


Physician Loss Cost Trends
Casualty Loss Reserve Seminar (CLRS)

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TOWERS WATSON 

The slide features a background of overlapping concentric circles in shades of red and grey. The text is overlaid on a dark red bar for the title and a black bar for the subtitle.

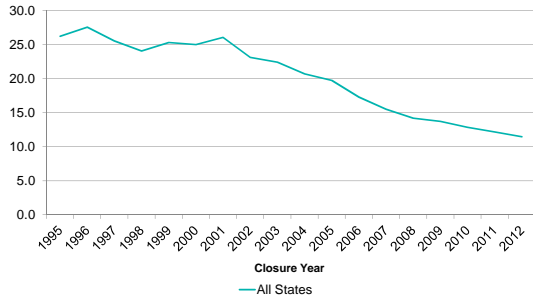
Physician Loss Cost Trends

- Frequency
- Severity
 - Indemnity
 - Expense
- Pure premiums

Frequency

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**Physician Claim Frequency
Total Number Closing with Indemnity**

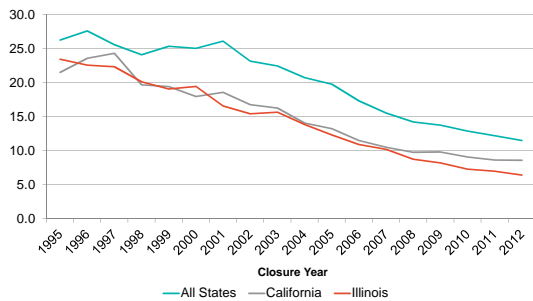


Frequency per 1,000 physicians
Source: NPCB

Why the decline in claim frequency?

- Tort reform

**Physician Claim Frequency
Total Number Closing with Indemnity**

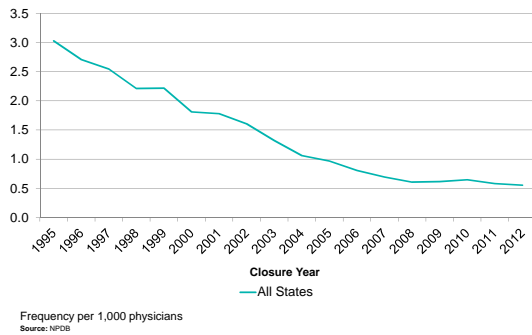


Frequency per 100 physicians
Source: NPCB

Why the decline in claim frequency?

- Tort reform
- Risk management and patient safety efforts
- Advances in technology
- Insurer tenacity

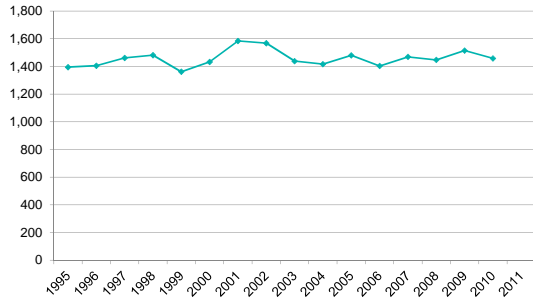
**Physician Claim Frequency
Number CWI Less Than \$10,000**



Why the decline in claim frequency?

- Tort reform
- Risk management and patient safety efforts
- Advances in technology
- Insurer tenacity
- Defense medicine
- Fewer patient contacts

Number Ambulatory Visits per Physician



Source: CDC/NCHS

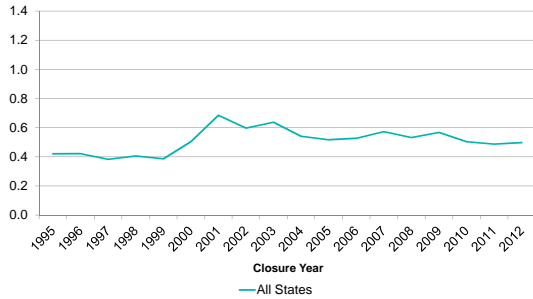
Why the decline in claim frequency?

- Tort reform
- Risk management and patient safety efforts
- Advances in technology
- Insurer tenacity
- Defense medicine
- Fewer patient contacts?
- Missing data?

Severity

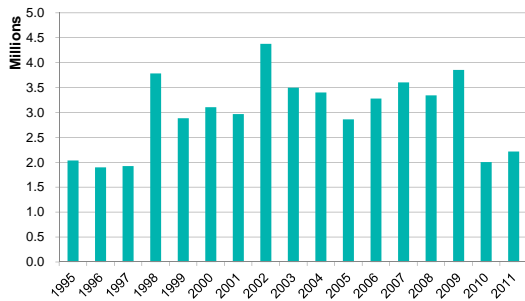
Part I – Indemnity Severity

Physician Claim Frequency
Number CWI Greater Than \$1 Million



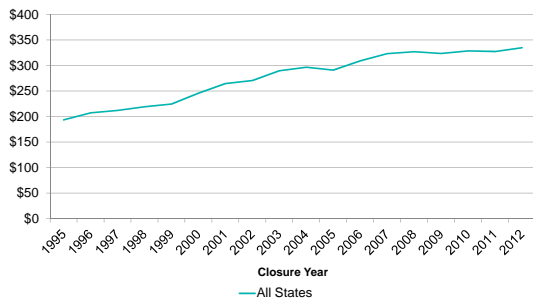
Frequency per 1,000 physicians
 Source: NPDB

Medical Professional Liability
Jury Verdicts



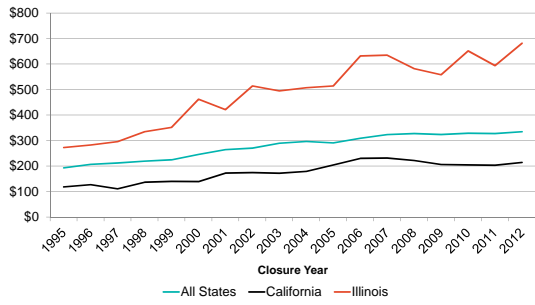
Source: Jury Verdict Research

Physician Claim Severity
Average CWI (\$000's)



Source: NPDB

Physician Claim Severity
Average CWI (\$000's)



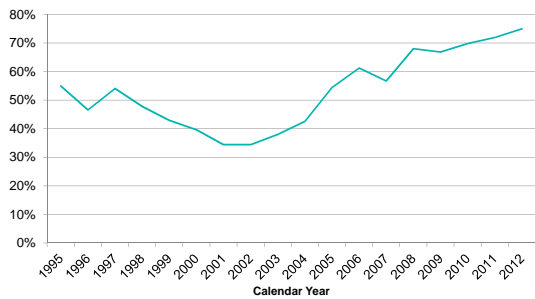
Source: NPDB

Severity

Part II – Expense Severity

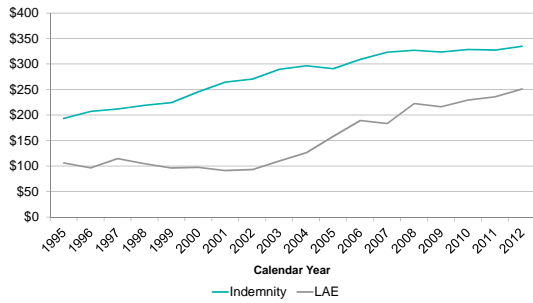
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Medical Professional Liability
Ratio of LAE to Loss



Source: A.M. Best Aggregates & Averages

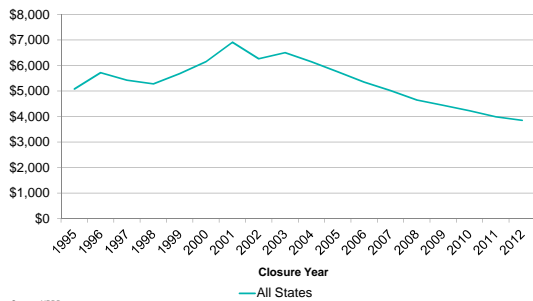
Average Amount Paid per CWI (\$000's)



Pure Premiums

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**Physician Pure Premium
Indemnity Only**



Source: NPDB

So ...?

- Frequency
 - ... how low can it go?
 - ... are we there yet?
- Severity - indemnity
 - Nuisance claims no longer a ballast
 - Large judgments/settlements
- Severity – expense
 - ... how high can it go?
 - Will it continue to out pace indemnity?
- The Affordable Care Act
 - It will likely have an impact, but for better or worse?
 - Stay tuned ...

Sources

- National Practitioners Data Bank
 - Closure year data
 - Indemnity only
 - Subset - includes only physicians and surgeons
- CDC/NCHS
 - Number of ambulatory visits by year
 - U.S. population
- Statistical Abstract of the United States
 - Active physicians by year and state
- A.M. Best's Aggregates & Averages
 - Ratios of LAE to loss

Questions?
