

ARE YEARS* OF VOLATILITY FINALLY OVER IN MEDICAL MALPRACTICE?

“The insurance environment for Healthcare Professional Liability seems to be one of stability, calm and improvement.

Reinsurance Changes Historically, with its high volatility, high severity, and lengthy turnaround time for results, malpractice insurers were at the back of the line for a limited number of available reinsurers; however, supply and demand in the market has been altered.

Frequency of Claims Has Dropped Dramatically Estimates of the drop in frequency compared to high points of previous years, range from a drop of 30 percent to a drop of more than 50 percent in the number of claims reported. Most experts consistently show that the severity of medical professional liability claims continues to rise at six to seven percent per year and the costs of defense are rising 15+ percent per year.

Companies Are Reaping the Rewards of Previous Years The years 2000 through 2005 were difficult days for malpractice insurance, with impacts on both carriers and consumers. With a deteriorating loss picture (increasing frequency and severity), companies had to make tough choices. With the improvements in 2005 and 2006, loss development appears to only be “favorable” with additional reductions in loss reserves for the insurance companies.

Companies Have Money to Spare Companies find that increasing profits allow them to increase their surplus; thus stable or reduced premiums.

The Healthcare Delivery System Is Better at Preventing Claims and the Incentive To Do So Is Pervasive Not only has the system created an environment that has embraced patient safety and prevention, the providers themselves have seen the financial incentive of claims prevention, healthcare cost reductions and the more societal improvements in patient satisfaction and wellness.

The Trial Bar Cannot Afford to Bring Cases that Have Little or No Settlement Value There is a diminished incentive/reward for plaintiff attorneys that are not experts in this field to take medical malpractice cases. This has reduced the number of plaintiff attorneys who actively take cases of medical malpractice.

Have We Finally Reached a “Nirvana” of Stability in Medical Malpractice? Some of the potential long-term trends are unprecedented and could provide a permanent stability, yet only the future will tell; does past experience tell us otherwise and not to trust the current market? **It remains important for both hospitals and doctors to exercise discretion.”**

Author: Philip E Dyer; Kibble & Prentice; Professional Liability Underwriting Society; March 2008

*Indiana has been a relatively stable market since 1975 thanks to our Medical Malpractice Act.

John R MacLennan CPCU RPLU/john@mbiins.com/mbiprofessional.com/ MacLennan & Bain Insurance