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MEMBERSHIP

2006 PIAA MEMBERSHIP

55 Domestic Primary Insurers

12 International Primary Insurers

41 Affiliate Members (9 Re)

108 Total Members

USA PIAA COMPANIES INSURE:

	<u>12/02</u>	<u>12/03</u>	<u>%</u> ⓘ
Physicians	287,569	310,522	+08
Dentists	24,139	33,283	+38
Oral Surgeons	3,665	3,989	+09
Podiatrists	14,000	15,400	+10
Chiropractors	33,308	34,845	+05
Hospitals	1,163	1,371	+18

INTERNATIONAL PIAA COMPANIES INDEMNIFY:

Physicians	346,925
Dentists	24,959
Hospitals	139

PIAA DATA SHARING PROJECT

DATA SHARING PARTICIPANTS

APIE

CAP-MPT

CMIC

COPIC

FPIC

MAG Mutual

Med Assurance MS

Med Mutual ME

Midwest Medical

MLMIC

Northwest Phys.

PIC Wisconsin

PI - AMC

PMSLIC

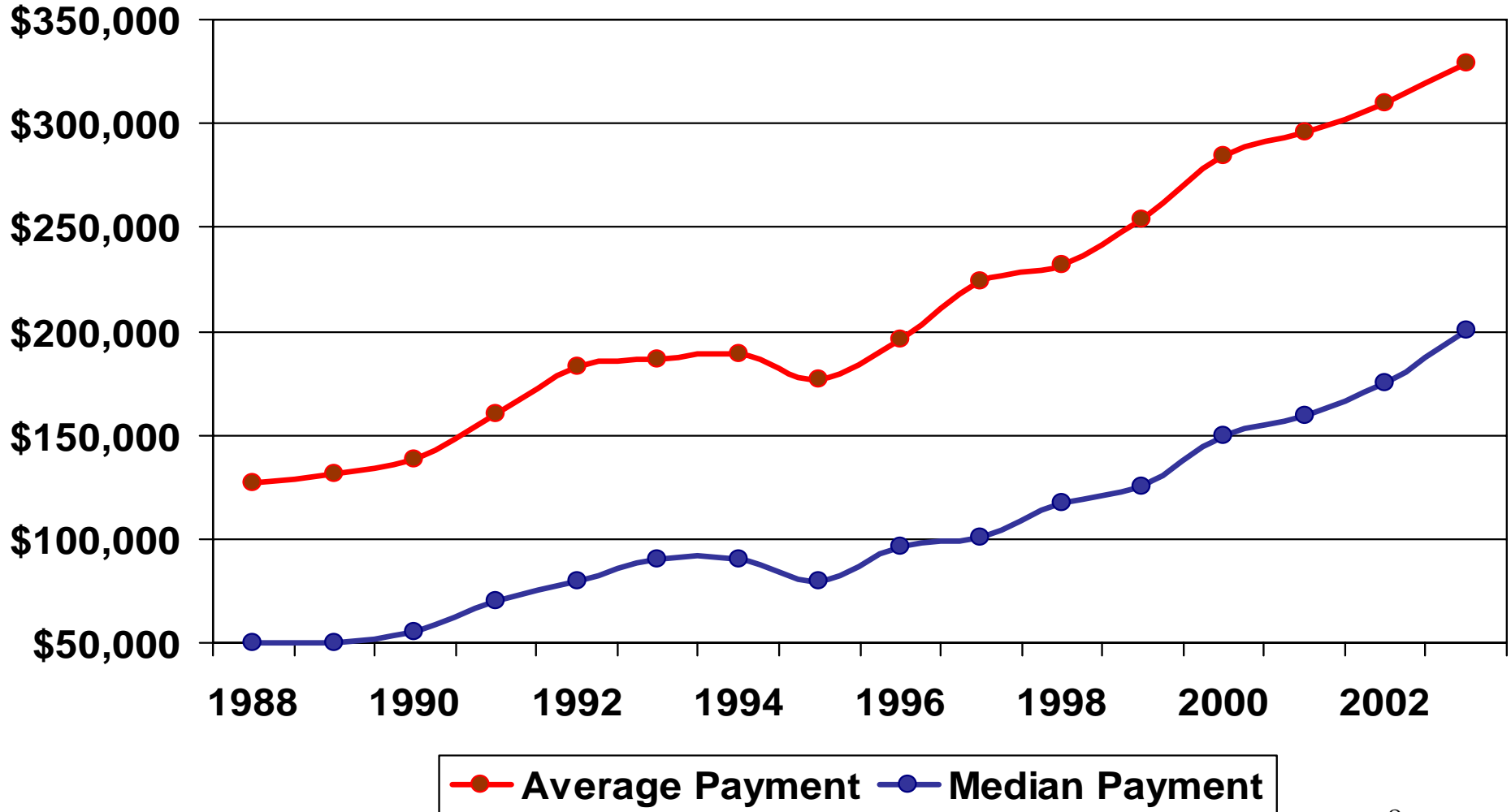
SVMIC

TMLT

UMIA

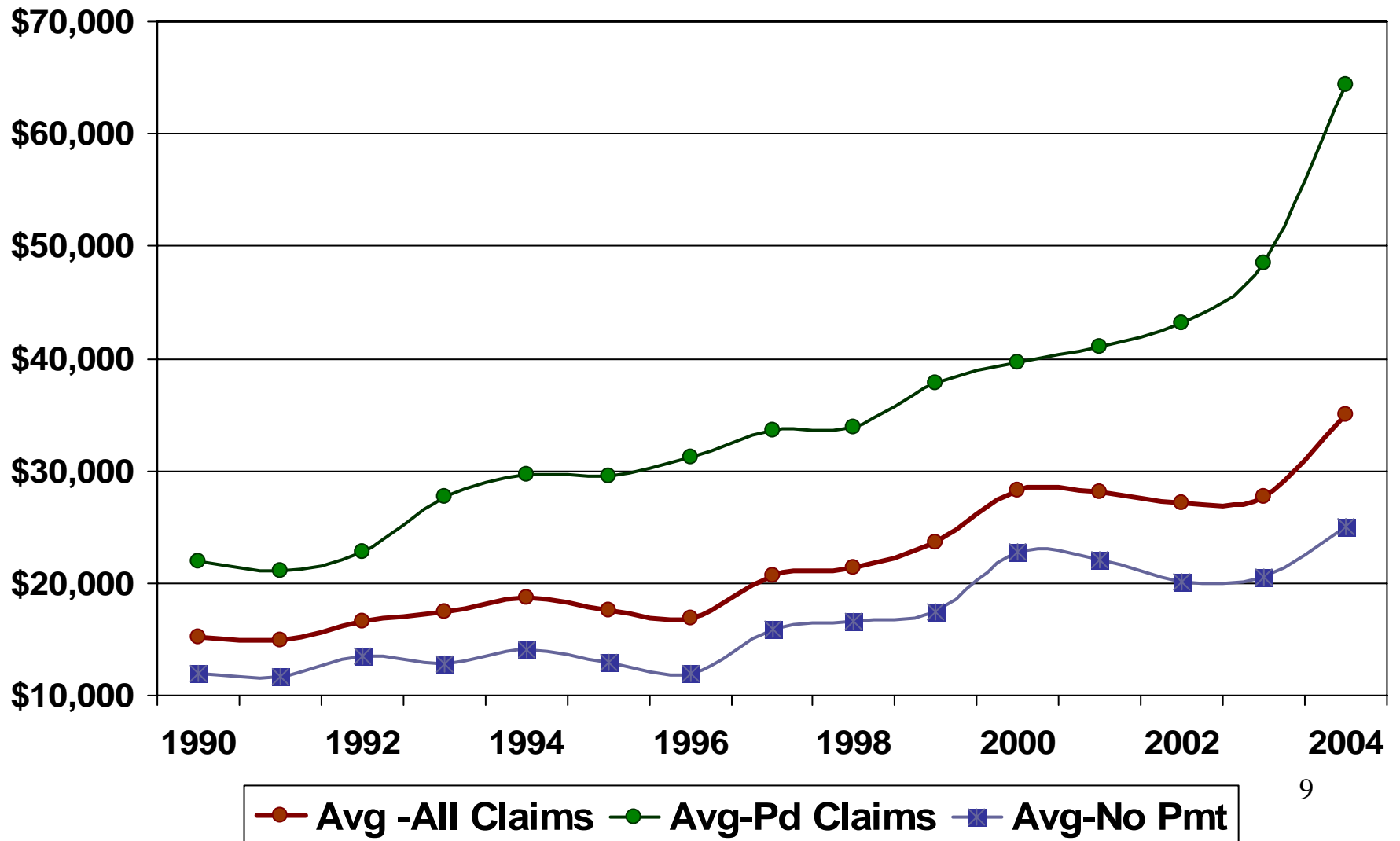
Average and Median Claim Payment Values

Actual Dollar Value



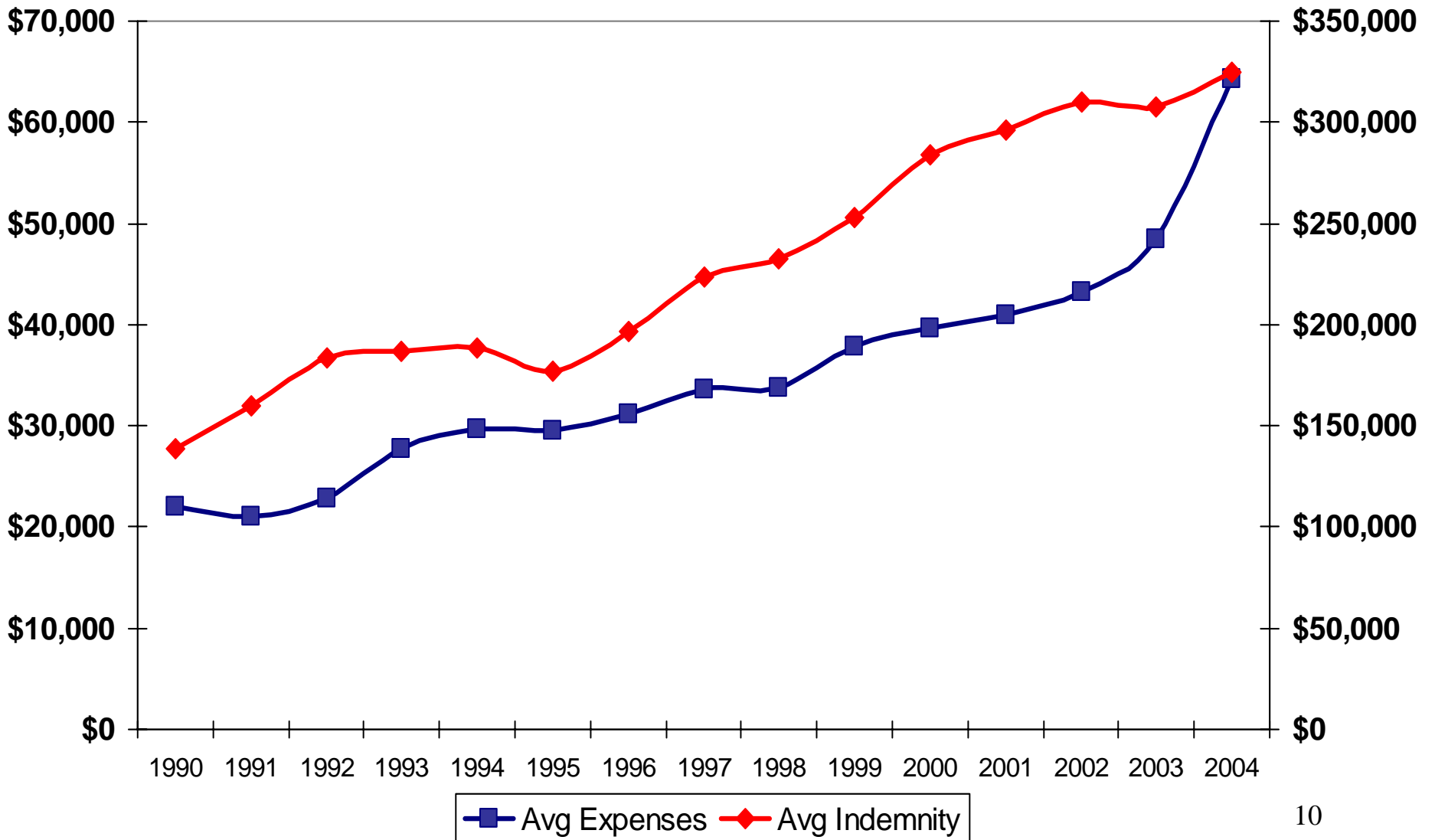
Average Expense Payment Values

Actual Dollar Values

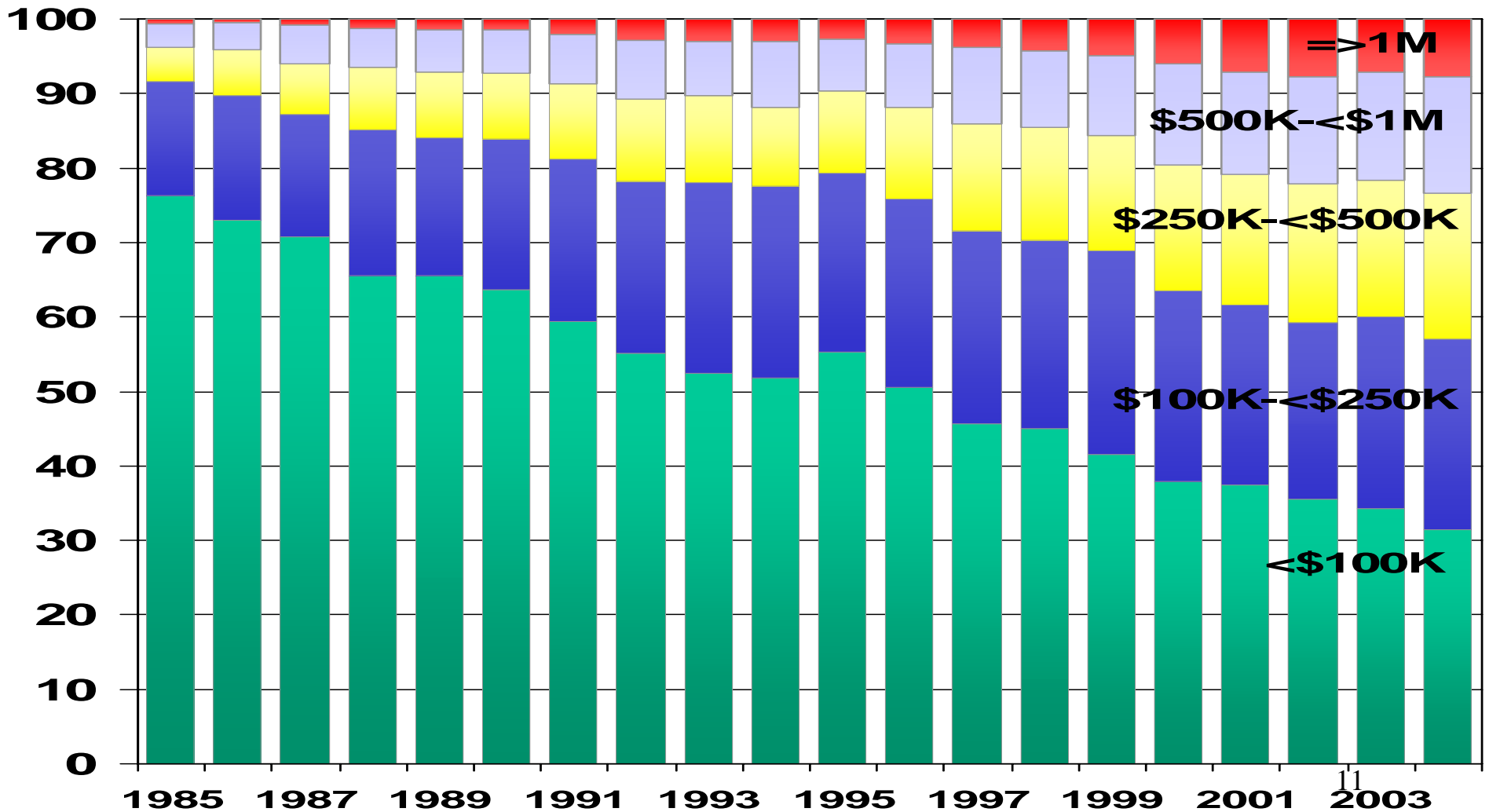


Average Payments

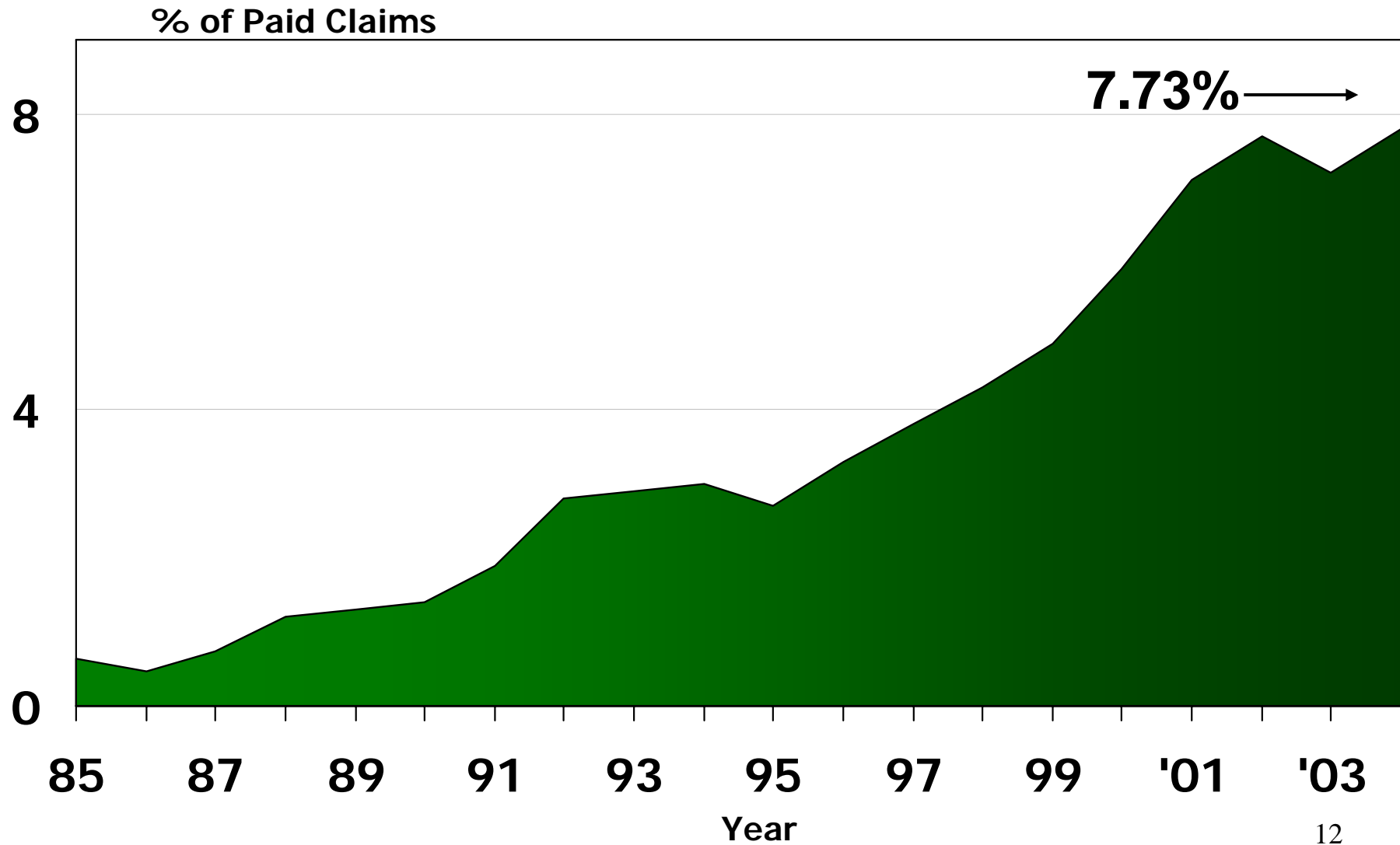
Indemnity and Expenses – Current \$



% of Paid Claims by Payment Threshold

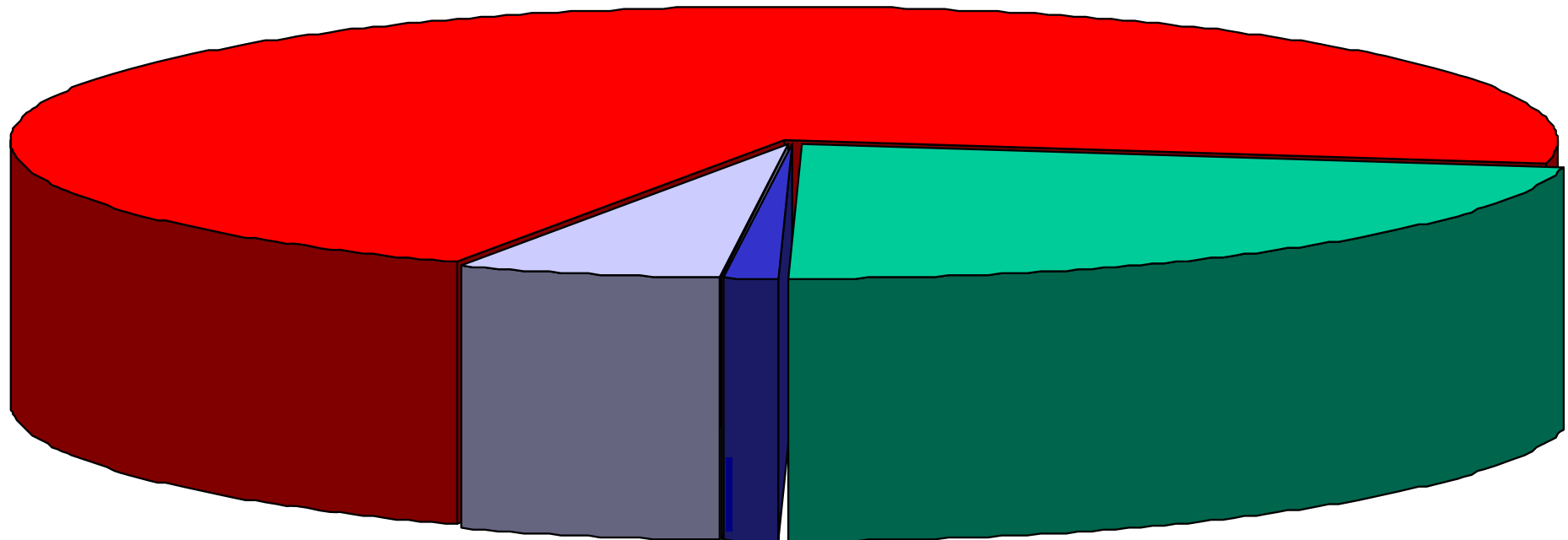


Claim Payments => \$1 Million



Outcome of Malpractice Cases Closed in 2004

Dropped/
dismissed
70.8%



Defense
Verdicts
5.6%

Plaintiff
Verdict
1.1%

Settlements
22.5%

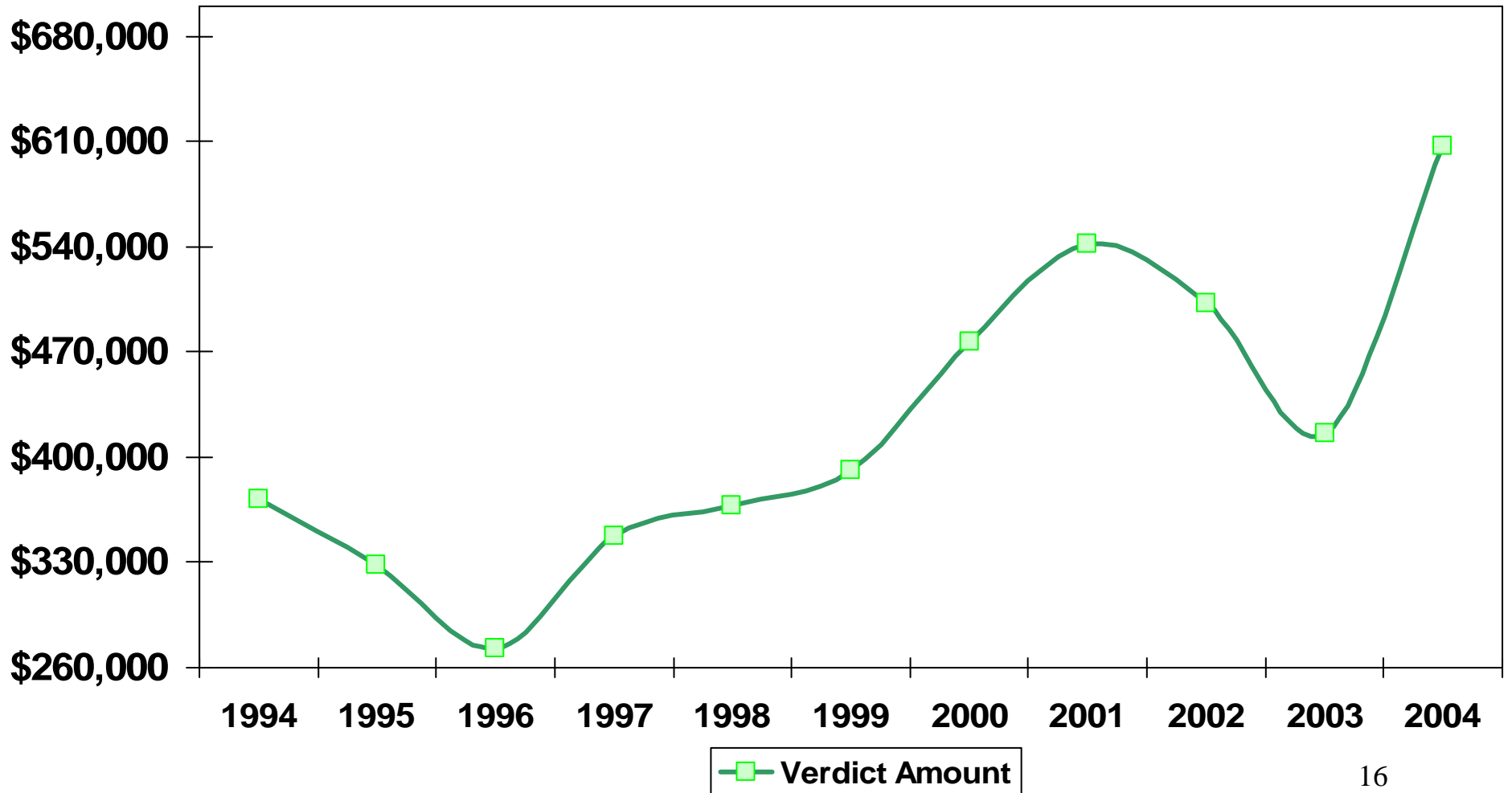
PAYMENT VALUES – 2004

Mean Indemnity Payment	\$324,834
Mean Settlement	\$ 311,704
Mean Verdict	\$ 606,907

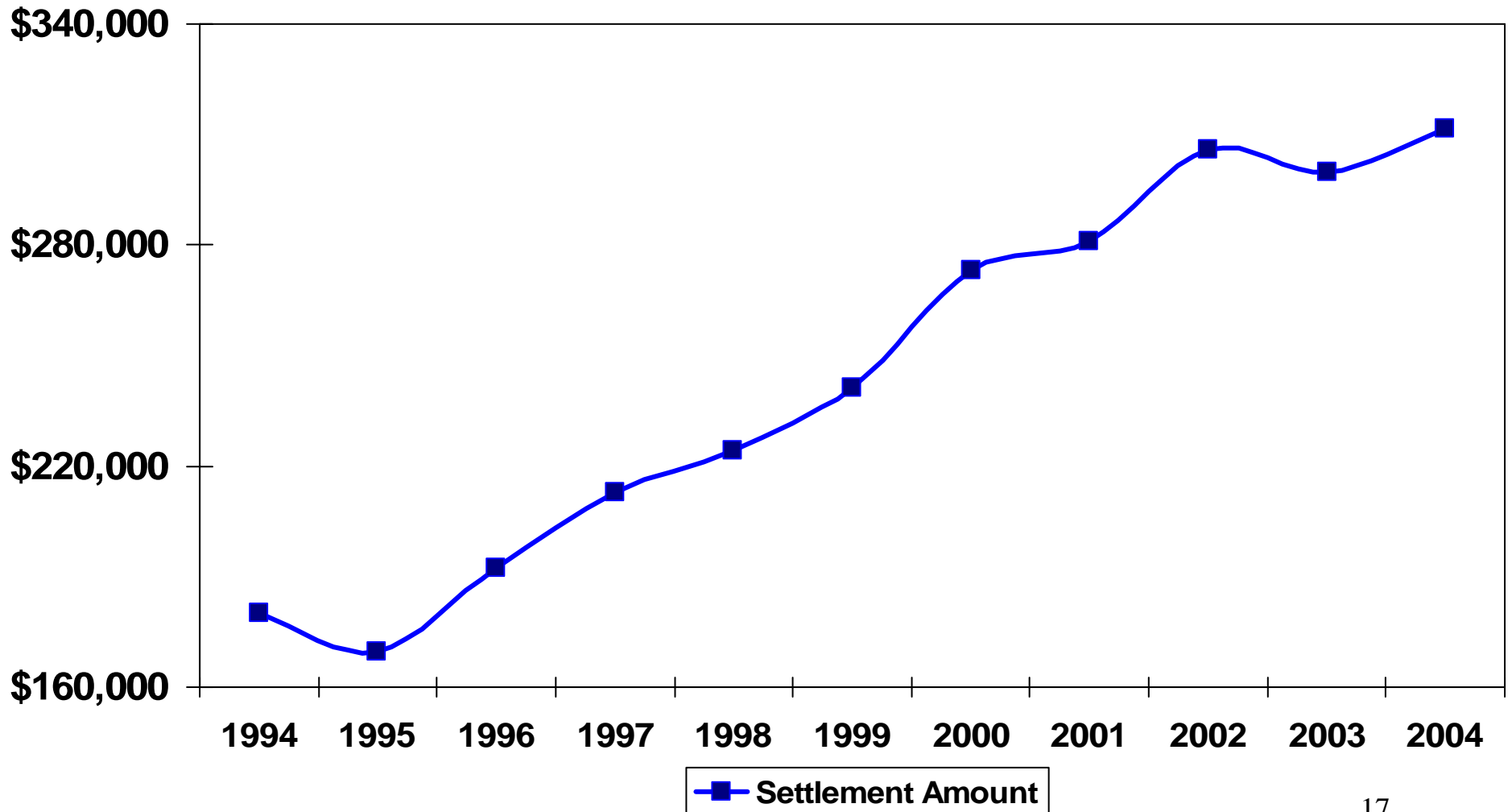
PAYMENT VALUES - 2004

Mean Indemnity Payment	\$324,838
Mean Expense Payment	\$ 34,981
Won at Trial	\$ 93,559
Lost at Trial	\$152,101
Settled	\$ 59,853
Dropped/Dismissed	\$ 18,774

Average Indemnity Paid Verdicts



Average Indemnity Settlements



MARKET DYNAMICS

Market Overview

- A fragmented med mal market in US
 - Admitted carriers write about 12B
 - Non-admitted write about 12B
- Largest admitted carrier has < 10% of US admitted market
- Most PIAA insurers have a significant share of one or two state markets

Recent Conditions

- Generally hard market conditions since 2000, due to higher claim costs
- Interest rates also declined during this period, putting greater pressure on underwriting profitability
- Admitted carrier premiums nearly doubled from 2000 to 2005, to support higher claim costs and lower interest rates
- New admitted and non-admitted vehicles formed as an alternative to existing admitted insurers (as they did in the last two hard markets in the 1970s and 1980s)

Future Questions

- Will market soften?
- Are loss reserves adequate?
- Future of tort reform?

LEGISLATIVE AND REGULATORY ISSUES

Tort Reforms Have Passed In The US House of Representatives Ten Times

- **1995 - Common Sense Product Liability and Legal Reform Act**
 - **Balanced Budget Act of 1995**
- **1996 - Health Care Coverage Availability and Affordability Act**
- **1997 - Balanced Budget Act of 1997**
 - **District of Columbia Appropriations Bill**

Tort Reforms Have Passed In The US House of Representatives Ten Times, Cont'd.

- 1998 - Patient Protection Act**
- 2002 - HEALTH Act – HR 4600 (217, 203)**
- 2003 - HEALTH Act – HR 5 (229, 196, 1)**
- 2004 - HEALTH Act – HR 4280 (229, 197)**
- 2005 – HEALTH Act – HR 5 (230, 194, 2)**

SENATE – 109TH CONGRESS

- S. 354 HEALTH ACT
- S. 366 HEALTHY MOTHERS ACT
- S. 367 PREGNANCY & TRAUMA CARE ACT
- S. 4 HEALTHY AMERICA ACT OF 2005

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- **SENATE LEADERSHIP OMNIBUS BILL**
- **CONTAINS MICRA – LIKE REFORMS,
INCLUDING A \$250K CAP**
- **WRONG COLLATERAL SOURCE
LANGUAGE**

COLLATERAL SOURCE - SUBROGATION

- EVIDENTIARY RULE V. MANDATORY OFFSET BY THE COURT
- PROHIBITION OF SUBROGATION

S. 1337 FAIR AND RELIABLE MEDICAL JUSTICE ACT

- **S. 1337 *FAIR AND RELIABLE MEDICAL JUSTICE ACT***
- **ENZI (R-WY) BAUCUS (D-MT) STATE DEMONSTRATION BILL**
- **EARLY DISCLOSURE AND COMPENSATION**
- **ADMINISTRATIVE DETERMINATION AND COMPENSATION**
- **SPECIAL HEALTH CARE COURTS**

S. 1784 NATIONAL MEDICAL ERROR DISCLOSURE AND COMPENSATION ACT

- **INTRODUCED BY CLINTON & OBAMA**
- **DUPLICATES MANY PROVISIONS OF THE
PATIENT SAFETY AND QUALITY
IMPROVEMENT ACT OF 2005**
- **NATIONAL PATIENT SAFETY DATABASE**
- **NATIONAL MEDICAL ERROR DISCLOSURE
AND COMPENSATION PROGRAM**

Other Issues

- SMART ACT
- Consumer Groups
- NAIC Review of DDR
- NAIC Statistical Task Force

THANK YOU