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# Trends in Medical Professional Liability

## The Recent and More Distant Past

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Jeffery J. Smith, FCAS, MAAA, CPCU, ARe  
Vice President and Chief Actuary, NORCAL Group

*"The past, like the future, is indefinite and  
exists only as a spectrum of possibilities"*  
- Stephen Hawking

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# Review of 4 PIAA Medical Professional Liability Carriers

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## Combined Results of: NORCAL, PMSLIC, COPIC, ISMIE

1. Companies have broad range of insureds
2. Undistorted by changes by large shifts in geographical distributions and product offerings
3. Normalized by company - relative representation fixed through time
4. Combined results/Non-state specific, though combination and weighting might vary by variable
5. Losses and count Projected to "Best Estimate"; not just referencing Schedule P ultimates

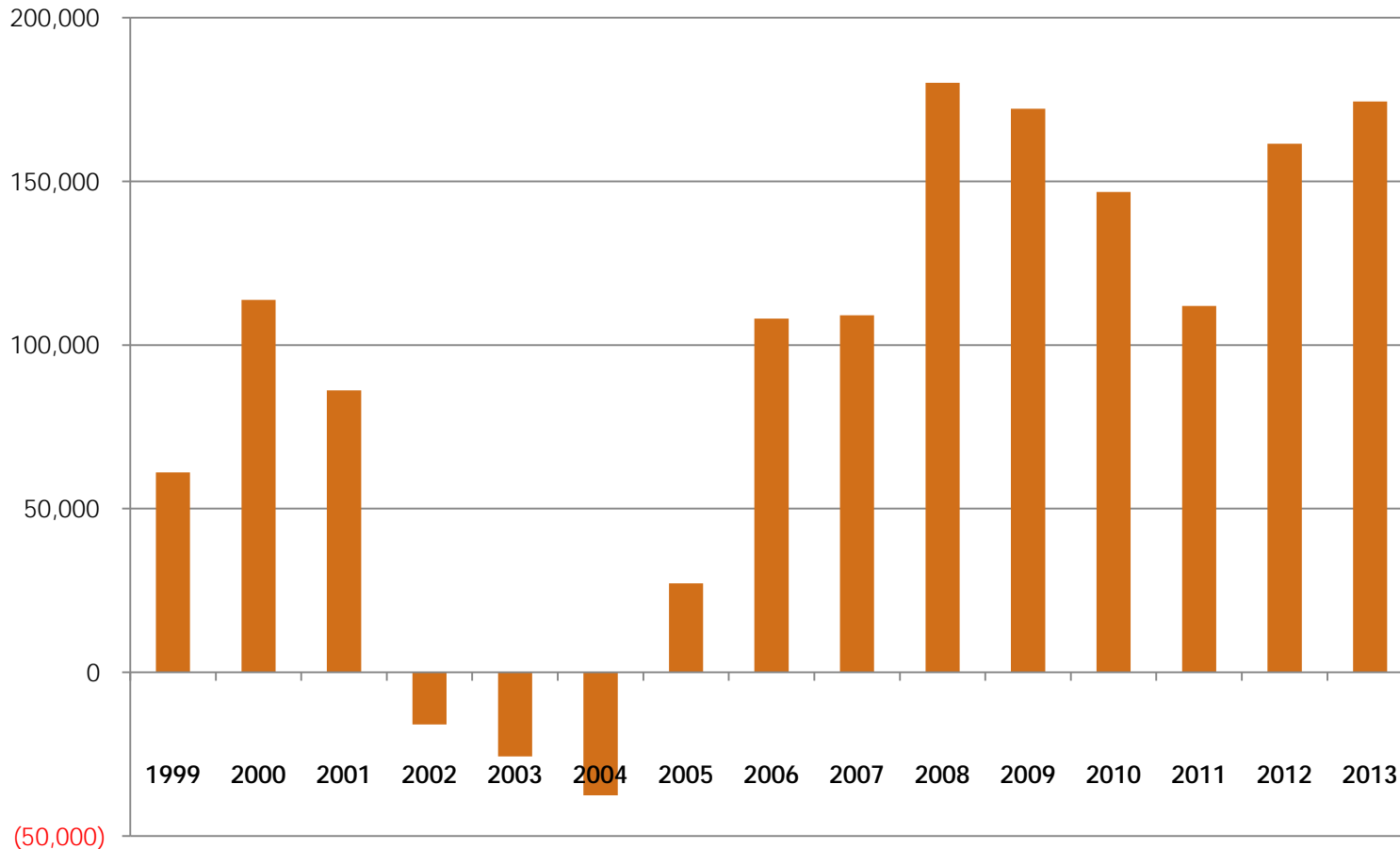
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## Topics Discussed:

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- ▶ Reserve Releases - The recent past 15 years
- ▶ Frequency and closing type patterns - The past 35 years
- ▶ Relationships between reported frequency and claim types
- ▶ Indemnity and ALAE severity trends - the past 15 years

# Annual Net Reserve (\$) Release

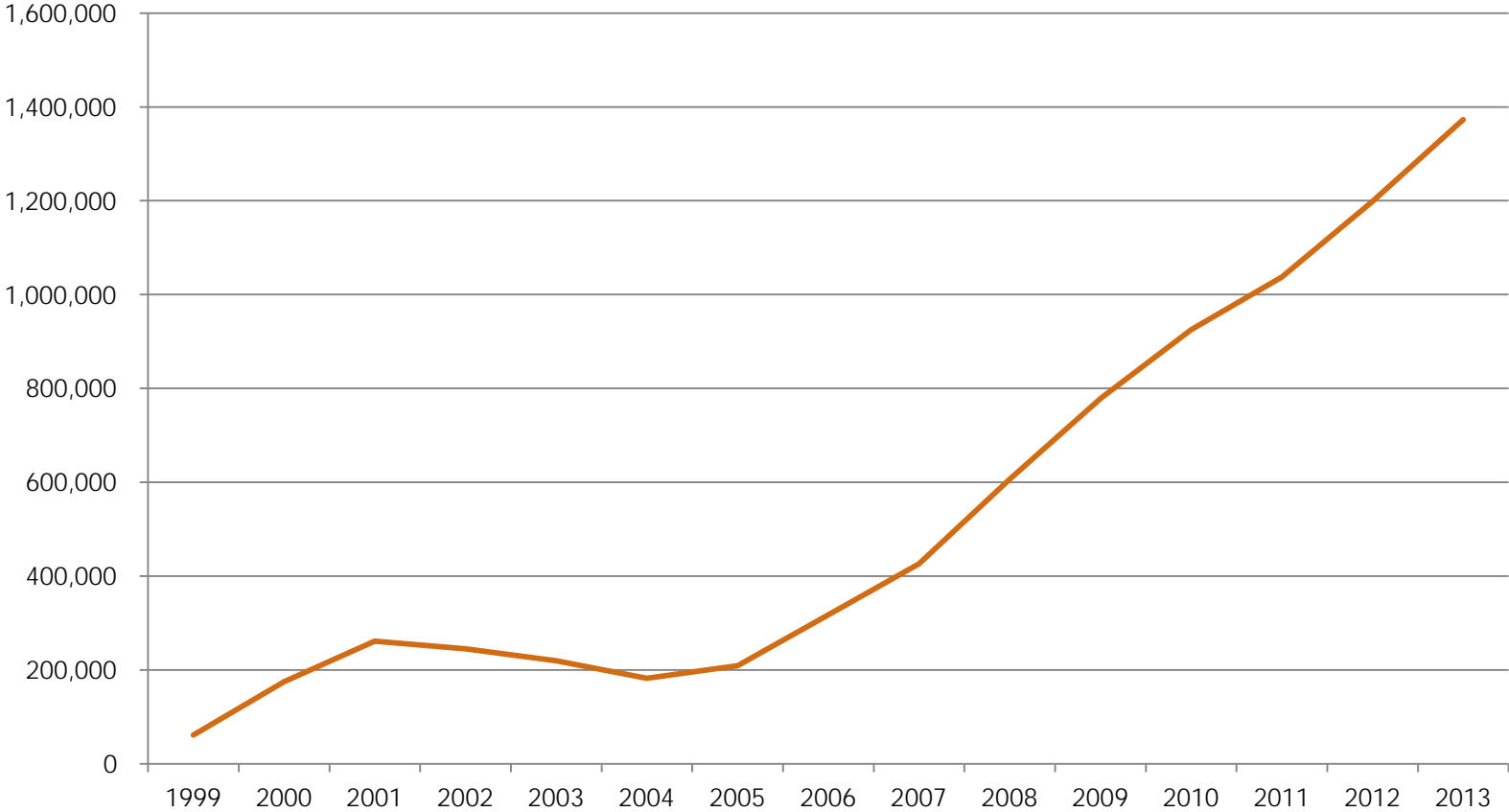


1999 to 2001: Average release \$80M

2002 to 2004: Strengthening period

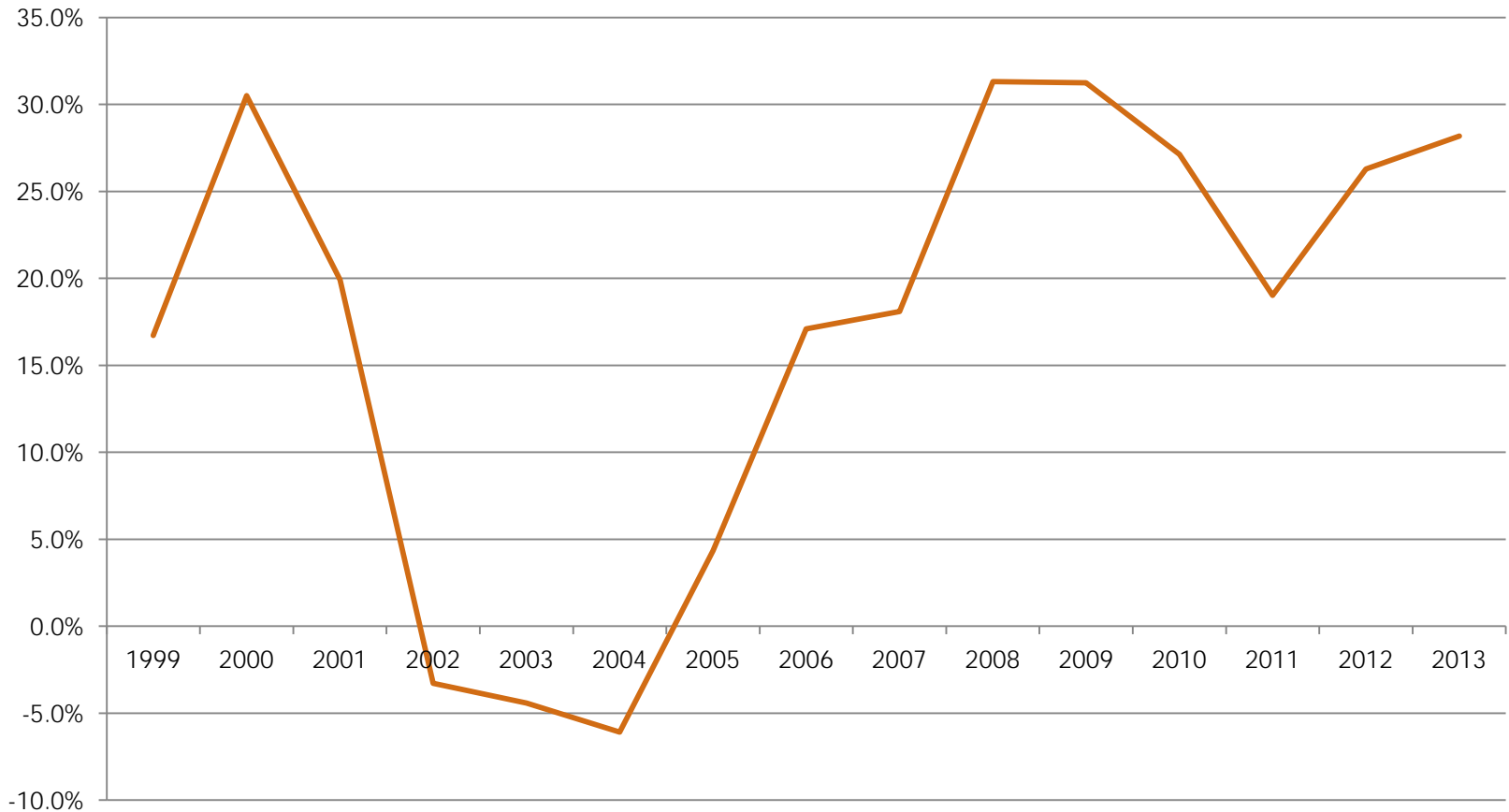
2005 to 2013: Release average of \$125M per annum

# Cumulative Net Reserve (\$) Release



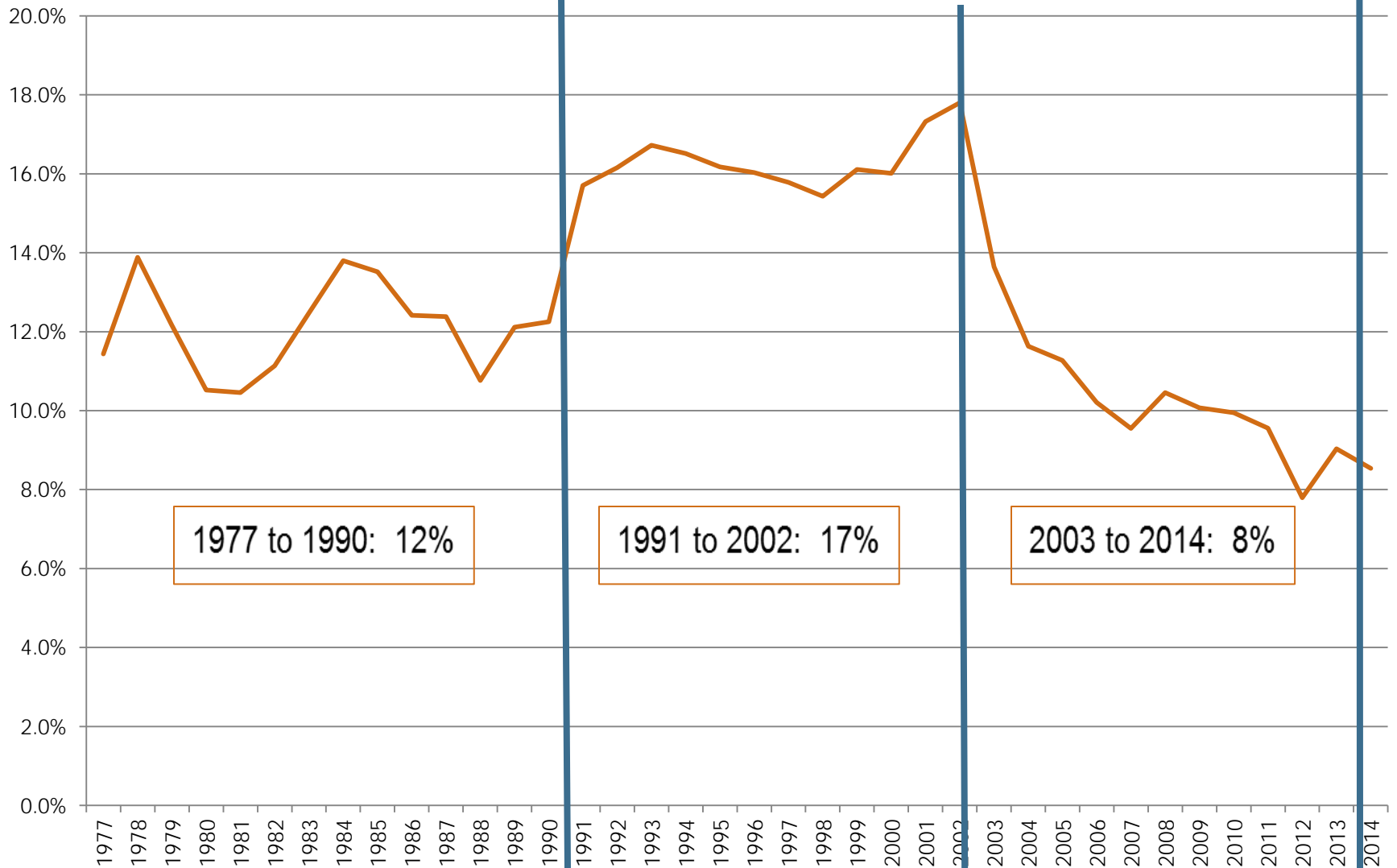
Steady increase of reserve releases through 2013 cumulating to \$1.4B

# Annual Reserve Release % of Premium



Reserve releases resume in 2005; Average release has been about 27% of current year earned premium

# Reported Frequency 1977 to 2014

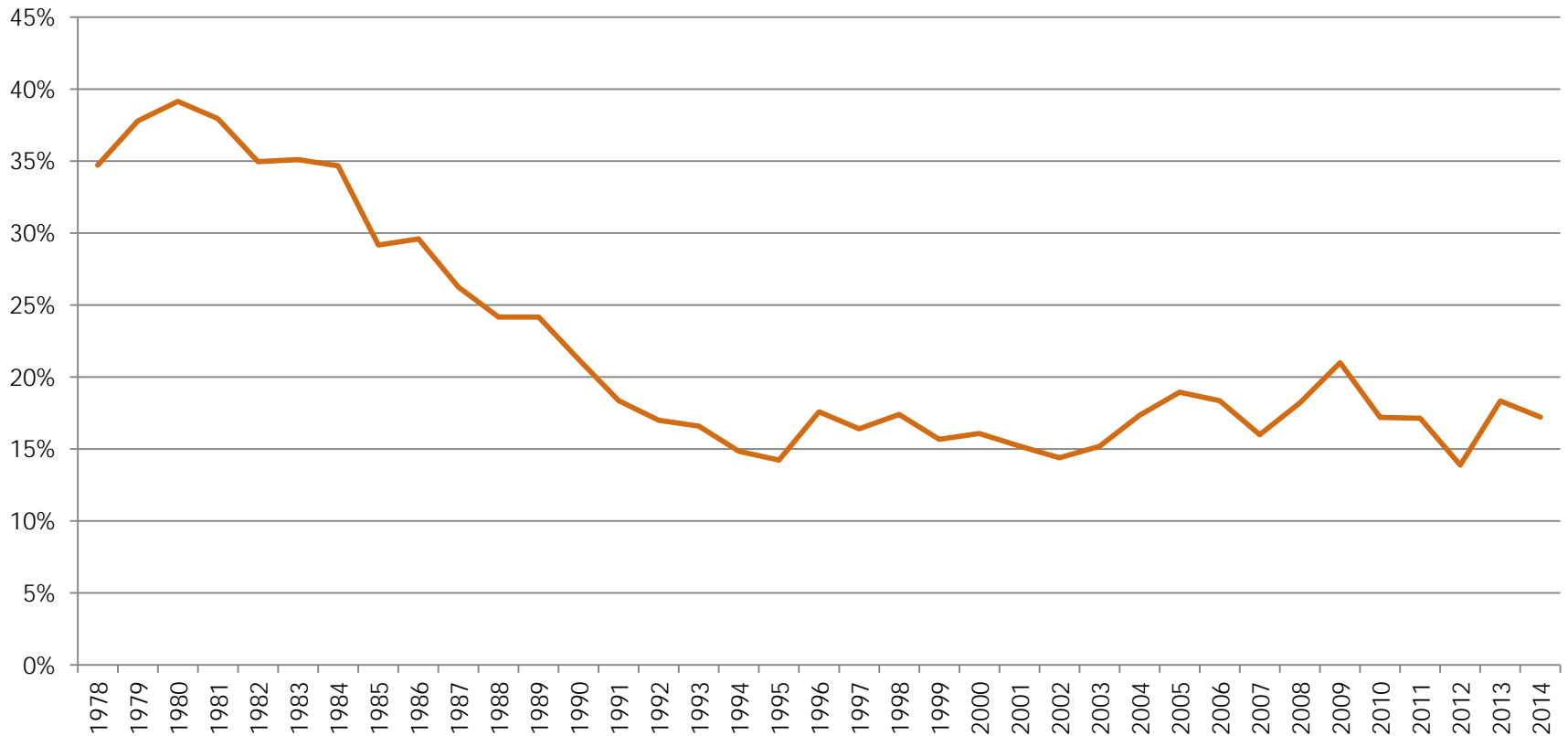


1977 to 1990: 12%

1991 to 2002: 17%

2003 to 2014: 8%

# Closed with Indemnity Payment Ratio



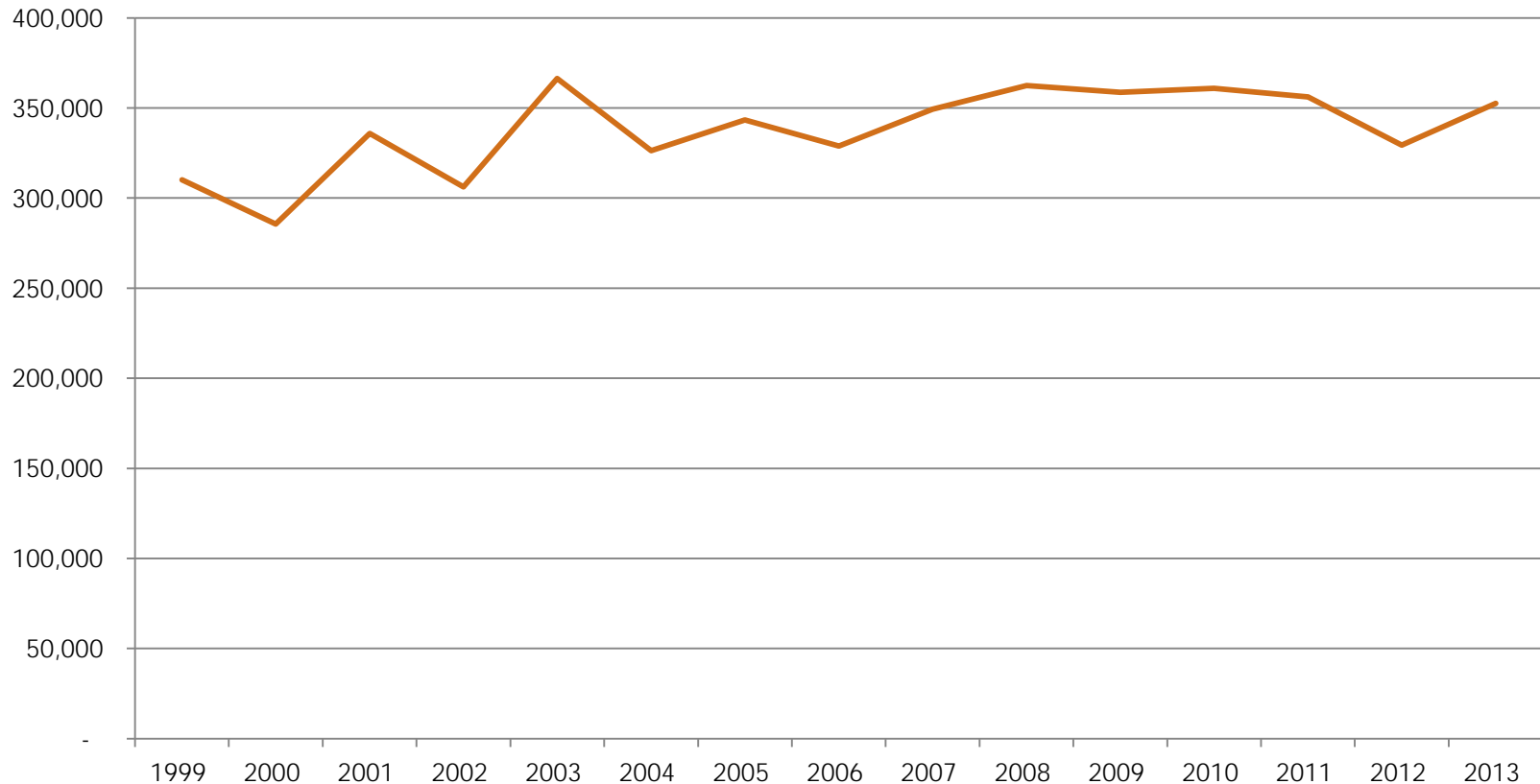
Decreases until mid nineties

Uptick as reported frequency drops

Negative correlation between reported frequency and CIP ratio in times of major changes of Reported frequency; statistically credible when large moves in reported



# Indemnity Severity

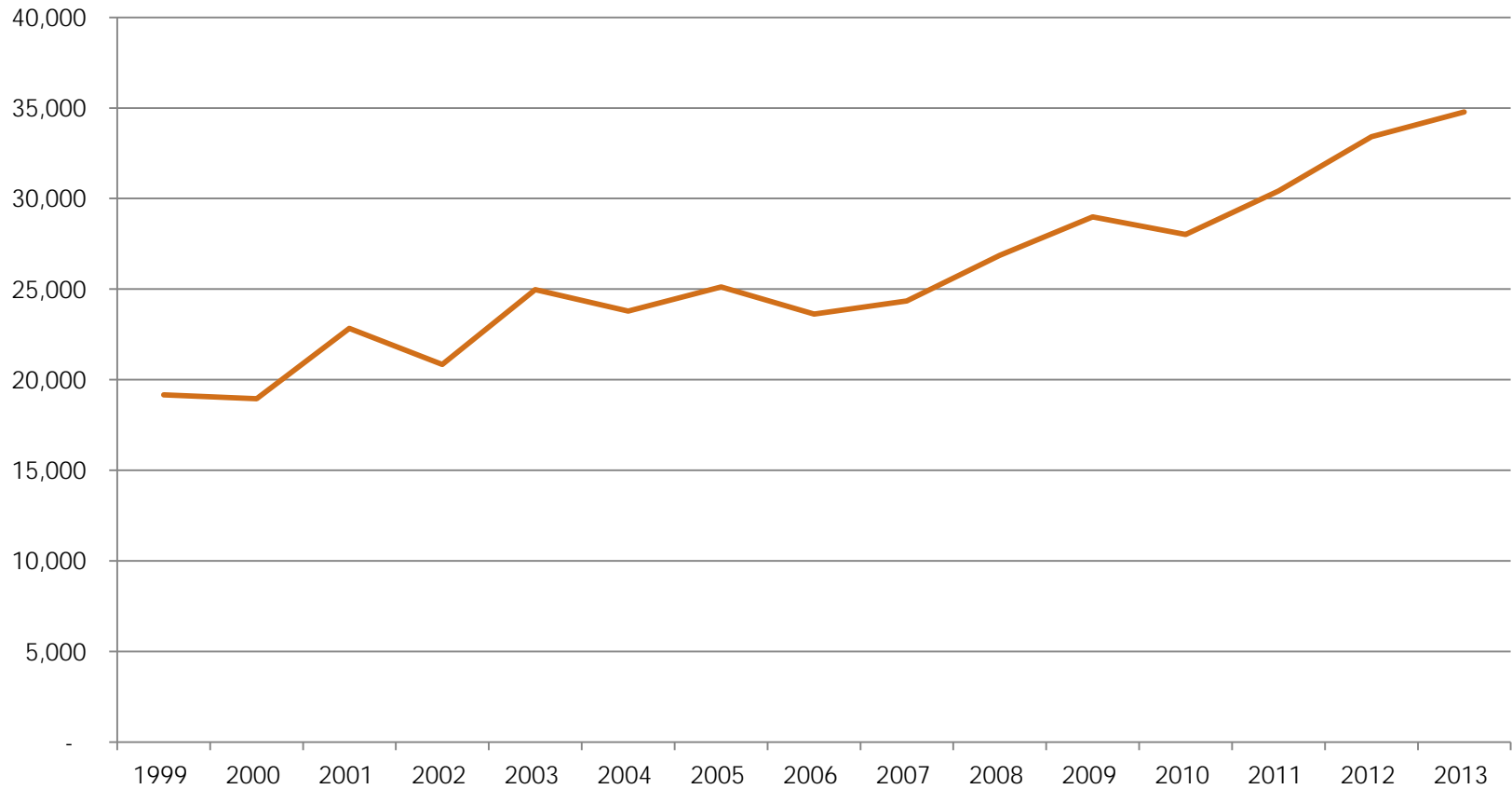


Trends vary from 0% to 3%

Fits do not give low test alphas suggesting weak fits; often no significance or 0% trend best assumption

Indemnity severities remarkably flat over 2004 to 2013 period

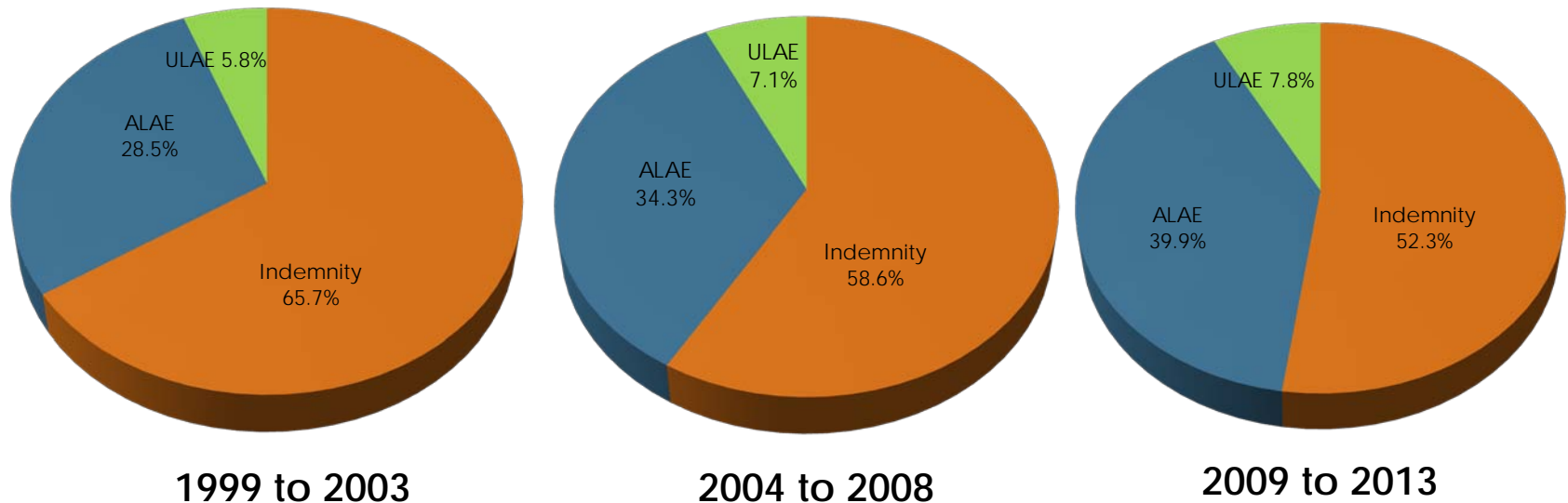
# ALAE Severity



Trends vary from 4% to 8%  
Trends vary greatly by carrier  
Fits give low test alphas suggesting strong fit

# Pure Premium by Loss Type

## Indemnity, ALAE, and ULAE Portions



ALAE and ULAE migrating to larger percentages of LLAE pure premium over the last 14 years. Increased share is likely to continue if current trends are maintained