

2007 ANNUAL REPORT



The University of Texas System Professional Medical Liability Benefit Plan

September 1, 2006 – August 31, 2007

The University of Texas Professional Medical Liability Benefit Plan (Plan), under the administration of the Board of Regents, experienced another good year in fiscal year 2007.

The Plan indemnified almost 10,000 physicians and medical students across the U.T. System against professional liability claims. This represents a 1.8% increase in the number of medical students covered and a 4% increase in the number of faculty, fellows and residents covered. In FY 2007 sixty-four medical students were able to pursue out-of-state externships due to Plan coverage first extended by the Board of Regents for FY 2006.

The continued effect of tort reform was evidenced in the resolution of cases. The number of cases with no Plan payment increased from 78% in FY 2006 to an even higher rate of 87% in FY 2007. Likewise, the Plan experienced a corresponding decline of 44% in the defense costs for

claims and lawsuits and a decline of 63% in the amount of settlement payments. Nineteen cases were settled for a total of \$2.1 million, for an average settlement of \$110,526.

Premium rates continued to be extremely low. While some commercial carriers have reduced rates gradually in response to 2003 tort reform measures, an immediate reduction in Plan rates averaging 44% was made in 2003. In August 2007, the Board of Regents adopted another 40% reduction in the premium rates for faculty and residents and a 50% rate reduction for medical students. Plan premiums remain about one-fourth the cost of commercial coverage.

The number of matters referred to the Plan for assistance with complaints before the Texas Medical Board remained constant for this fiscal year, while defense costs for these matters declined by 23%. No matter proceeded beyond the panel hearing phase.

3,961	Faculty Covered
912	Fellows Covered
2,063	Residents Covered
3,527	Medical Students Covered
64	Medical Student Externships
40	New Lawsuits
110	New Claims
259	Pending Claims and Lawsuits at August 31, 2007
1	Number of Trials (successful)
87%	Cases Closed with No Plan Payment
\$1,243,850	Administrative Costs
\$2,529,933	Defense Costs
\$2,156,781 ¹	Settlement (Indemnity) Costs
\$146,523	Texas Medical Board Defense Costs
\$5,741	Plan Average Premium Occurrence (\$500,000/\$1,500,000)
\$21,136	TMLT Average Premium Mature Claims-Made Rate (\$500,000/\$1,000,000)
\$20,003	Advocate, MD Average Premium Mature Claims-Made Rate (\$500,000/\$1,000,000)
\$20,691,975	Premiums Collected
\$132,039,289	Market Value of Professional Liability Fund

¹ This amount and the amount indicated for Claim Liability Expenses in the Income Statement on page 10 differ slightly due to timing of payments.

PREMIUM COMPARISONS

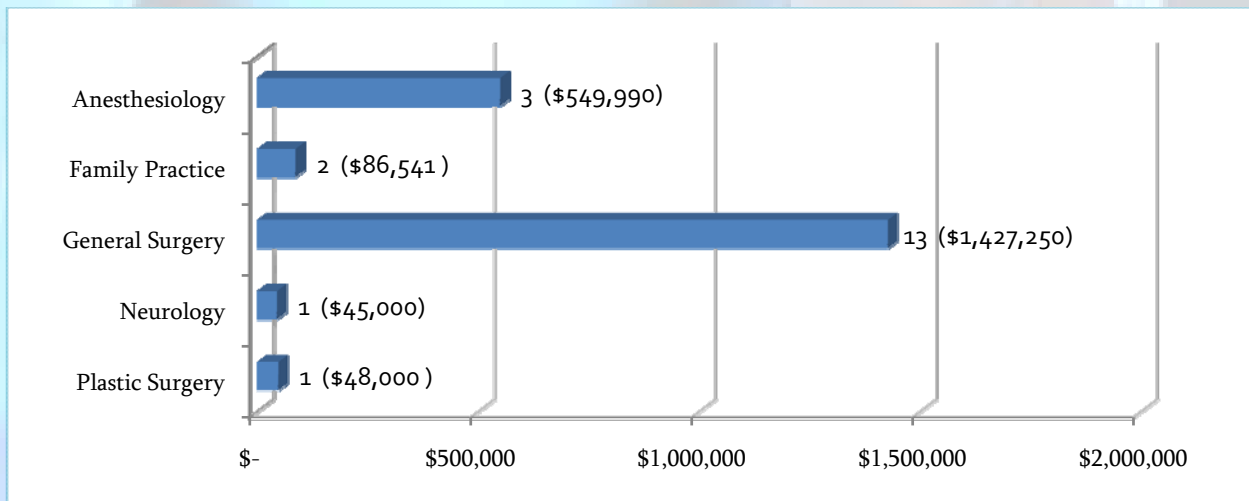
Plan premium rates are significantly lower than Texas commercial insurance carriers. The chart below compares Plan rates by risk class in Harris County with two commercial carriers, Texas Medical Liability Trust (TMLT) and Advocate, MD. Although variations in risk class structures among carriers prevent a precise comparison, the chart below demonstrates general rate differences.

Risk Class		TMLT*	Advocate MD**	UT Faculty Rates***
I	General Practice – No Surgery	\$13,274	\$11,856	\$1,624
II	General Practice Minor Surgery	\$13,712	\$15,157	\$2,541
III	Emergency Medicine/Minor Surgery	\$19,508	\$23,755	\$4,059
IV	General Surgery	\$34,358	\$37,352	\$7,550
IV	Anesthesiology	\$17,055	\$16,739	\$7,550
V	Surgery/Obstetrics-Gynecology	\$28,911	\$15,157	\$11,120

* Mature Claims-Made Rate (\$500,000 / \$1,000,000 Limits) Effective January 1, 2007
 ** Mature Claims-Made Rate (\$500,000 / \$1,000,000 Limits) Effective May 2, 2006 – Present
 *** Occurrence (\$500,000 / \$1,500,000 Limits) Effective September 1, 2006

INDEMNITY PAYMENTS BY SPECIALTY

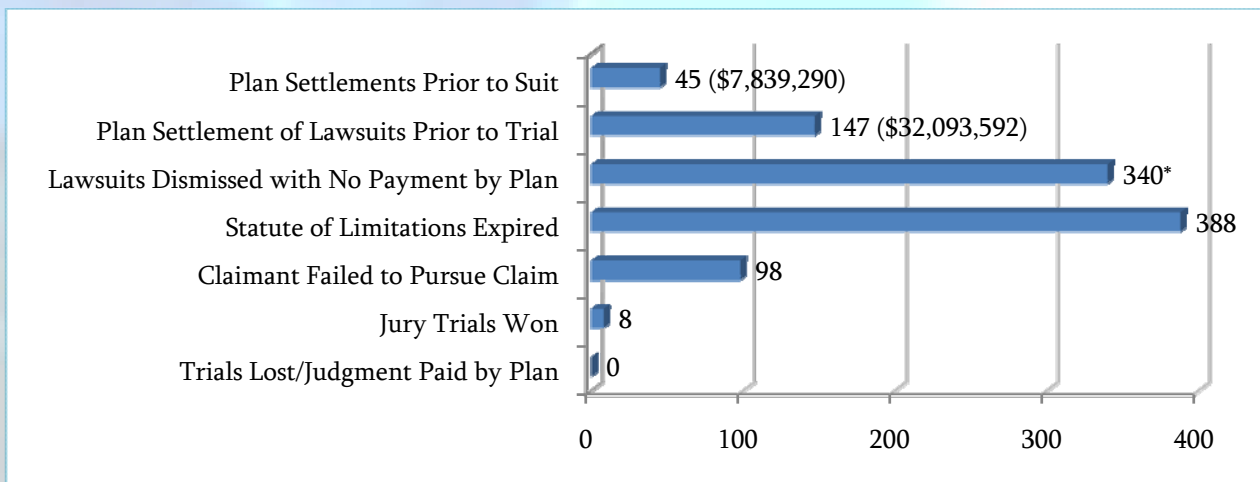
All U. T. System Institutions
 September 1, 2006 – August 31, 2007



CLOSED CASES

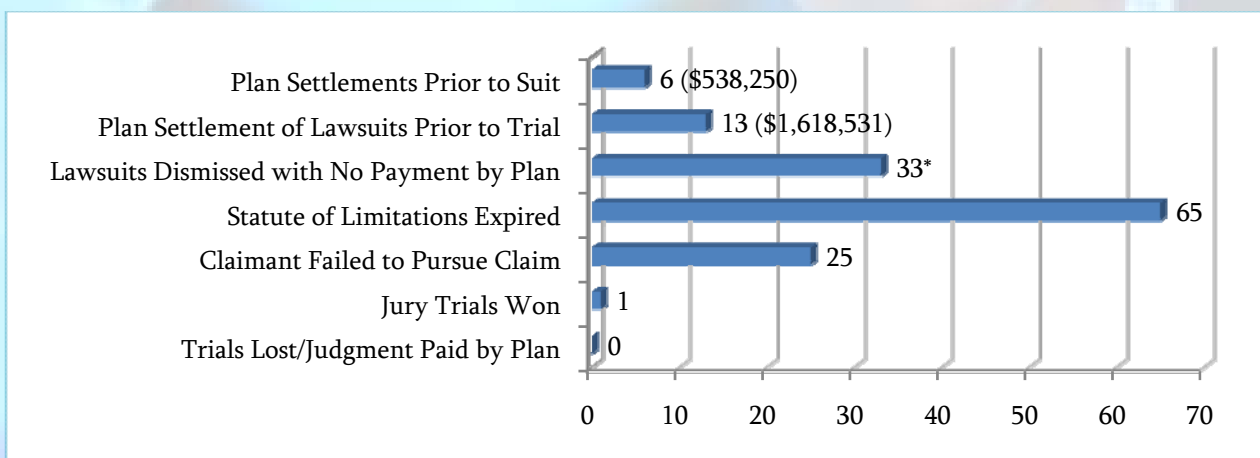
During the last five years, 1,026 claims and lawsuits filed against U. T. System physicians and institutions were closed with a total Plan contribution \$39,932,882. Eighty-one percent were closed with no payment by the Plan.

All U. T. System Institutions Closed Claims & Lawsuits September 1, 2002 – August 31, 2007



In FY 2007, 87% of the cases closed required no payment by the Plan, a 9% increase over last year.

All U. T. System Institutions Closed Claims & Lawsuits September 1, 2006 – August 31, 2007



*Includes Summary Judgments, Non-Suits, Dismissals and Settlements by Codefendants at No Cost to the Plan

The University of Texas Health Center at Tyler

	2007	2006	2005	2004
Faculty	67	81	80	81
Fellows	0	0	0	0
Residents	24	24	24	27
Open Claims & Lawsuits	7	6	8	18
New Claims	4	2	0	5
New Lawsuits	0	0	0	5
Settlements Paid	\$0.00	\$0.00	\$690,000	\$0.00

The University of Texas Health Science Center at Houston

(Includes U. T. Dental Branch-Houston beginning 2004)

	2007	2006	2005	2004
Faculty	749	711	709	562
Fellows	139	131	138	137
Residents*	361	338	337	300
Open Claims & Lawsuits	65	73	61	80
New Claims	17	26	23	15
New Lawsuits	15	12	8	35
Settlements Paid	\$294,990	\$1,314,403	\$4,364,445	\$4,105,708

*Does not include U. T. residents on rotation at Memorial Hermann Hospital (in 2007 a total of 403)

The University of Texas Health Science Center at San Antonio

	2007	2006	2005	2004
Faculty	759	700	675	661
Fellows	50	41	28	50
Residents*	440	442	450	411
Open Claims & Lawsuits	38	33	36	47
New Claims	14	15	14	12
New Lawsuits	8	2	3	17
Settlements Paid	\$532,500	\$1,166,500	\$1,687,500	\$952,500

*Does not include U. T. residents on rotation at V.A. Hospital (in 2007 a total of 154 U.T. residents and 11 fellows)

The University of Texas M. D. Anderson Cancer Center

	2007	2006	2005	2004
Faculty	715	700	673	638
Fellows	296	240	211	180
Residents	3	7	8	9
Open Claims & Lawsuits	22	21	21	21
New Claims	14	16	17	9
New Lawsuits	3	0	2	8
Settlements Paid	\$490,000	\$736,250	\$400,000	\$932,000

The University of Texas Southwestern Medical Center at Dallas

	2007	2006	2005	2004
Faculty	1047	968	960	927
Fellows	320	318	296	285
Residents*	630	651	397	341
Open Claims & Lawsuits	75	60	52	64
New Claims	34	36	26	17
New Lawsuits	11	7	10	28
Settlements Paid	\$150,000	\$1,169,944	\$1,375,000	\$3,199,593

*Does not include U. T. residents on rotation at Parkland Hospital (in 2007 a total of 298)

The University of Texas Medical Branch at Galveston

	2007	2006	2005	2004
Faculty	592	603	558	540
Fellows	107	101	108	93
Residents	605	566	462	471
Open Claims & Lawsuits	49	56	76	102
New Claims	27	24	24	39
New Lawsuits	3	7	4	19
Settlements Paid	\$689,291	\$1,520,750	\$2,478,730	\$2,843,000

The University of Texas at Austin

	2007	2006	2005	2004
Faculty	29	28	26	19
Fellows	0	0	0	0
Residents	0	0	0	0
Open Claims & Lawsuits	2	3	2	1
New Claims	0	1	1	1
New Lawsuits	0	0	0	0
Settlements Paid	\$0.00	\$0.00	\$0.00	\$0.00

Professional Medical Liability Plan

Balance Sheet

	FY 2007	FY 2006
Assets		
Operating Cash	\$ 13,669,420	\$ 691,456
Investments	132,039,289	145,956,188
Total Assets	145,708,709	146,647,644
Liabilities		
Accounts Payable	27,075	101,018
IBNR (Incurred but Not Reported losses) ²	35,678,697	82,298,019
Total Liabilities	35,705,772	82,399,037
Net Assets	110,002,937	64,248,607
Total Liabilities and Net Assets	\$ 145,708,709	\$ 146,647,644

Income Statement

	FY 2007	FY 2006
Revenue		
Premium Income	\$ 20,691,975	\$ 20,555,289
Investment Income	5,125,218	6,007,045
Total Revenue	25,817,193	26,562,334
Less Premium Refund	(25,000,000)	(17,000,000)
Net Revenue	817,193	9,562,334
Expenses		
Legal Expenses	2,529,933	4,499,104
Claim Liability Expenses	2,232,303	6,082,513
Medical Examiner Expenses	146,523	191,235
Administrative Expenses	1,243,850	950,093
Other Expenses	56,400	49,039
Total Expenses	6,209,009	11,771,984
Change in IBNR ²	(46,619,322)	(9,297,560)
Net Expenses	(40,410,313)	2,474,424
Excess Revenue Over Expenses	41,227,506	7,087,910
Other Changes in Net Assets		
Transfer to Special Funds	(5,000,000)	(8,000,000)
Investments Market Value Increase	9,526,825	6,265,585
UTIMCO - Compliance Fee Refund		67,809
Total Other Changes	4,526,825	(1,666,606)
Change in Net Assets	45,754,331	5,421,304
Beginning Net Assets	64,248,607	58,827,303
Ending Net Assets	\$ 110,002,937	\$ 64,248,607

Notes:

1. The Income Statement for Fiscal Year 2006 has been restated to show premium refunds as a negative revenue item, the change in IBNR as an expense and to provide a more detailed allocation of expenses.
2. The large decrease in IBNR in 2007 resulted from the actuarial recognition of the impact of tort reform legislation enacted in the state of Texas effective September 1, 2003.