

Medical Professional Liability Market Update – March 2020

Executive Summary

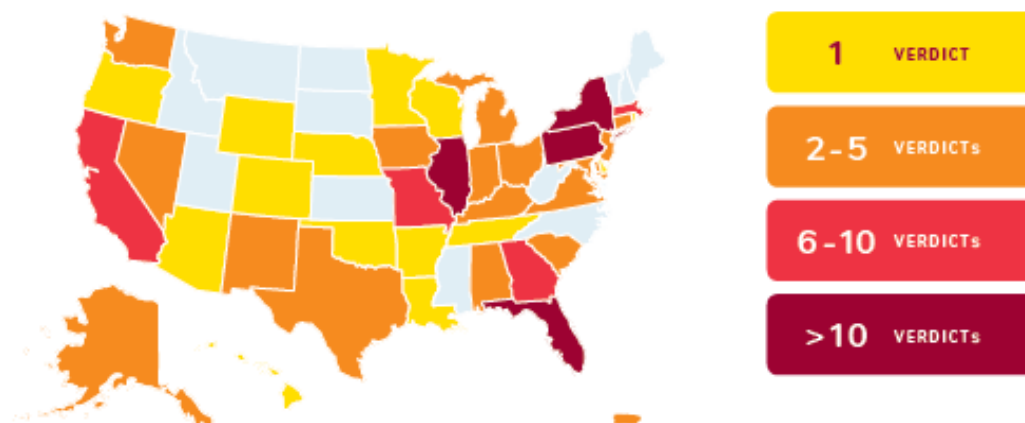
There are several key factors that will drive the medical professional liability (MPL) market in 2020 and beyond:

- Continued increase in claims severity
- Rate increases
- Shock losses
- Flat to slight increase in claims frequency
- MPL carriers experiencing underwriting loss (100%+ combined ratios)
- Consolidation of healthcare
- Increase in usage of mid-level providers

The average pay out for successful malpractice claims is increasing and mega-verdicts are more commonplace due to a number of factors including:

- Savvy plaintiff’s bar, “profits over people”
- “Lottery mentality” style of jurors
- Medical technology
- Availability of genetic prenatal screening
- Batch Claims
- Litigation funding
- Impact of media/social media

Where the “shock verdicts” are happening



NUMBER OF VERDICTS >\$10M BY STATE FROM 2016 - OCT 2019

Payouts in excess of \$10 million have increased and are expected to have a significant impact on coverage options and costs nationally.

Market Conditions - PHYSICIANS MEDICAL PROFESSIONAL LIABILITY INSURANCE

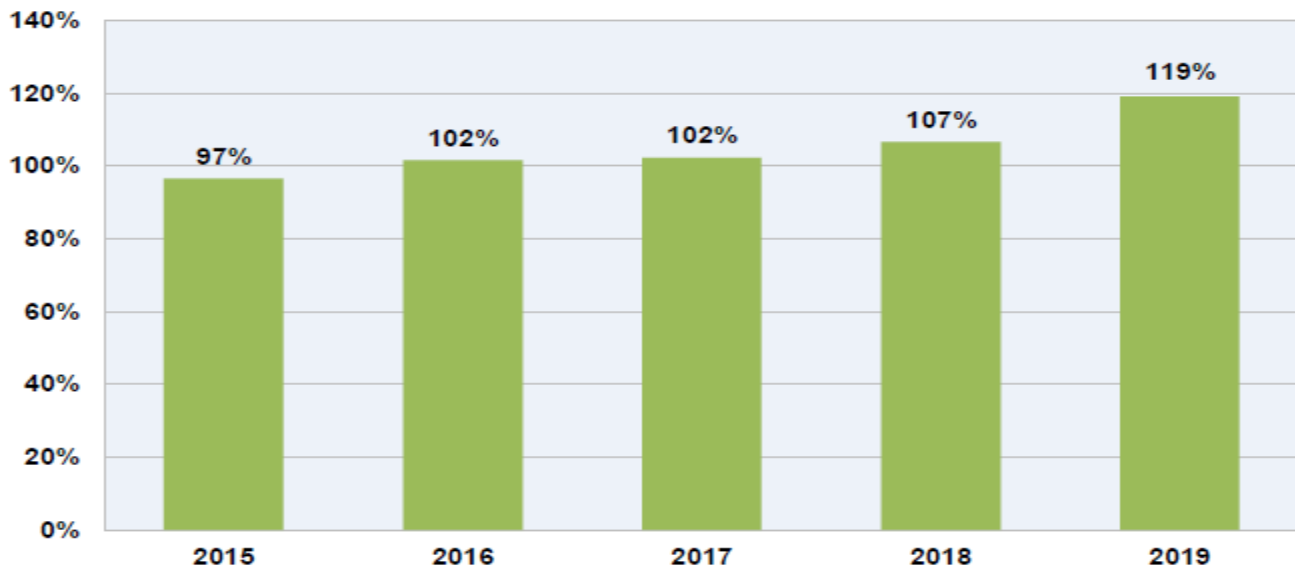
The medical professional liability insurance industry for physicians continues to be in fluctuation, but firming more rapidly than in the past few quarters. We are at a point where almost all insurers in this specific niche are raising pricing across the board. Physician groups with average or better loss experience are seeing an average of 3-7% price increases and those with loss ratios that approach 100% or higher are seeing dramatic changes in renewal offers. Increases range from a modest 10%, to upwards of 100%. We are even seeing occasional non-renewals, which we have not seen consistently in over 15 years.

Claims frequency has increased slightly over the past two years; however, during this timeframe, severity, the average amount of a malpractice payout, increased sharply from approximately \$250,000 per claim in 2001 to over \$450,000.

While most professional liability insurance companies have built up a substantial policyholder’s surplus, the past five years produced underwriting losses for many carriers. Of most concern is that in 2019 the industry-combined ratio is 119% outlining that as an industry, more was paid out in claims, expenses, and overhead than what was collected in premium. Also of concern is many markets along with the three largest medical malpractice insurance carriers, Medical Protective, The Doctors Company and ProAssurance, respectively, reported decreases in their policyholder surplus for 2018.

As a result, carriers will need to make adjustments in order to maintain business health. We expect to see changes in the market including premium increases, the roll back or cessation of dividends, non-renewals as well as potential staffing reductions.

Combined Ratio



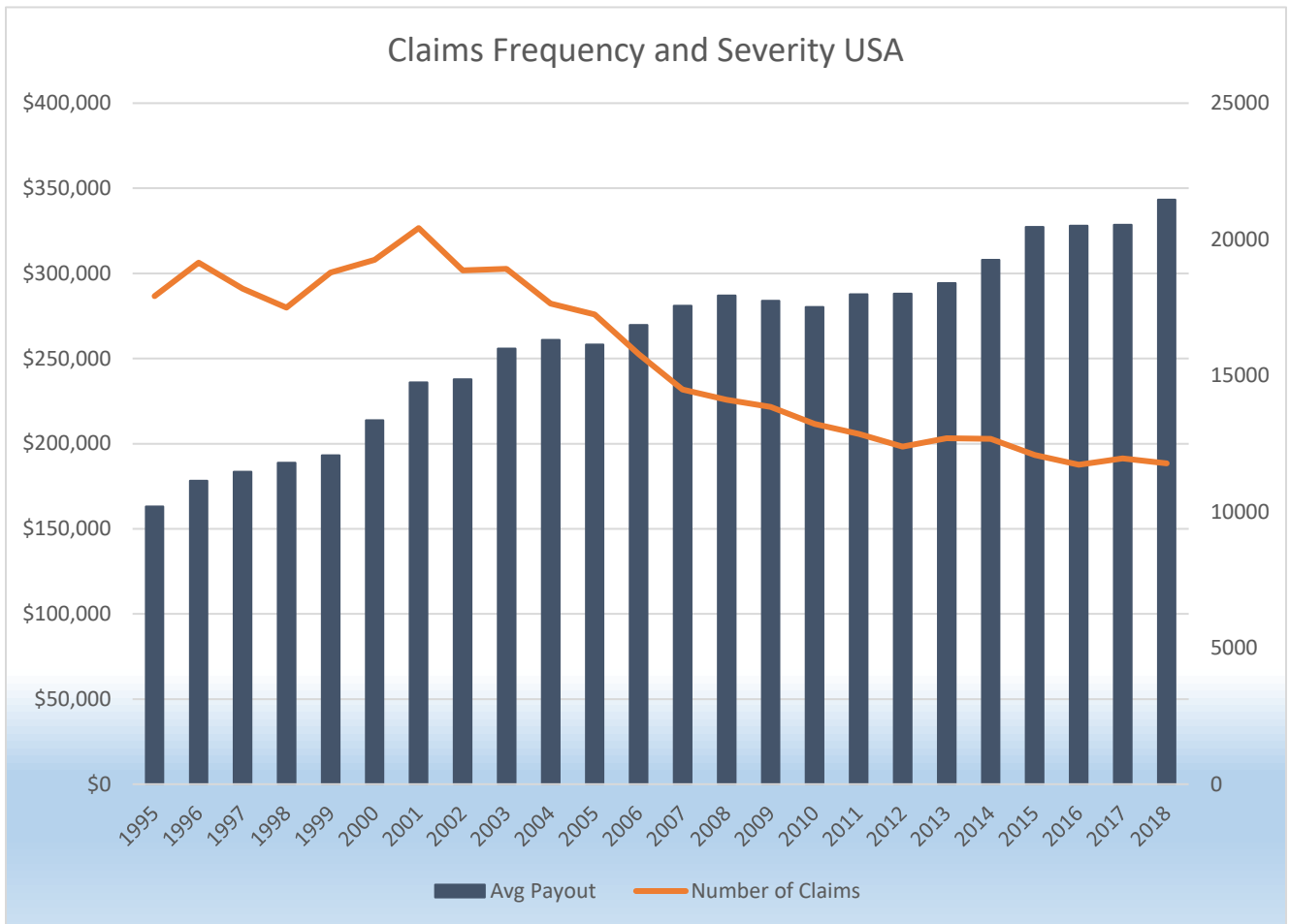
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**Medical Professional Liability Specialty Companies
Summary of 2019 Statutory Financial Results
Key Financial Statistics**

Company Name	Combined Ratio (Including Policyholder Dividends)				
	2019	2018	2017	2016	2015
1 CHART RRG	72.2%	51.8%	58.2%	80.6%	56.6%
2 Medical Mutual Insurance Company of Maine	77.8%	107.0%	102.9%	100.4%	94.4%
3 Fortress Insurance Company	84.1%	79.7%	103.0%	104.1%	106.7%
4 OMS National Insurance Company, RRG	87.5%	111.9%	79.4%	92.2%	96.4%
5 Medical Mutual Insurance Company of North Carolina	88.7%	80.8%	78.3%	73.3%	75.5%
6 Princeton Insurance Company	92.5%	74.6%	78.2%	84.7%	96.8%
7 Medical Protective Company	94.6%	88.1%	84.0%	88.8%	83.2%
8 Mutual Risk Retention Group, Inc.	96.1%	90.8%	89.5%	86.3%	98.8%
9 MDAdvantage Insurance Company of New Jersey	98.7%	97.0%	98.7%	91.8%	99.1%
10 NCMIC Insurance Company	100.9%	95.5%	97.4%	84.1%	90.7%
11 LAMMICO	103.5%	82.8%	106.3%	100.3%	96.5%
12 ProAssurance Insurance Company of America	103.6%	103.8%	104.7%	97.1%	89.2%
13 Mutual Insurance Company of Arizona	103.7%	103.4%	105.8%	99.3%	98.2%
14 Medical Mutual Liability Insurance Society of Maryland	104.2%	111.1%	111.3%	105.5%	100.7%
15 State Volunteer Mutual Insurance Company	104.4%	99.9%	91.3%	104.5%	104.6%
16 Michigan Professional Insurance Exchange	106.1%	68.6%	104.9%	86.6%	86.7%
17 MMIC Insurance, Inc.	106.9%	106.4%	96.7%	101.9%	100.1%
18 UMIA Insurance, Inc.	108.2%	111.3%	99.4%	92.7%	54.0%
19 Health Care Indemnity, Inc.	109.9%	91.9%	128.9%	149.7%	81.6%
20 Doctors Company, An Interinsurance Exchange	110.7%	113.2%	105.7%	107.3%	102.5%
21 COPIC Insurance Company	110.8%	98.9%	108.2%	104.3%	108.8%
22 Physicians Insurance A Mutual Company	113.7%	106.9%	107.3%	109.5%	110.3%
23 ProAssurance Indemnity Company, Inc.	115.3%	94.7%	73.7%	71.2%	71.1%
24 MAG Mutual Insurance Company	115.3%	109.4%	106.7%	108.8%	105.7%
25 Medical Insurance Exchange of California	118.2%	128.0%	126.5%	124.6%	123.2%
26 ISMIE Mutual Insurance Company	125.3%	120.5%	116.4%	101.6%	98.2%
27 Medical Professional Mutual Insurance Company	126.1%	115.6%	113.9%	127.9%	97.8%
28 West Virginia Mutual Insurance Company	130.8%	105.7%	180.5%	140.3%	124.5%
29 Texas Medical Insurance Company	132.2%	98.7%	100.4%	87.8%	32.2%
30 MLMIC Insurance Company	140.4%	103.4%	97.3%	76.5%	110.3%
31 Connecticut Medical Insurance Company	156.7%	170.4%	175.8%	133.2%	112.0%
32 Kansas Medical Mutual Insurance Company	157.8%	127.1%	118.0%	120.2%	125.4%
33 ProAssurance Casualty Company	162.7%	114.4%	96.3%	91.3%	85.5%
34 NORCAL Mutual Insurance Company	170.8%	102.5%	99.2%	100.5%	100.2%
Average Excluding MLMIC	111.8%	101.9%	104.5%	101.6%	94.2%
Median	107.6%	103.4%	103.0%	100.4%	98.2%
Weighted Average Excluding MLMIC	117.4%	105.4%	101.0%	100.8%	95.8%
Weighted Average Excluding MLMIC & MedPro	119.1%	106.6%	102.3%	101.6%	96.6%

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Some markets have fared better than others as illustrated above with certain market's reporting out combined loss ratios below the national average of 119%. There are multiple reasons for these results, but the overall performance of each company will drive their strategy throughout the remainder of 2020 and beyond. This observation is critical as to how physician practices strategize and budget for medical malpractice in the coming 24+ months.



While the trend illustrates a reduction in the number of claims, the severity of average payouts has increased dramatically.

Conclusion:

The challenging market clients and carriers are experiencing will continue throughout 2020. Taking proactive steps early in the year can help minimize disruption and create a positive market response.



RICARDO LARA
CALIFORNIA INSURANCE COMMISSIONER

BULLETIN 2020-3

TO: All Property and Casualty Insurers and Workers Compensation Insurers

FROM: Insurance Commissioner Ricardo Lara

DATE: April 13, 2020

RE: Premium Refunds, Credits, and Reductions in Response to COVID-19 Pandemic

Insurance Commissioner Ricardo Lara recognizes that the COVID-19 pandemic has caused an unprecedented challenge for California's businesses and residents. In response to the COVID-19 pandemic, Governor Gavin Newsom on March 4, 2020 declared a statewide State of Emergency. Californians were ordered to "shelter-in-place" shortly thereafter.

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certain issues raised in CFC's petition, Commissioner Lara hereby orders insurers to make an initial premium refund for the months of March and April to all adversely impacted California policyholders in the following lines of insurance, as quickly as practicable, but in any event no later than 120 days after the date of this Bulletin:

- Private passenger automobile insurance
- Commercial automobile insurance
- Workers' compensation insurance
- Commercial multiple peril insurance
- Commercial liability insurance
- Medical malpractice insurance
- Any other line of coverage where the measures of risk have become substantially overstated as a result of the pandemic.

If the COVID-19 pandemic continues beyond May, Commissioner Lara will send out a subsequent Bulletin to insurers and provide appropriate instructions.

Commissioner Lara grants each insurer reasonable flexibility in determining how best to quickly and fairly accomplish the refund of premium to policyholders. Insurers may comply with the premium refund order by providing a premium credit, reduction, return of premium, or other appropriate premium adjustment.

Premium Credit for COVID-19 Impacted Physicians Available

Dear Valued Agent,

To assist insureds adversely impacted by the COVID-19 pandemic, ProAssurance is offering a premium credit to adjust for reduced medical liability exposure for those who have suspended elective procedures or are seeing fewer patients.

This credit is available to clients with practice hours reduced to 20 hours a week or less—or those who have reduced procedures and/or surgeries by 50% for up to 60 days. Telemedicine or virtual visits will be included in patient encounters for determining eligibility.

The COVID-19 Pandemic discount approach applies to standard, admitted business. It does not apply to facilities, Excess & Surplus Lines policies, ProAssurance American RRG policies, or rating plans with built in risk sharing or volume recognition features. Additionally, policies issued in Kentucky, Connecticut, and Georgia are ineligible. However for some of the policies above we have loosened our requirements for switching to part-time practice which would allow for some potential premium relief subject to an exposure change adjustment (ECA). Please discuss the ECA process and impact to premium with your underwriter. Due to the economics of a subscription-based practice model, concierge medicine program policies are ineligible for both the discount and the relaxed part time qualification. Other exclusions may apply.

Submission Process

Submit applications for your clients by [completing the attached form](#) and emailing it to COVID-19@ProAssurance.com. If you have any questions, your Market Manager or Underwriter can provide clarification.

Statement to Insureds

The following statement has been posted to the ProAssurance Information Center website:

Premium Discount for Impacted Medical Practices

ProAssurance offers a COVID-19 premium credit for insureds adversely impacted by the COVID-19 related mandates. This credit is intended to adjust for reduced medical liability exposure during the suspension of elective procedures and general reduction in non-COVID-19 healthcare consumption.

If an insured's medical practice has been reduced by more than 50%, we may apply a part time discount of up to 50% for up to 60 days.