




Casualty Loss Reserve Seminar
Reserving 101: Medical Professional Liability

Aria Hotel
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Peter S. Rauner, FCAS, MAAA

Experience the Pinnacle Difference!

NAIC MedMal Sub-Lines

- Hospitals
- Other Healthcare Facilities
- Physicians & Surgeons
- Other Healthcare Providers



Hospital Profiles - AHA

Specialty Hospitals

- TB, Cancer, Heart, Children's, etc.


Rehabilitation & Chronic Disease Hospitals

Psychiatric Hospitals

General Hospitals

Federal Hospitals

- VA, Military, Federal Prison



Other Healthcare Facilities

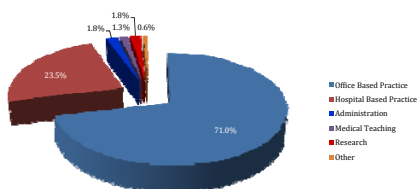
- Nursing Homes
- Outpatient Surgery Centers
- Imaging Centers
- Medical Labs
- Medical Schools

Individual Risks

- Physicians & Surgeons
- Dentists, Chiropractors, Podiatrists
- Allied Healthcare Providers

Physicians by Practice Type


Percent of Active Doctors in US (2008)



Source: AMA Physician Characteristics and Distributions in the US, 2010 Edition


Defn - Medical Professional Liability

When a medical provider's acts or omissions fail to meet the standard of care or standard of conduct recognized by the medical profession and actual injury occurs as a direct result.



Theories of Liability - Institutional Risk

- Corporate Liability
- Statutory Liability
- Vicarious Liability
- Ostensible Agency Liability
- Specific Acts of Negligence




Theories of Liability - Individual Risk

Negligence

- Existence of a duty to perform
- Deviation from standard of care/conduct
- Existence of actual injury or harm
- Casual connection

Informed Consent

Breach of Contract or Warranty




Defense of MPLI Claims

Common Law Defenses

- No Negligence
- Contributory Negligence
- Informed Consent
- Assumption of Risk


Statutory Defenses

- Statute of Limitations/Repose
- Good Samaritan Statutes




Hospital Risk Management

- Patient Safety Initiatives
- Incident Reporting/Claim Mgmt
- Staff Education
- Dept-Specific Protocols
- Credentialing and Peer Review
- Medication Controls
- Safe Premises



Loss Control Techniques


- Informed Consent
- SorryWorks!
- COPIC 3Rs



Who's Writing MPLI in the US?

Globally: Broadly competitive


Locally: Highly concentrated



Global MPLI Market Share - DPW


2000		2005		2010	
Company Name	Mkt Shr	Company Name	Mkt Shr	Company Name	Mkt Shr
1 St. Paul Cos	9.0%	MLMIC Group	7.2%	MLMIC Group	7.3%
2 MLMIC Group	5.7%	AIG	7.1%	Berkshire Hathaway Grp	6.9%
3 ERC (MPCo)	5.0%	National Ind Grp (MPCo)	5.9%	Doctors Company Group	6.7%
4 Health Care Indemnity	3.8%	ProAssurance Group	4.4%	ProAssurance Group	5.4%
5 Continental Casualty Cos	3.3%	Continental Casualty Cos	4.3%	CNA Ins Group	4.8%
6 Medical Group Holdings	3.3%	Doctors Company Group	4.1%	AIG	4.5%
7 MIIX Group	3.3%	ISMIE Group	3.3%	Phys Reciprocal Ins Grp	3.7%
8 Doctors Company Group	3.2%	MAG Mutual Group	2.9%	ProMutual Group	3.7%
9 PHICO Group	3.0%	ProMutual Group	2.8%	ISMIE Group	2.9%
10 Mutual Assurance Cos	2.6%	Health Care Indemnity	2.7%	MAG Mutual Group	2.8%
Top 5	26.8%		28.9%		31.1%
Top 10	42.2%		44.7%		48.3%
Top 25	70.5%		70.2%		70.5%
Total Number of Carriers	151		221		232

Source: A.M. Bests



Local MPLI Market Share - DPW

- Alabama – ProAssurance 58%
- Arizona – MICA 58%
- Illinois – ISMIE 52%
- New Jersey – MLMIC 32%
- New York – MLMIC 40%, PRI 26%
- Tennessee – SVMIC 54%
- Utah – UMIC 60%
- West Virginia – WVMIC 53%



MPLI Consolidations

The Doctors Company

- > OHIC, SCPIE, AP Capital, FPIC Group

ProAssurance Group

- > Med Assur, ProNatl, PIC-WIS, NCRIC, PICA

ProMutual Group (Coverys)


- > FinCor, WA Casualty, MHA

MLMIC

- > Princeton, HUM


NORCAL

- > PMSLIC, Medicus




MPLI Coverage Characteristics

- Primarily, claims made coverage form
 - > Triggers: retroactive and claim made (reported) dates
 - > Variations on “claim made” date
 - > Extended reporting endorsement (“Tail” coverage)
 - > Prior Acts coverage
- Occurrence coverage for “lower” risk classes, certain jurisdictions
- Policy limits vary by subline, class, state




MPLI Coverage Characteristics

- Coverage Enhancements
 - > DD&R
 - > DPR
 - > Billing E&O
 - > Cyber Risk
- Additional Insureds
- Deductibles, Self-Insurance



MPLI Claim Characteristics


- Vary by subline, class, state
- In general, low frequency & high severity
- Significantly longer reporting, settlement lags
- In aggregate, reasonably adequate case reserves



MPLI Claim Payment Lag

Age in Months	MPLI Cls Md	MPLI Occr	All Oth Sch P
120	96.3%	90.8%	94.3%
108	94.1%	86.5%	94.2%
96	89.9%	81.7%	93.7%
84	84.9%	68.8%	93.1%
72	79.6%	56.5%	92.3%
60	67.6%	40.8%	88.2%
48	53.0%	23.4%	84.1%
36	36.9%	11.5%	77.9%
24	19.1%	3.9%	67.3%
12	3.5%	0.5%	45.9%

Source: A.M. Best's





MPLI Case Reserve Adequacy

Case Reserves as % of Total Unpaid - D&A

Age in Months	MPLI Cls Md	MPLI Occr	All Oth Sch P
120	56.5%	83.3%	56.5%
108	66.2%	89.8%	49.9%
96	63.0%	86.6%	47.4%
84	67.2%	82.3%	45.5%
72	65.2%	78.8%	44.0%
60	56.8%	77.0%	39.8%
48	57.0%	63.5%	43.1%
36	61.0%	46.9%	50.2%
24	53.9%	20.5%	47.6%
12	34.7%	6.0%	43.8%

Source: A.M. Best's



 Visit us at pinnacleactuaries.com

Thank You!

Peter S. Rauner, FCAS, MAAA
(630) 457-1296
prauner@pinnacleactuaries.com

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