



Basics of Medical Professional Liability Reserving

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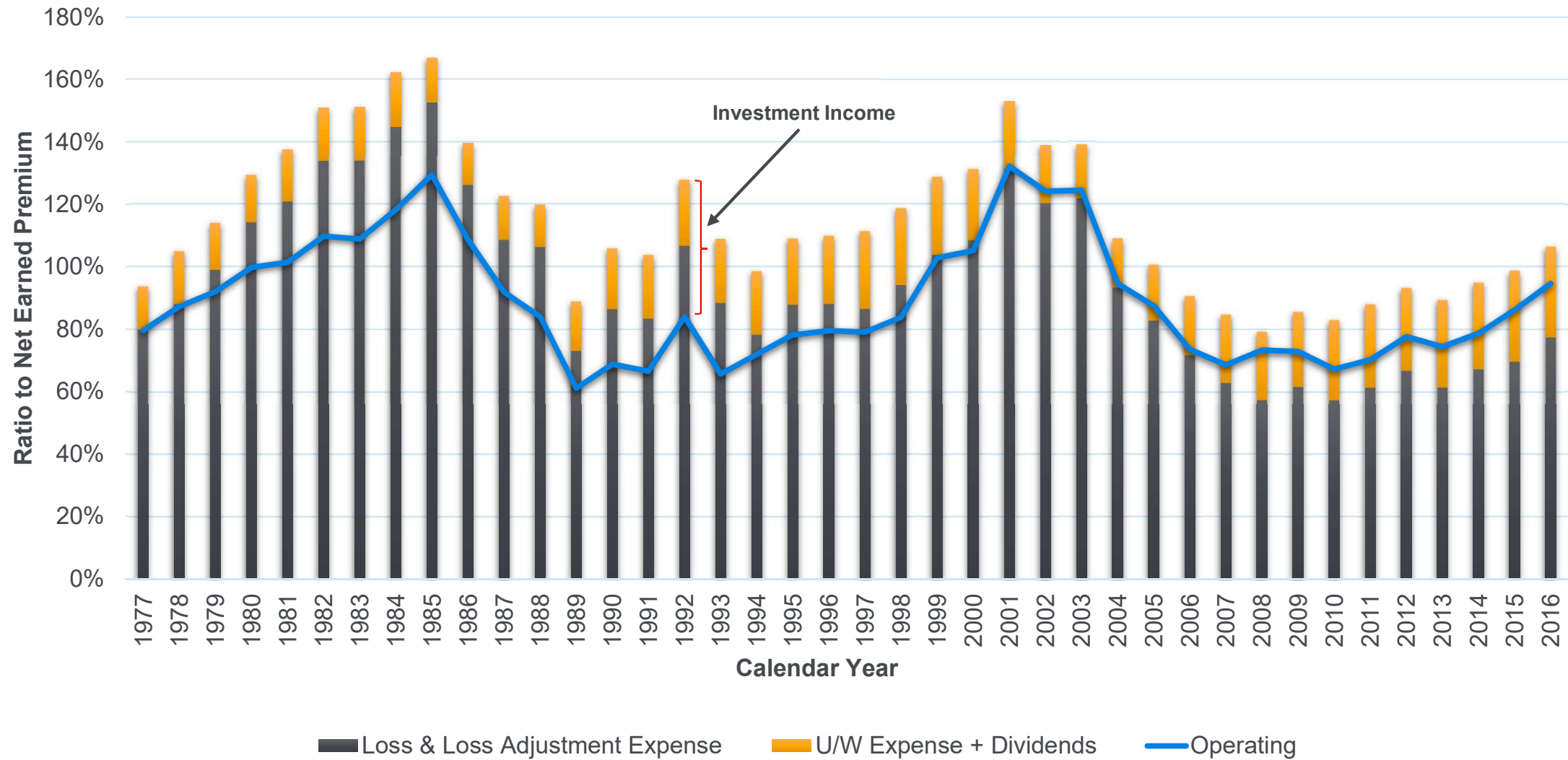
Agenda

- ❑ **A Look Back at the MPL Market**
 - ❑ 15 Year Timeline of MPL Results and Trends
 - ❑ Prior Year Reserve Development
 - ❑ Industry Premium / Rates
- ❑ **Other Considerations When Reserving MPL**
 - ❑ Type of Policy / Exposure
 - ❑ Trends
 - ❑ Policy Limits
 - ❑ Geography

Timeline of the Physician MPL Insurance Market

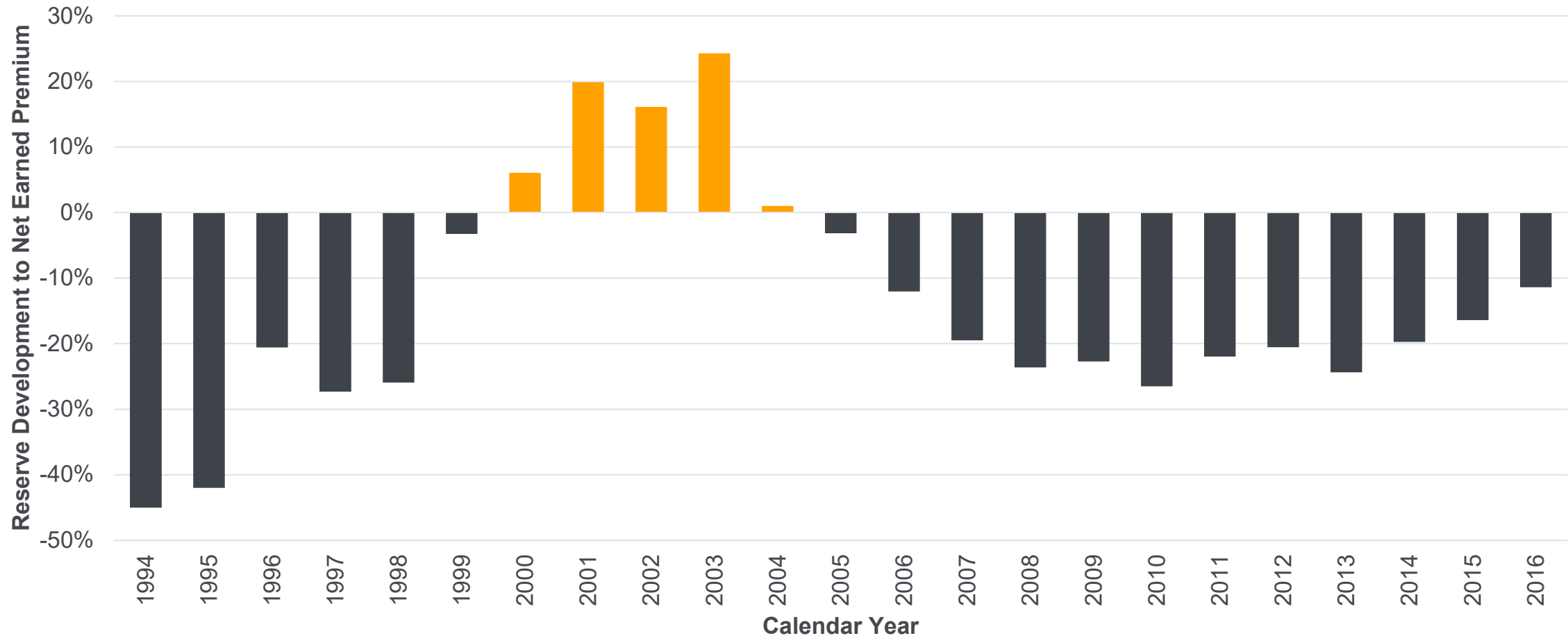
- ❑ **2000 – 2003: Adverse Reserve Development**
- ❑ **2002 – 2006: Rate Strengthening**
- ❑ **2003 – 2005: Significant Claim Frequency Decreases**
- ❑ **2005 +: Reserve Releases**
- ❑ **2006 +: Soft Market**
- ❑ **2008 +: Still Profitable but Increasing Combined Ratio**

National Market MPL Profitability



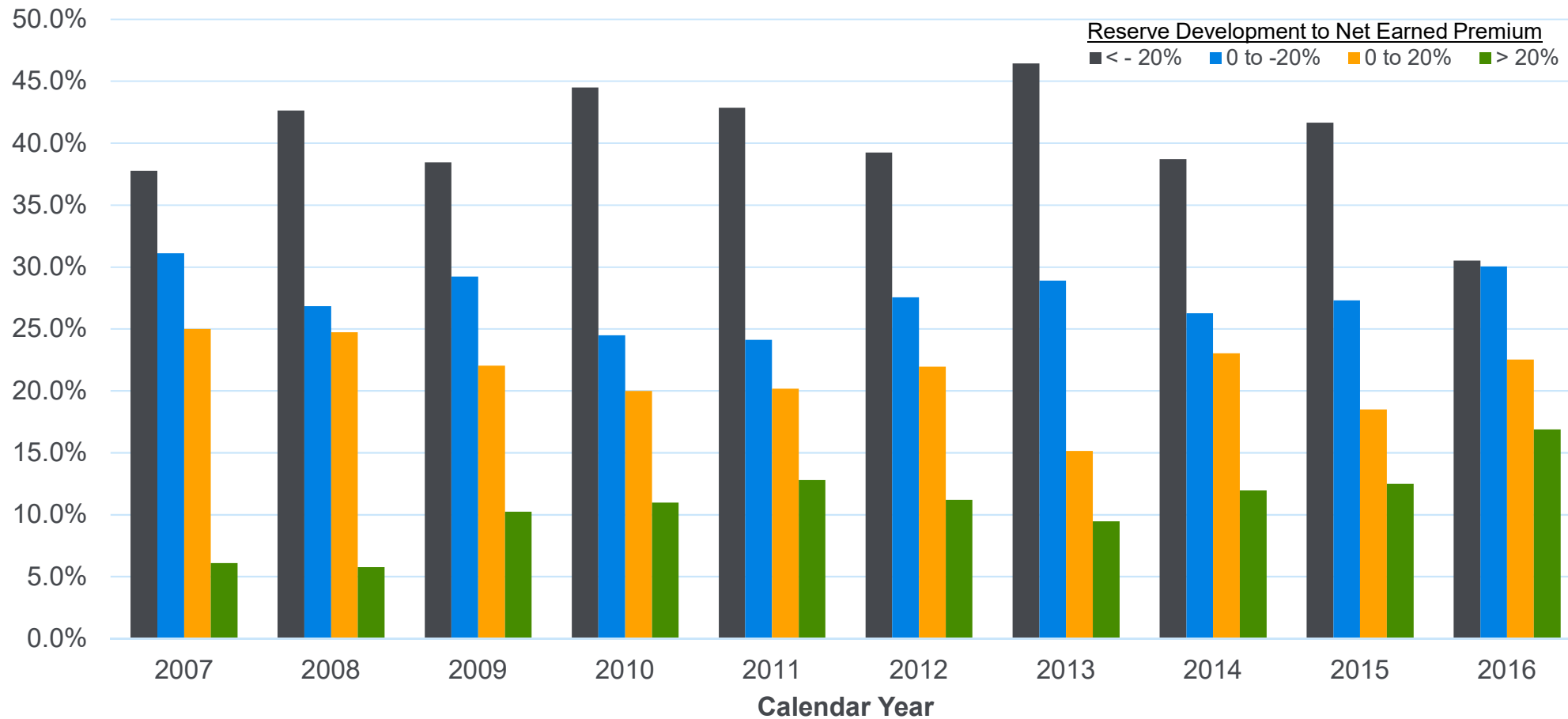
National Market

One Year Reserve Development to Net Earned Premium - Industry



National Market

Percentage of Companies With Reserve Releases or Development

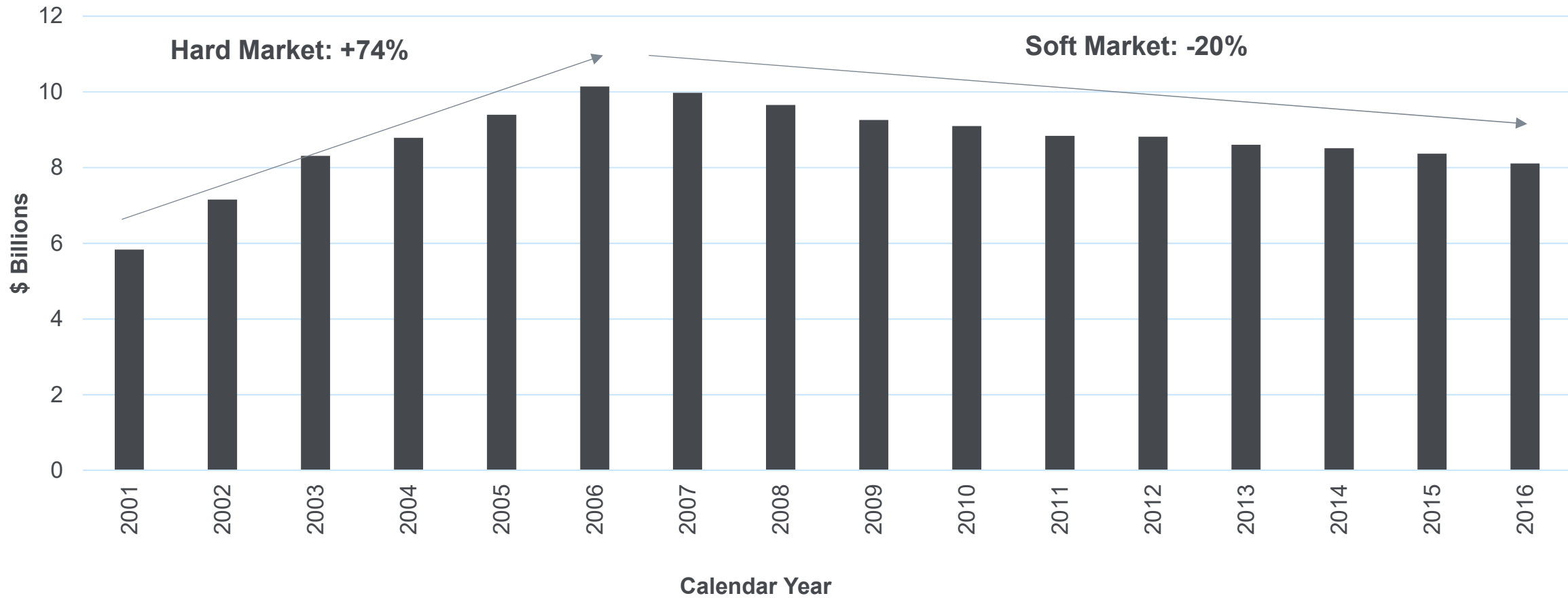


Notes:

1. Milliman analysis of Statutory Financial data for Medical Professional Liability writers as of each year-end.

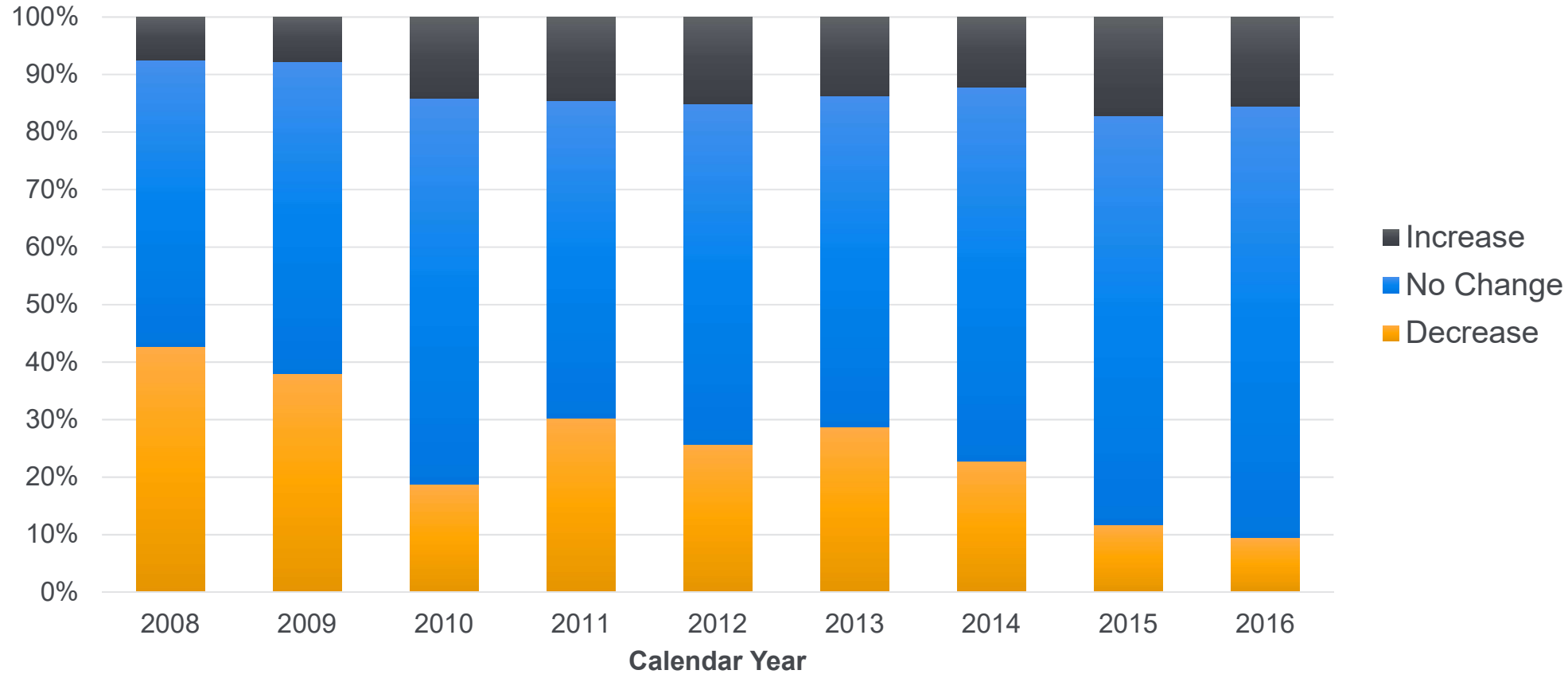
National Market

Industry MPL Net Earned Premium



Rate Change History – MPL Industry

Percentage of Companies With Rate Increases or Decreases



Notes:

1. Industry data is from the Medical Liability Monitor October 2016 issue.

Types of Physician Policies

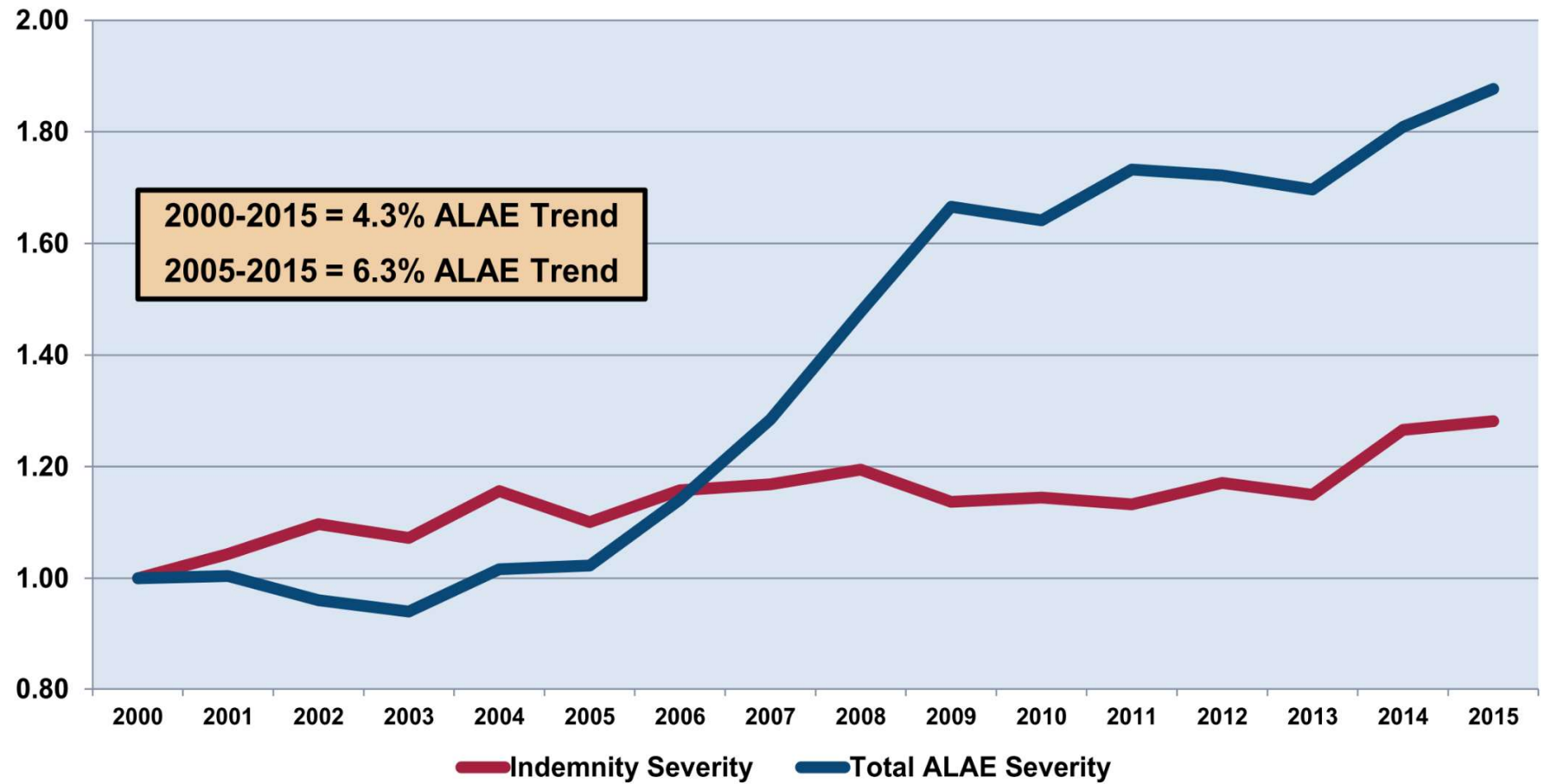
- Claims-Made
- Nose vs Tail (Extended Reporting)
- DDR
- Occurrence

Exposure Base

- Individual Physicians / Other Medical Providers
- Medical Groups
- Hospitals and Other Healthcare Facilities

Trends

- Frequency
- Loss Severity
 - \$1M Limited Losses
 - Excess \$1M Losses
- ALAE Severity



Note: Countrywide severity by claim closure year, relative to 2000
 Sources: Milliman analysis of PIAA Claim Trend Analysis; 2012 Edition
 Milliman analysis of PIAA Closed Claim Comparative; multiple editions

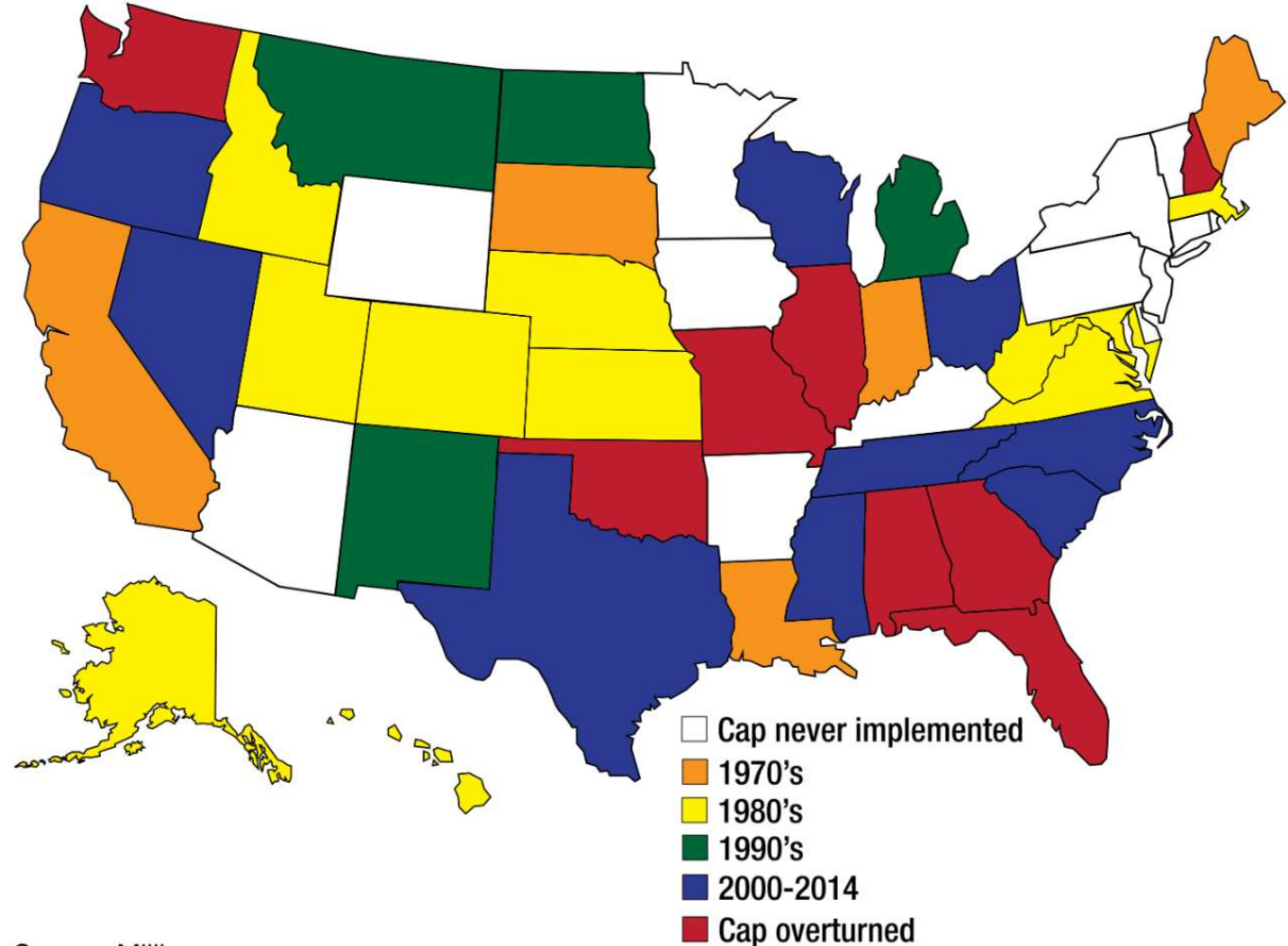
Policy Limits

- Per Claim vs Per Event
- Systemic Losses
- ALAE Treatment
- Reinsurance
 - Excess of Loss
 - ECO / XPL
 - Attachment Point

Liability Environment by State

- ❑ Caps on Damages
- ❑ Patient Compensation Funds
- ❑ Liability Environment
 - ❑ Variability Within a State

Implementation of MPL Damage Caps by State



Source: Milliman



Thank you

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