Medical Liability Monitor’s 2018 Annual Rate Survey Indicates the Medical Professional Liability Insurance Industry Could Be Turning Away From Stability

The Medical Liability Monitor Annual Rate Survey is the only source of its kind for benchmarking medical malpractice insurance premium rate data from year to year. This year’s Annual Rate Survey publishes premium rates effective July 1, 2018, breaking the data down state-by-state, county-by-county.

CHICAGO (PRWEB) October 08, 2018 -- According to just-released data from the 2018 Medical Liability Monitor Annual Rate Survey, the medical professional liability (medical malpractice) insurance industry could be turning away from its decade-plus of general stability.

Since 2005, the key word used to characterize the medical professional liability insurance industry has been “stable.” But in 2018, there are several issues suggesting there are more environmental challenges for the industry than have been observed during the last decade. Some industry observers note that these factors signal that the industry may have started to turn a corner.

Major factors challenging the MPL insurance industry include the deterioration of the industry’s combined ratio, an increasing number of high-severity claims and the decline in aggregate MPL industry premium with its compounding effect on the combined ratio.

The medical professional liability insurance industry’s combined ratio has been creeping upward from a record-low of 80 percent in 2008. For 2017, the combined ratio exceeded 100 percent for the second year in a row — only the second time exceeding 100 percent since 2005. The increasing combined ratio has been driven by a number of factors, but the largest has been the erosion of favorable reserve development. Limited increases in the initial coverage-year loss ratios do not appear to be keeping pace with the downward pressure on rate level. The benefit experienced from the unprecedented decline in claim frequency observed during the last decade or more is, for the most part, a distant memory. As a result, companies are experiencing less-favorable development on more recent coverage years.

While medical professional liability claim frequency remains lower, generally stable and fewer claims make it to trial than in the past, the number of verdicts and settlements in excess of $10 million has been trending upward in recent years. Last year marked the highest number of these megaverdicts in history, and this year is on a pace to exceed last. Annual Rate Survey respondents who reported their company has seen an increase in large-dollar claims said that the reasons for the boost are multifactorial, albeit somewhat speculative. Plaintiff’s attorneys are reportedly taking far fewer medical liability cases due to the high cost of funding such litigation. Case selection thereby becomes critical and tilts towards those with clear liability and high damages. The plaintiff’s bar has become very adept at establishing demands for life care plans of $50 million and more.

The final — and perhaps most existential — challenge facing the medical professional liability insurance industry’s stability is a significant decline in direct written premium, which also puts upward pressure on the industry’s combined ratio. Historically, the two largest segments within the medical professional liability insurance industry have been: physicians/surgeons and hospitals. The numbers of physicians who own their own practice is now less than 50 percent and slowly declining; hospital mergers and acquisitions continue as...
large hospital systems purchase smaller hospitals. Some physicians groups, wishing to remain independent of hospitals, have created large multi-specialty groups that have the wherewithal to retain liability risk through various self-insurance vehicles, thereby removing premium from the commercial market. Annual Rate Survey responses indicate that this migration remains a major concern for insurers.

What do the Rates Say?
When looking at Annual Rate Surveys from the last 10 years, the dominant position for more than half of all medical liability insurers has been to hold rates flat, year over year. The percentage of companies reporting no year-over-year change in rates has been steadily increasing since 2008. For the latest four years, 2015 to 2018, the percentage reporting that rates remained flat is above 70 percent — with more than 80 percent of the companies included in the 2018 Annual Rate Survey holding the line. At the same time, there has been a sharp decline in the percentage of reported rate decreases since 2013. While last year’s Annual Rate Survey indicated that the percentage of rate decreases seemed to have settled in at a new low of about 10 to 12 percent, the 2018 Annual Rate Survey reflects a new low — with only about 5 percent of reported rates reflecting a decrease between 2017 and 2018.

In the 2018 Annual Rate Survey, slight average rate increases are implied for every region. The largest increase (1.4 percent) is reported for the Midwest region, driven by the changes in the Indiana and Nebraska Patient Compensation Fund (PCF) charges. Even in the absence of changes in the PCF charges, the Midwest region still reports the largest increase (0.5 percent), but the changes are much more consistent among regions if the PCF charges are not considered. PCF charges aside, an increase in Illinois (2 percent) drives the increase for the Midwest.

Reported rates for the Northeast region imply an increase of 0.5 percent, driven by a 1.3 percent increase for Connecticut, a 2.5 percent increase for Rhode Island and a 0.8 percent increase for New Jersey. Pennsylvania partially offsets these increases due to its 0.4 percent decrease. Rates remain flat for all other states in the Northeast region.

In the South, rates moved up or down in almost half of the states, resulting in a combined increase of less than 0.1 percent. Increases in Florida, Georgia, North Carolina, South Carolina, Texas and Virginia were partially offset by decreases in Louisiana and Maryland. With the exception of a 1.3 percent increase in Florida, all increases were less than or equal to 1 percent.

Only three states in the West region reported rate changes: California, Idaho and New Mexico. New Mexico reported an increase of 2.4 percent that was solely driven by a change in its PCF charge, while California reported an increase in rates of 0.3 percent and Idaho a decrease of 0.4 percent. The overall change for the West region is a 0.2 percent increase, but removing the change for the New Mexico PCF results in rates that are essentially flat, slightly down, for the region.

Complete 2018 Annual Rate Survey available to the press upon request.

###

Medical Liability Monitor is the only independent publication reporting exclusively on the medical professional liability insurance and risk management industries. The monthly newsletter, founded in 1975, has conducted the Annual Rate Survey since 1991. To order the Annual Rate Survey or to subscribe to the monthly newsletter, visit http://www.medicalliabilitymonitor.com or call 312-944-7900.
Contact Information
Mike Matray
Medical Liability Monitor
http://www.medicalliabilitymonitor.com
+1 (312) 944-7900

Online Web 2.0 Version
You can read the online version of this press release here.