferred to the company
20 pursuant to §29-12B-1 *et seq.* of this code;

21 (3) The Board of Risk and Insurance Management shall disburse and pay to the company
22 any funds attributable to premiums paid for the insurance obligations transferred to the company
23 pursuant to subdivision (1) of this subsection, with earnings thereon, less paid losses and
24 expenses, and deposited in the Medical Liability Fund created by §29-12B-1 *et seq.* of this code
25 as reflected on the ledgers of the Board of Risk and Insurance Management;

26 (4) The Board of Risk and Insurance Management shall disburse and pay to the company
27 any funds in the Board of Risk and Insurance Management Physicians' Mutual Insurance
28 Company account created by §33-20F-7 of this code. All funds in this account shall be transferred
29 pursuant to terms of a surplus note or other loan arrangement satisfactory to the Board of Risk
30 and Insurance Management and the Insurance Commissioner.

31 (c) The Board of Risk and Insurance Management shall cause an independent actuarial
32 study to be performed to determine the amount of all paid losses, expenses and assets associated
33 with the policies the board has in force pursuant to §29-12B-1 *et seq.* of this code. The actuarial
34 study shall determine the paid losses, expenses and assets associated with the policies to be
35 transferred to the company pursuant to subsection (b) of this section and the paid losses,
36 expenses and assets associated with those policies retained by the board. The determination
37 shall not include liabilities created by issuance of new tail insurance policies for nonphysician
38 providers authorized by §29-12B-6 (n) of this code.

39 (d) The Board of Risk and Insurance Management may enter into such agreements,
40 including loan agreements, with the company that are necessary to accomplish the transfers
41 addressed in this section.

42 (e) The company shall make policies of insurance available to physicians in this state,
43 regardless of practice type or specialty. Policies issued by the company to each class of
44 physicians are to be essentially uniform in terms and conditions of coverage.

45 (f) Notwithstanding the provisions of subsection (b), (c) or (e) of this section, the company
46 may:

47 (1) Establish reasonable classifications of physicians, insured activities, and exposures
48 based on a good faith determination of relative exposures and hazards among classifications;

49 (2) Vary the limits, coverages, exclusions, conditions, and loss-sharing provisions among
50 classifications;

51 (3) Establish, for an individual physician within a classification, reasonable variations in
52 the terms of coverage, including rates, deductibles, and loss-sharing provisions, based on
53 underwriting criteria established by the company, from time to time, which underwriting criteria
54 may take into account factors considered by other medical malpractice insurance companies,
55 from time to time, in underwriting similar risks and which factors may include, but are not limited
56 to, the insured's prior loss experience; current professional training and capability; disciplinary
57 action taken against the physician by the Board of Medicine, Board of Osteopathy or a licensing
58 board or body of another state in which the physician has been licensed; felonies or other criminal
59 offenses committed by the physician; evidence of alcohol or chemical dependency or abuse;
60 evidence of sexual misconduct; and any other factors relevant to the liability risk profile of the
61 physician.

62 (4) Refuse to provide insurance coverage for individual physicians who do not meet
63 underwriting criteria established by the company, from time to time, which underwriting criteria
64 may take into account factors considered by other medical malpractice insurance companies,

65 from time to time, in underwriting or declining to underwrite similar risks and which factors may
66 include, but are not limited to, prior loss experience, current professional training and capability,
67 disciplinary action taken against the physician by the Board of Medicine, Board of Osteopathy or
68 a licensing board or body of another state in which the physician has been licensed; felonies or
69 other criminal offenses committed by the physician; evidence of alcohol or chemical dependency
70 or abuse; evidence of sexual misconduct; and any other factors relevant to the liability risk profile
71 of the physician and which do or may indicate that the physician represents an unacceptable risk
72 of loss if coverage is provided.

73 (g) The company shall establish reasonable risk management and continuing education
74 requirements which policyholders must meet in order to be and remain eligible for coverage.


The Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

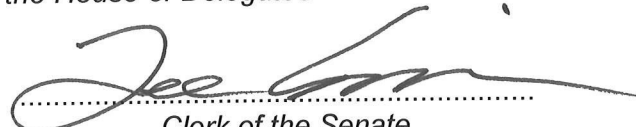

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Chairman, House Committee

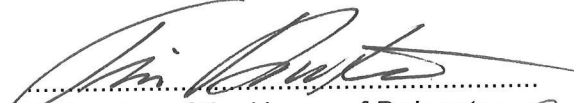

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Member Chairman, Senate Committee

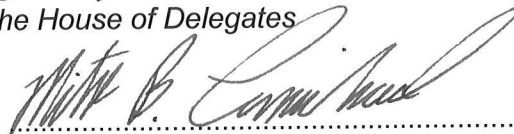
Originating in the House.

In effect ninety days from passage.


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Clerk of the House of Delegates


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Clerk of the Senate


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Speaker of the House of Delegates


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President of the Senate

FILED
2018 MAR 20 P 5:09
OFFICE WEST VIRGINIA
SECRETARY OF STATE

The within is approved this the 26th
day of March, 2018.


.....
Governor

PRESENTED TO THE GOVERNOR

MAR 16 1973

Time 1:28 pm