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What's a \$250,000 Cap on Medical Malpractice Damages Worth: Compensation for a Lifetime of Pain or a CEO's Annual Bonus

What is the value of \$250,000?

Is it the price of living with pain and disfigurement for 25, 30 or 50 years? Is it worth being unable to bear children? Is it the price tag on a childhood stolen away as the result of medical malpractice?

Or is it just a rounding error in a CEO's paycheck.

It may be all of the above. But if \$250,000 is not enough to compensate a company's chief executive officer for one year, is it enough to compensate for "pain and suffering" a permanently injured survivor of medical malpractice for the rest of his or her life?

To a 20-year-old survivor of medical malpractice who lives to age 77, a pain and suffering award of \$250,000 equals about \$12 a day (\$8 a day after the typical attorney's fee). That could be the maximum compensation for managing a lifetime of pain and suffering – for confinement to a wheelchair, permanent disfigurement and other significant losses.

To one medical malpractice insurance company executive, Jay S. Fishman of the St. Paul Companies, who received \$9.8 million in 2001, a \$250,000 cap was worth less than 10 days of work. And to the average medical malpractice insurance company CEO, a multi-million dollar salary equals about \$5,200 a day.¹ That is compensation for managing a company – for attending board meetings, wooing investors and trying to boost a profit margin.

What's a CEO Worth?

The following are salary and bonuses paid to chief executives at 10 major medical malpractice carriers. In all, these 10 CEOs collected \$18,952,844 in 2001. (See attached table for more details on executives' pay.) That *yearly pay* is equal to the *maximum amount of lifetime compensation* that 75 survivors of medical malpractice could receive if pain and suffering damage awards were capped at \$250,000. "Pain and suffering" damages compensate survivors for physical and mental injuries, aches and pains, limitations on mobility and a potential shortening of life.

- Jay S. Fishman, Chairman and CEO of St. Paul Companies, received \$9,767,985 in 2001 (hiring bonus included). That yearly pay is 39 times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering.

Ralph Nader, Founder

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- Jack O. Bovender, Jr., Chairman and CEO of HCA Inc., received \$2,402,698 in annual compensation in 2001. (Health Care Indemnity is an indirect subsidiary of HCA Inc.) That yearly pay is nearly 10 times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering. In 2001, Bovender was granted 400,000 shares of stock options at an exercise price of \$37.32. HCA shares closed at \$40.87 on Jan. 28, 2003 – a paper gain of \$1,420,000. (The options vest in four equal annual installments.)
- Bernard L. Hengesbaugh, Chairman of the Board and CEO of CNA insurance companies, received \$1,900,000 in annual compensation in 2001. That yearly pay is nearly eight times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering.
- Martin D. Feinstein, Chairman and CEO of Farmers Group, received \$1,188,333 in annual compensation in 2001. That yearly pay is nearly five times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering.
- M.R. Greenberg, Chairman and CEO of American International Group, received \$1,085,500 in annual compensation in 2001. That yearly pay is more than four times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering.
- John R. Byers, President and CEO of FPIC Insurance, was paid \$651,710 in 2001. That yearly pay is 2.6 times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering.
- Donald J. Zuk, President and CEO of SCPIE Holdings, received \$637,367 in annual compensation during 2001. That yearly pay is 2.5 times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering.
- A. Derrill Crowe, Chairman and CEO of ProAssurance, was paid \$624,620 in 2001. That yearly pay is nearly 2.5 times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering.
- Patricia A. Costante, President and CEO of MIIX Group, received \$382,283 in annual compensation in 2001. That yearly pay is 1.5 times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering.
- R. Ray Pate, Jr., President and CEO of NCRIC Group, received \$312,346 in annual compensation in 2001. That yearly pay is 1.2 times the capped amount that could go to a survivor of medical malpractice to compensate him or her for a lifetime of pain and suffering.

Executive Compensation in 2001 at Leading Medical Malpractice Insurance Companies

Executive	Salary	Bonuses	Other Compensation	Total
St. Paul Companies				
Jay S. Fishman, Chairman and CEO	\$203,846	\$9,327,657 ²	\$236,482	\$9,767,985
HCA Inc. (Health Care Indemnity is an indirect subsidiary of HCA Inc.)				
Jack O. Bovender, Jr., Chairman and CEO	\$1,027,526	\$1,171,576 ³	\$203,596	\$2,402,698
CNA Financial Corp.⁴				
Bernard L. Hengesbaugh, Chairman and CEO of CNA insurance companies	\$950,000	\$950,000	-	\$1,900,000
Zurich/ Farmers Group				
Martin D. Feinstein, Chairman, President and CEO	\$1,033,333	-	\$155,000	\$1,188,333
American International Group				
M.R. Greenberg, Chairman and CEO	\$1,000,000	-	\$85,500	\$1,085,500
FPIC Insurance				
John R. Byers, President and CEO	\$440,000	\$174,636	\$37,074	\$651,710
SCPIE Holdings				
Donald J. Zuk, President and CEO	\$581,062	\$50,000	\$6,305	\$637,367
ProAssurance				
A. Derrill Crowe, Chairman and CEO	\$463,375	\$161,245	-	\$624,620
MIIX Group				
Patricia A. Costante, President and CEO	\$259,038	\$117,900 ⁵	\$5,345	\$382,283
NCRIC Group				
R. Ray Pate, Jr., President and CEO	\$290,000	-	\$22,346	\$312,346
Subtotal for 10 CEOs				\$18,952,842

Source: Public Citizen analysis of company filings with the Securities and Exchange Commission.

Endnotes

¹ This is the average daily compensation for the ten insurance company CEOs included in this study. In all, the ten CEOs were paid \$18,952,842 in 2001, which comes to an average of \$1,895,284 per year and \$5,193 per day.

² Part of Fishman's recruitment and hiring package.

³ In the form of a stock award.

⁴ Laurence A. Tisch, CEO of CNA Financial Corporation, does not receive a salary from the company. He was reimbursed \$78,977 for travel and other services.

⁵ In the form of a stock award.