Revenue drops and losses grow for state's second-largest malpractice carrier

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Physicians' Reciprocal Insurers reported a $203 million underwriting loss in 2016 as premiums continue to decline, threatening the stability of the state's second-largest medical malpractice insurer and, by extension, the state's entire medical malpractice market.

PRI now has a negative surplus, meaning its liabilities exceed its assets, of $354 million, up from $138 million in 2015, and $83 million in 2014.

The malpractice insurer, which was implicated in the federal corruption case that ended the career of former state Senate majority leader Dean Skelos, has seen its premium revenue decline 24 percent in two years, from $384 million to $293 million.

Some of that drop is owed to the company's well-publicized involvement with Skelos and its growing financial troubles but some is also related to the growth of risk retention groups, which have exploded in the state and undercut New York's admitted carriers.

While the company still has more than $1 billion in assets from which it can pay claims, the declining premium revenue is the most illuminating metric by which to judge the company's health. As long as premiums keep coming in, the insurer can keep paying claims, but as that number dwindles the prospects grow bleak.

A spokesman for PRI said the company is working to address its issues.
“While we were disappointed in our negative surplus for 2016, PRI has a plan in place to improve our operations and financial position,” the company said in a statement. “We are confident that PRI will continue to play an important role [in] the New York medical malpractice insurance market.”

In dealing with PRI, the Cuomo administration is hamstrung by circumstances beyond its control.

PRI has no employees. It has a management contract with a company called Administrators for the Professions, a subsidiary of AJB Ventures, owned by Anthony J. Bonomo. PRI paid Bonomo’s AFP $41.2 million in 2016, a more generous management contract relative to the company’s size than some of its competitors award. Bonomo’s brother, Carl, is executive vice president at AFP.

Anthony Bonomo testified that he gave Dean Skelos’ son, Adam Skelos, a no-show job in exchange for the elder Skelos pushing through legislation that protected PRI from liquidation.

Those charges came to light soon after Gov. Andrew Cuomo appointed Bonomo chairman of the New York Racing Association, an appointment that came days after PRI donated $50,000 to Cuomo.

Bonomo’s management contract runs through the end of the year so Bonomo can’t easily be pushed aside for at least nine months. The Princeton Partnership, a firm that specializes in turnaround and runoff management, took over day-to-day operations of PRI earlier this year, the Times-Union reported in January. That firm can help restructure the balance sheet, remove riskier customers or work to settle cases quicker, but there isn’t much to be done about declining premiums.

The concern becomes that as more and larger clients of PRI leave, more are encouraged to do so, a sort of death spiral that drains the coffers. The remaining customers are those that can’t find a better deal elsewhere, which often means they are high-risk, or more expensive to insure.
Liquidation would be an even greater challenge for the state.

In liquidation, the lawsuits against the physicians are stayed, creating chaos in the courthouse and potentially denying patients timely relief. A patient who can't rely on the court for compensation might have to turn to the social safety net, forcing taxpayers to pick up the costs.

Authors:
Dan Goldberg | dgoldberg@politico.com | @DanCGoldberg