

2019 Seminar on Reinsurance C-5: Current Issues and Trends in Medical Malpractice Liability and Beyond

June 2019

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Reinsurance Solutions



2018 Direct Written Premium – Physicians

DWP by Company - Physicians

Company	2018		2017	
	DWP (\$)	DWP (%)	DWP (\$)	DWP (%)
Berkshire Hathaway Inc. (SNL P&C Group)	998,128	19.7%	1,052,538	20.5%
The Doctors Co. (SNL P&C Group)	607,757	12.0%	623,873	12.1%
NORCAL (SNL P&C Group)	332,644	6.6%	325,248	6.3%
Coverys (SNL P&C Group)	325,228	6.4%	310,536	6.0%
ProAssurance Corp. (SNL P&C Group)	313,488	6.2%	333,081	6.5%
MagMutual (SNL P&C Group)	261,923	5.2%	245,689	4.8%
ISMIE (SNL P&C Group)	152,128	3.0%	157,633	3.1%
Physicians' Recpl Insurers	138,184	2.7%	152,043	3.0%
Medical Mutual Holdings Inc. (SNL P&C Group)	121,855	2.4%	134,413	2.6%
MMIC Insurance (SNL P&C Group)	120,177	2.4%	113,647	2.2%
Hospitals Insurance Co.	114,600	2.3%	107,663	2.1%
State Volunteer Mutual	113,236	2.2%	119,313	2.3%
MICA (SNL P&C Group)	96,978	1.9%	103,601	2.0%
Medical Mutual (MD) (SNL P&C Group)	86,246	1.7%	96,289	1.9%
Academic Hlth Professionals	75,940	1.5%	57,444	1.1%
Physicians Insurance (SNL P&C Group)	74,449	1.5%	66,359	1.3%
COPIC (SNL P&C Group)	71,531	1.4%	70,475	1.4%
Applied Medico-Legal Solutions	61,437	1.2%	62,502	1.2%
CNA (SNL P&C Group)	56,673	1.1%	56,336	1.1%
Medical Ins Exchange of CA	50,142	1.0%	53,472	1.0%
Total	5,069,302	100.0%	5,145,185	100.0%

Physicians professional liability
premium down 1.5% in 2018

Source: Analysis of SNL Data; Supplement A to Schedule T as of 5/6/2019

2018 Direct Written Premium – Hospitals

DWP by Company - Hospitals

Company	2018		2017	
	DWP (\$)	DWP (%)	DWP (\$)	DWP (%)
MCIC VT (A Reciprocal RRG)	339,917	18.3%	334,601	19.1%
Berkshire Hathaway Inc. (SNL P&C Group)	189,740	10.2%	127,191	7.3%
Controlled Risk Ins Co. of VT	158,678	8.6%	151,086	8.6%
Hospitals Insurance Co.	104,461	5.6%	66,535	3.8%
Chubb (SNL P&C Group)	81,908	4.4%	75,268	4.3%
CNA (SNL P&C Group)	70,569	3.8%	66,964	3.8%
Coverys (SNL P&C Group)	57,580	3.1%	54,319	3.1%
Zurich (SNL P&C Group)	56,759	3.1%	80,699	4.6%
ProAssurance Corp. (SNL P&C Group)	49,429	2.7%	33,950	1.9%
Franklin Cas Ins Co. (A RRG)	48,533	2.6%	47,581	2.7%
Community Hospital Alternative	37,708	2.0%	40,650	2.3%
Mountain Laurel RRG Inc.	34,576	1.9%	32,497	1.9%
W. R. Berkley Corp. (SNL P&C Group)	32,021	1.7%	29,898	1.7%
Sompo (SNL P&C Group)	30,799	1.7%	26,464	1.5%
Healthcare Undrwtg Co. A RRG	30,718	1.7%	47,192	2.7%
Health Care Indemnity Inc.	28,888	1.6%	27,670	1.6%
Physicians' Recpl Insurers	28,668	1.5%	26,964	1.5%
Missouri Hospital Plan (SNL P&C Group)	28,032	1.5%	26,476	1.5%
Palladium RRG Inc.	25,391	1.4%	27,434	1.6%
CA Healthcare Ins Co. A RRG	24,539	1.3%	21,450	1.2%
Total	1,854,946	100.0%	1,752,734	100.0%

Hospitals professional liability
premium up 5.8% in 2018

Source: Analysis of SNL Data; Supplement A to Schedule T as of 5/6/2019

2018 Direct Written Premium – Other HC Professionals

DWP by Company - Other HC Professionals

Company	2018		2017	
	DWP (\$)	DWP (%)	DWP (\$)	DWP (%)
CNA (SNL P&C Group)	239,214	19.0%	245,449	19.5%
Berkshire Hathaway Inc. (SNL P&C Group)	192,706	15.3%	173,857	13.8%
ProAssurance Corp. (SNL P&C Group)	97,094	7.7%	99,540	7.9%
OMSNIC (SNL P&C Group)	94,270	7.5%	93,885	7.5%
Liberty Mutual (SNL P&C Group)	80,172	6.4%	78,975	6.3%
NCMIC (SNL P&C Group)	76,594	6.1%	75,433	6.0%
Alleghany (SNL P&C Group)	57,083	4.5%	49,102	3.9%
Chubb (SNL P&C Group)	45,630	3.6%	44,398	3.5%
Dentists Insurance Co.	44,625	3.5%	33,433	2.7%
W. R. Berkley Corp. (SNL P&C Group)	43,656	3.5%	39,392	3.1%
Aspen (SNL P&C Group)	41,794	3.3%	6,033	0.5%
Markel (SNL P&C Group)	28,726	2.3%	59,626	4.7%
The Cincinnati Insurance Cos. (SNL P&C Group)	25,460	2.0%	25,423	2.0%
The Doctors Co. (SNL P&C Group)	24,063	1.9%	22,200	1.8%
Pharmacists Mutual (SNL P&C Group)	24,046	1.9%	24,383	1.9%
Coverys (SNL P&C Group)	19,660	1.6%	16,162	1.3%
Allied Professionals Ins Co.	13,835	1.1%	14,908	1.2%
AIG (SNL P&C Group)	13,513	1.1%	58,032	4.6%
Medical Mutual (MD) (SNL P&C Group)	13,465	1.1%	21,239	1.7%
Eastern Dentists Ins Co. RRG	12,681	1.0%	12,487	1.0%
Total	1,257,698	100.0%	1,257,689	100.0%

Other healthcare professionals liability
premium flat in 2018

Source: Analysis of SNL Data; Supplement A to Schedule T as of 5/6/2019

2018 Direct Written Premium – Other HC Facilities

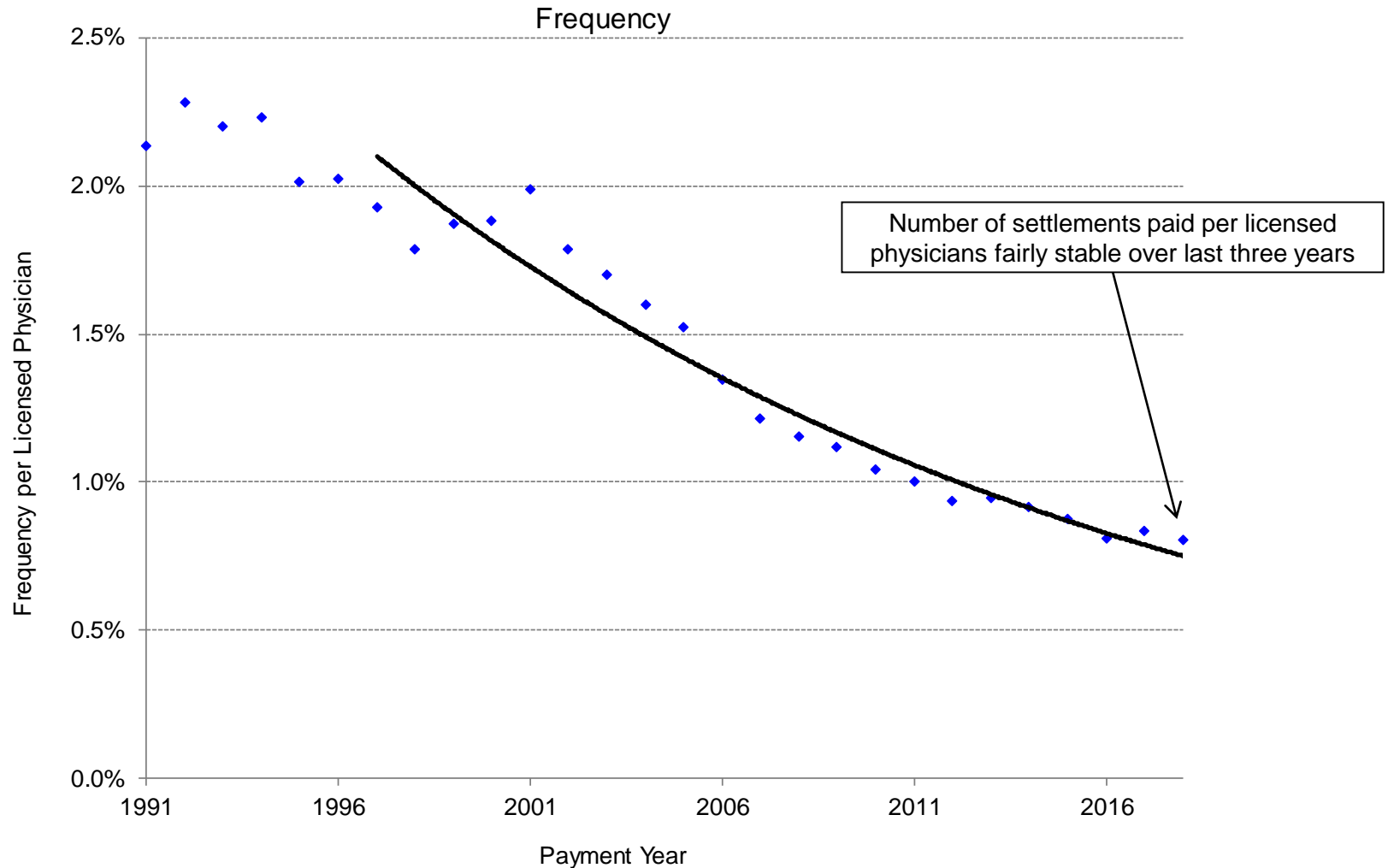
DWP by Company - Other HC Facilities

Company	2018		2017	
	DWP (\$)	DWP (%)	DWP (\$)	DWP (%)
Berkshire Hathaway Inc. (SNL P&C Group)	169,221	16.2%	133,399	14.9%
CNA (SNL P&C Group)	145,937	13.9%	105,025	11.8%
Liberty Mutual (SNL P&C Group)	71,728	6.8%	62,174	7.0%
AIG (SNL P&C Group)	54,419	5.2%	55,283	6.2%
HlthCare Industry Liab Recpl	51,568	4.9%	44,516	5.0%
Coverys (SNL P&C Group)	43,759	4.2%	32,619	3.7%
Arch Capital (SNL P&C Group)	42,909	4.1%	55,173	6.2%
Hallmark (SNL P&C Group)	42,016	4.0%	25,240	2.8%
The Doctors Co. (SNL P&C Group)	41,040	3.9%	23,709	2.7%
Markel (SNL P&C Group)	34,726	3.3%	5,325	0.6%
Alleghany (SNL P&C Group)	29,510	2.8%	28,993	3.2%
OneBeacon Insurance (SNL P&C Group)	24,672	2.4%	49,680	5.6%
AXIS (SNL P&C Group)	24,639	2.4%	15,752	1.8%
Fairfax Financial (SNL P&C Group)	21,799	2.1%	39,706	4.4%
Chubb (SNL P&C Group)	21,005	2.0%	20,612	2.3%
MMIC Insurance (SNL P&C Group)	16,996	1.6%	12,023	1.3%
Swiss Re (SNL P&C Group)	16,120	1.5%	5,875	0.7%
ProAssurance Corp. (SNL P&C Group)	14,829	1.4%	9,348	1.0%
Church Mutual (SNL P&C Group)	14,695	1.4%	10,981	1.2%
James River Group Hldgs Ltd. (SNL P&C Group)	14,317	1.4%	8,971	1.0%
Total	1,047,630	100.0%	893,327	100.0%

Other healthcare facilities liability
premium up 17.3% in 2018

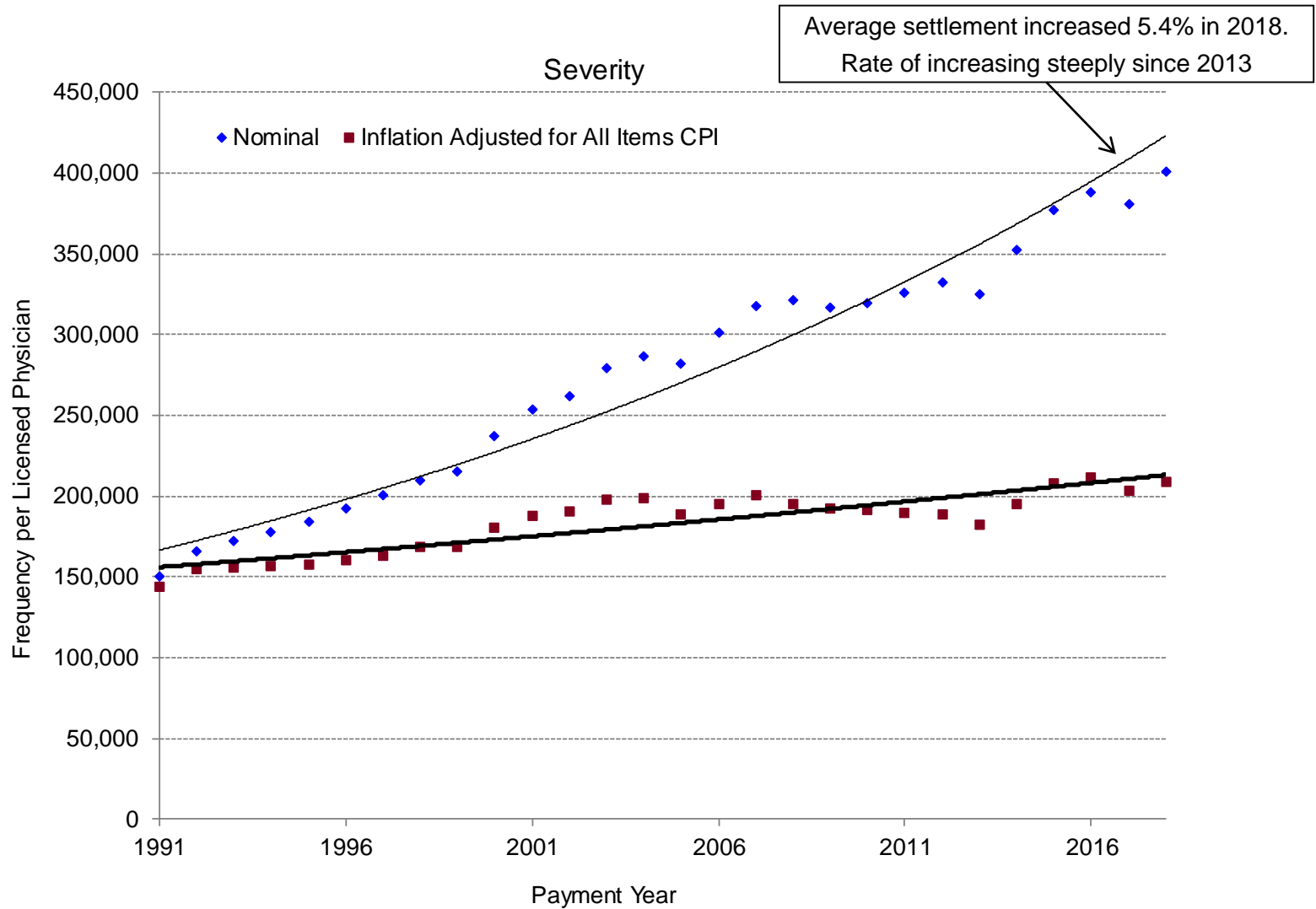
Source: Analysis of SNL Data; Supplement A to Schedule T as of 5/6/2019

Countrywide NPDB Payment Year Frequency per Licensed Physician



National Practitioner Data Bank Public Use File, 12/31/2018, U.S. Department of Health and Human Services, Health Resources and Services Administration, Bureau of Health Professionals, Office of Workforce Analysis and Quality Assurance, Division of Practitioner Data Banks Branch

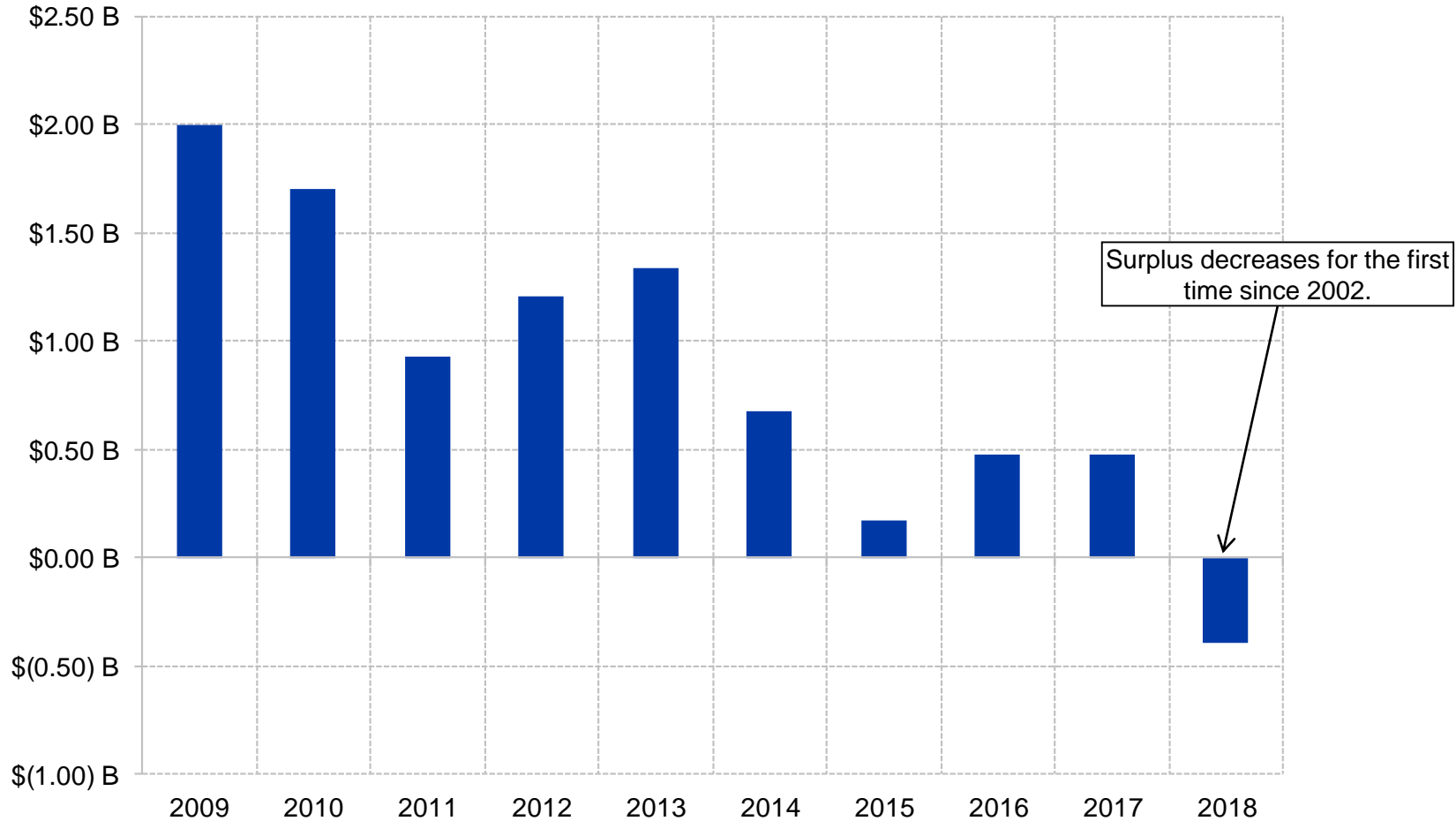
Countrywide NPDB Payment Year Severity



National Practitioner Data Bank Public Use File, 12/31/2018, U.S. Department of Health and Human Services, Health Resources and Services Administration, Bureau of Health Professionals, Office of Workforce Analysis and Quality Assurance, Division of Practitioner Data Banks Branch

2018 Growth in Policyholder Surplus

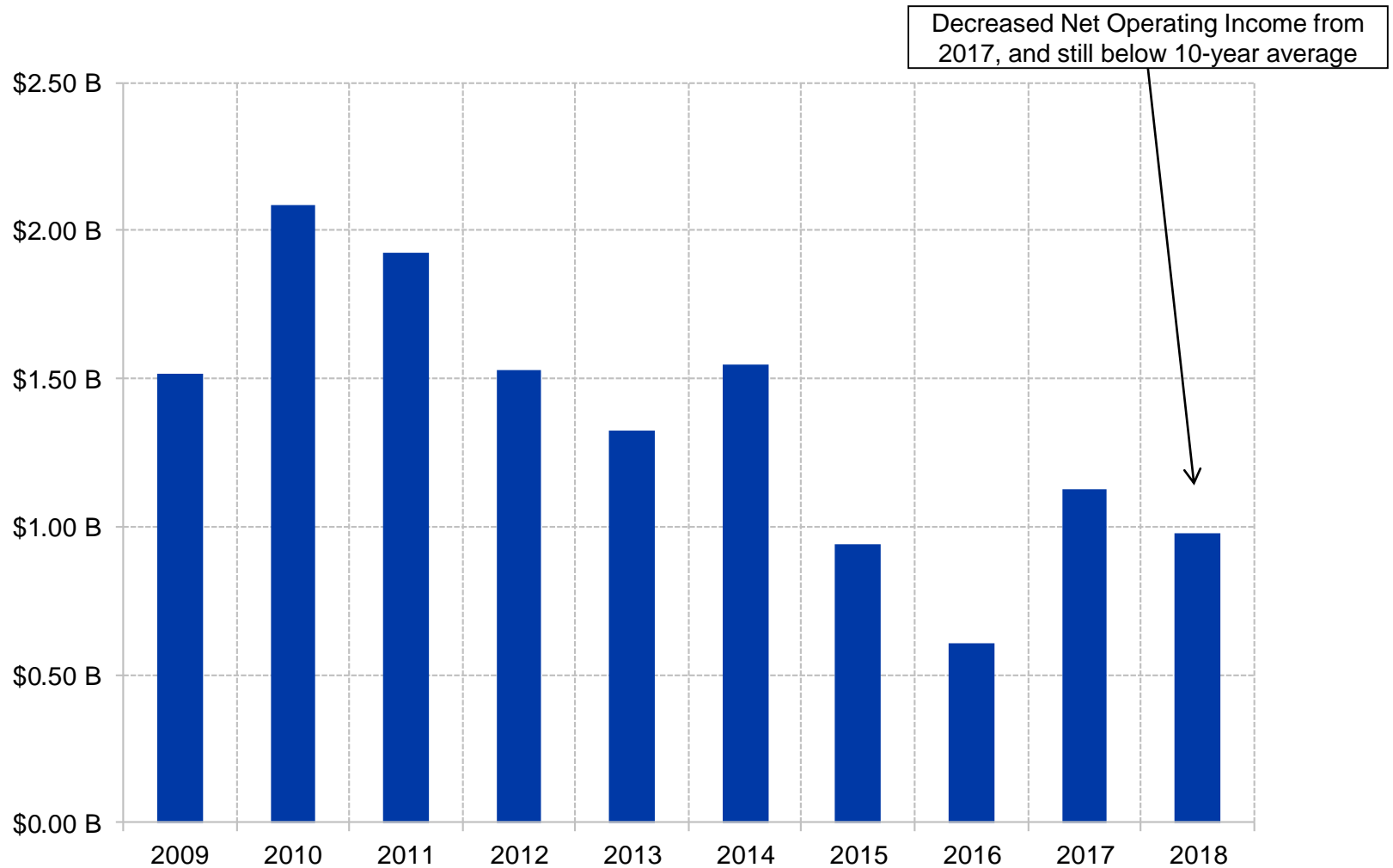
Medical Professional Liability Insurance Companies and RRG's



Source: Analysis of SNL Data 5/6/2019; Excludes Commercial Lines Carriers
Includes all entities with non-zero Direct Written Premiums in 2017 or 2018 Supplement "A" to Schedule T (as of 5/6/2019)

2018 Net Operating Income

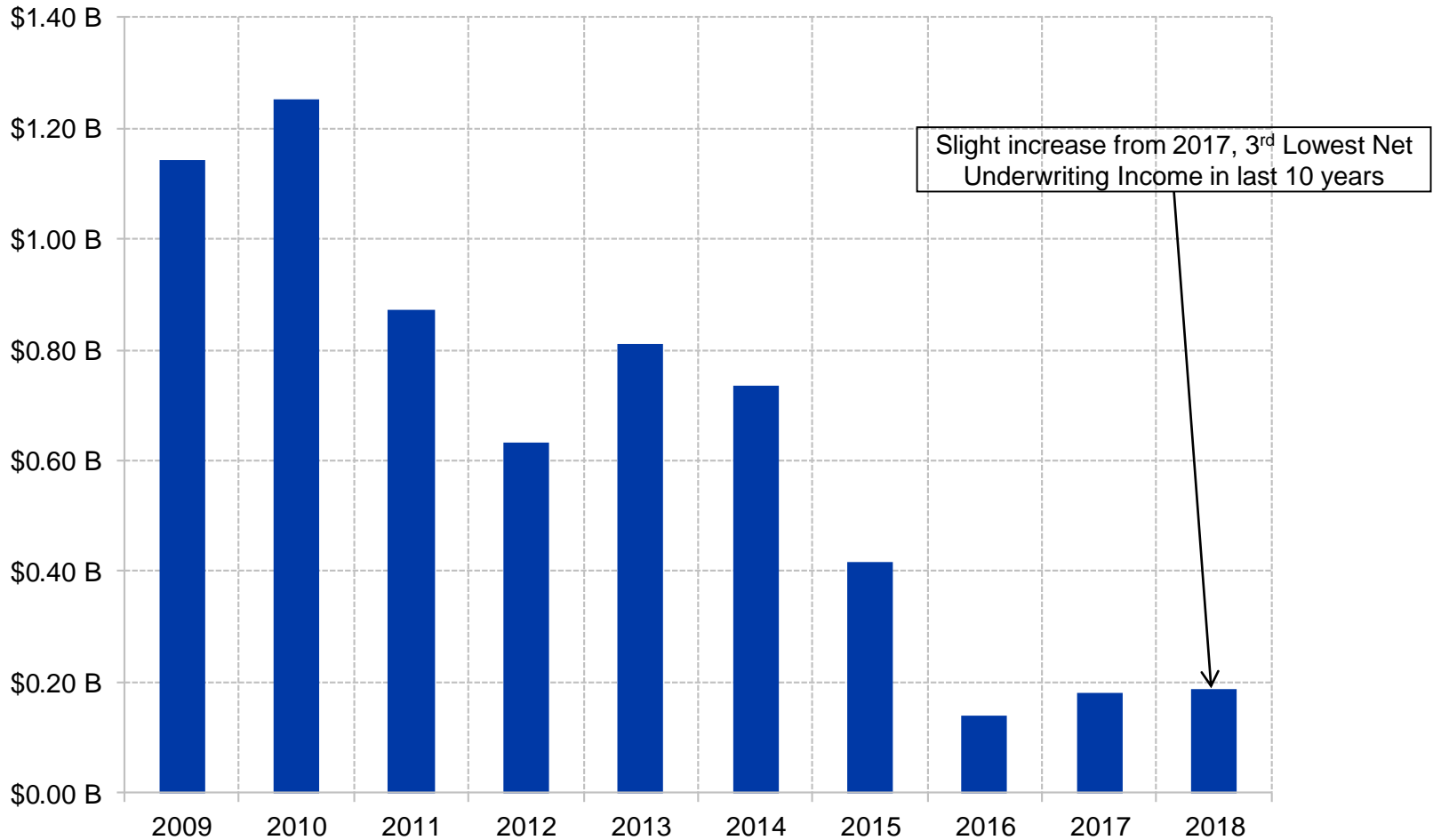
Medical Professional Liability Insurance Companies and RRG's



Source: Analysis of SNL Data 5/6/2019; Excludes Commercial Lines Carriers
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2018 Net Underwriting Income

Medical Professional Liability Insurance Companies and RRG's

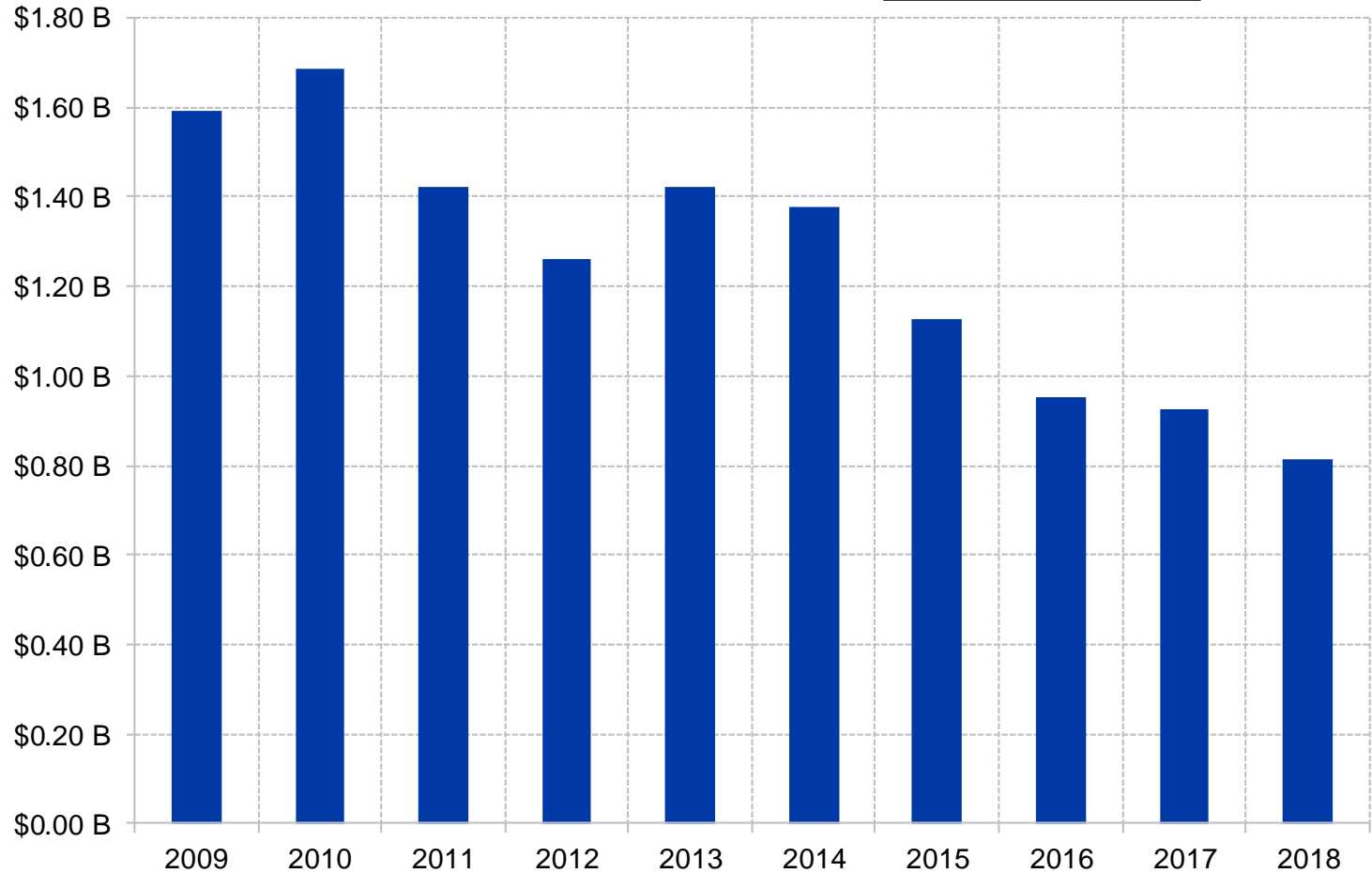


Source: Analysis of SNL Data 5/6/2019; Excludes Commercial Lines Carriers
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2018 Prior Year Reserves

Medical Professional Liability Insurance Companies and RRG's

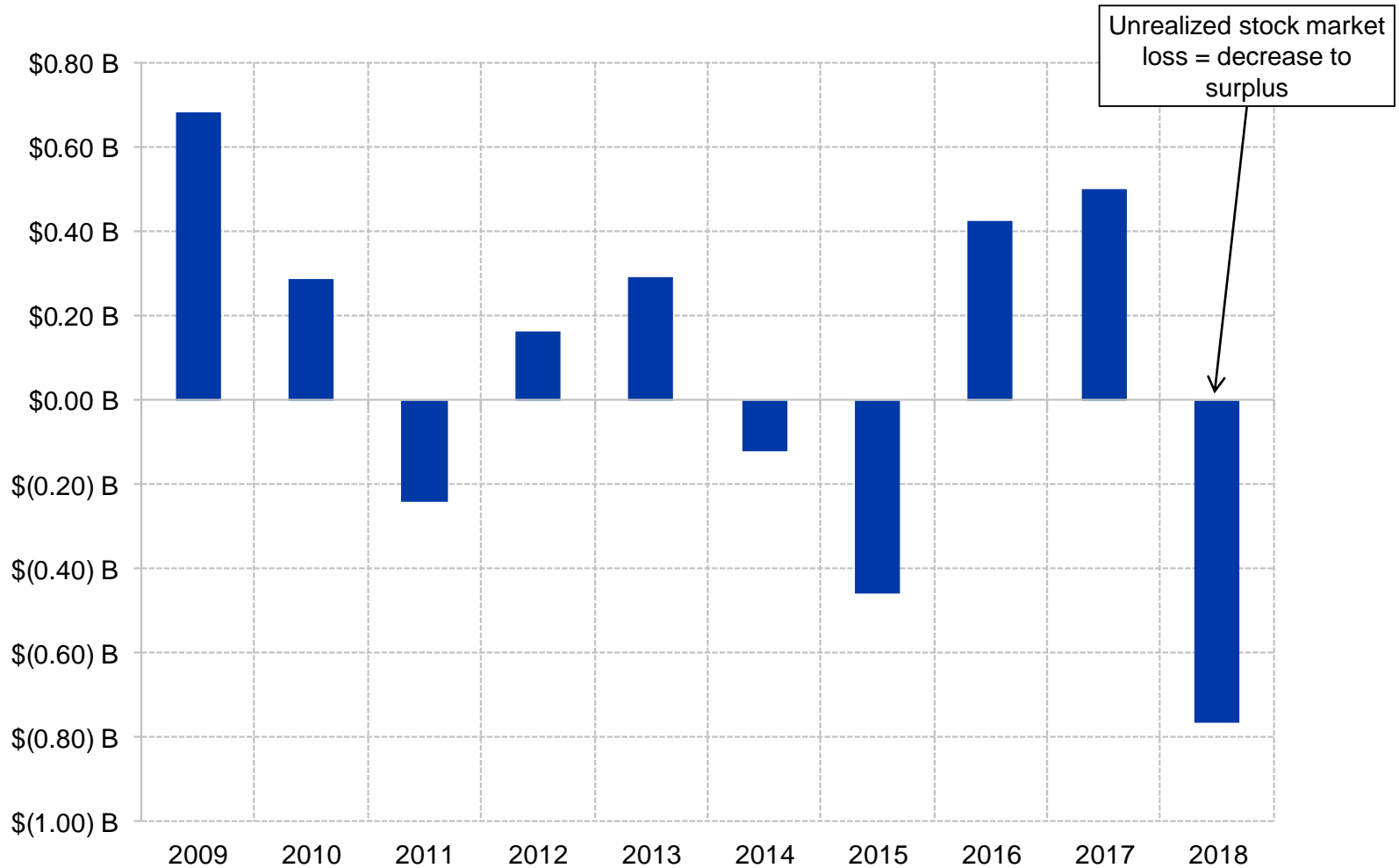
\$12.6 billion in reserves released since 2009



Source: Analysis of SNL Data 5/6/2019; Excludes Commercial Lines Carriers
Includes all entities with non-zero Direct Written Premiums in 2017 or 2018 Supplement "A" to Schedule T (as of 5/6/2019)

2018 Unrealized Capital Gains / (Losses)

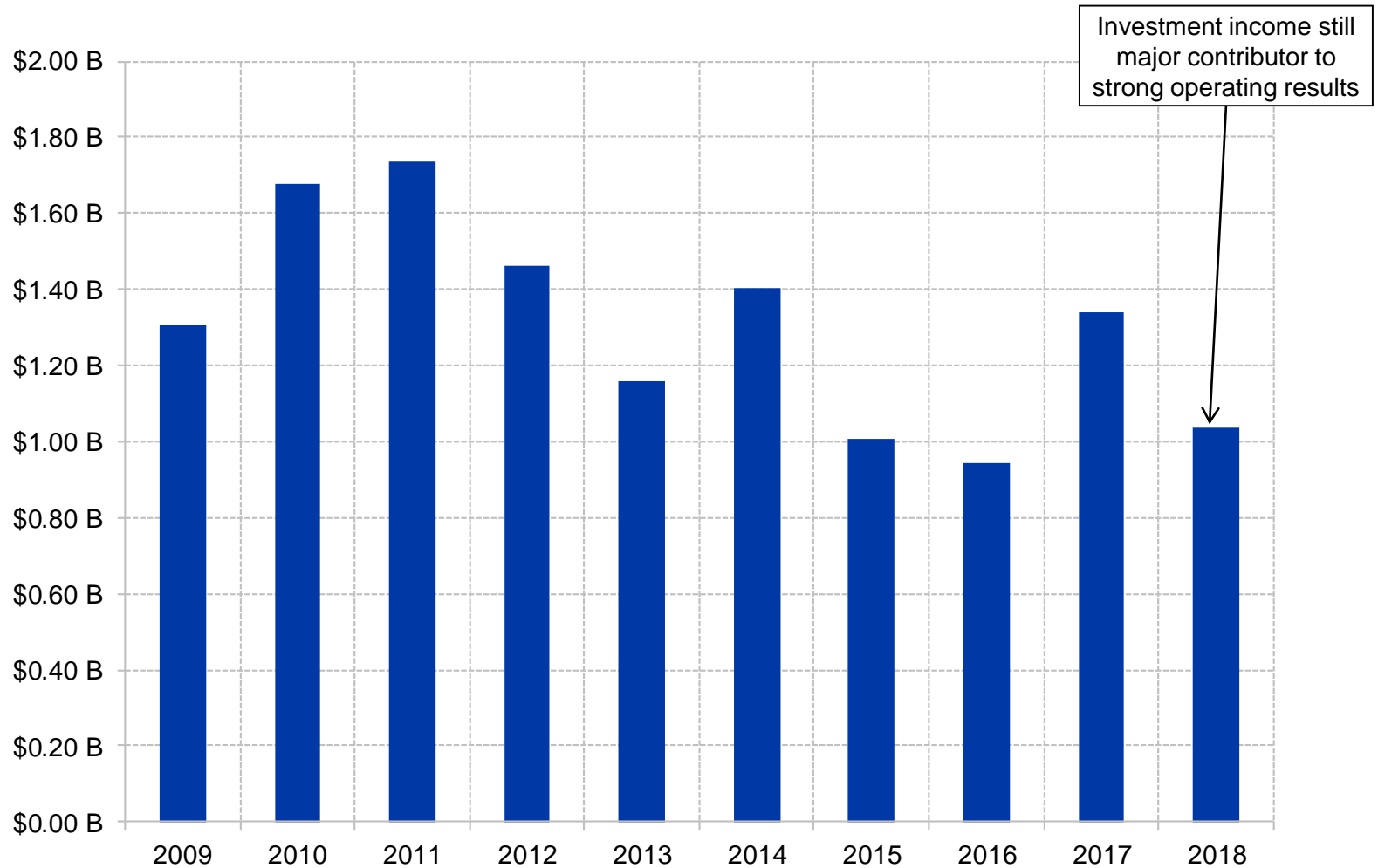
Medical Professional Liability Insurance Companies and RRG's



Source: Analysis of SNL Data 5/6/2019; Excludes Commercial Lines Carriers
Includes all entities with non-zero Direct Written Premiums in 2017 or 2018 Supplement "A" to Schedule T (as of 5/6/2019)

2018 Net Investment Income (incl. Realized Gain/Loss)

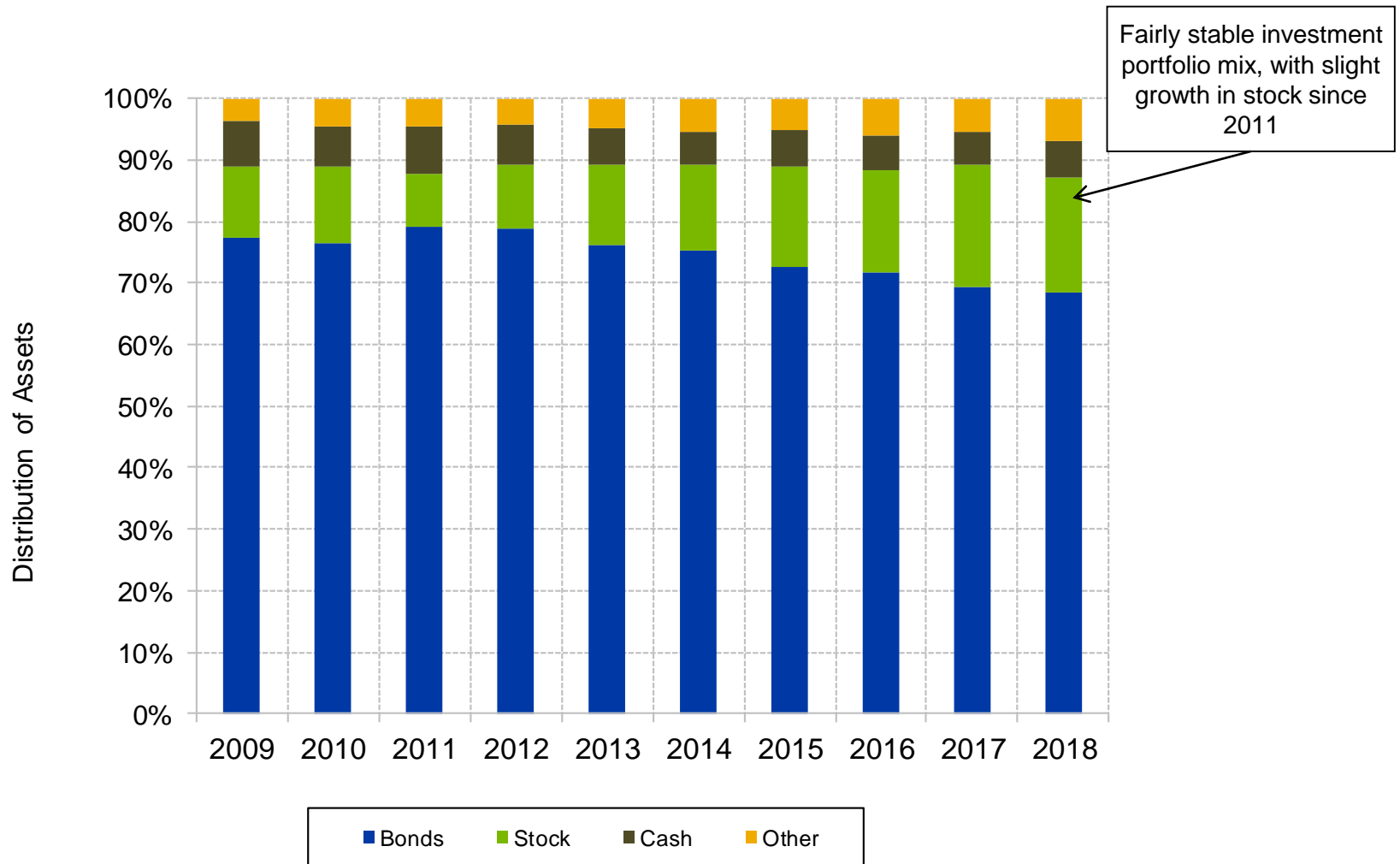
Medical Professional Liability Insurance Companies and RRG's



Source: Analysis of SNL Data 5/6/2019; Excludes Commercial Lines Carriers
Includes all entities with non-zero Direct Written Premiums in 2017 or 2018 Supplement "A" to Schedule T (as of 5/6/2019)

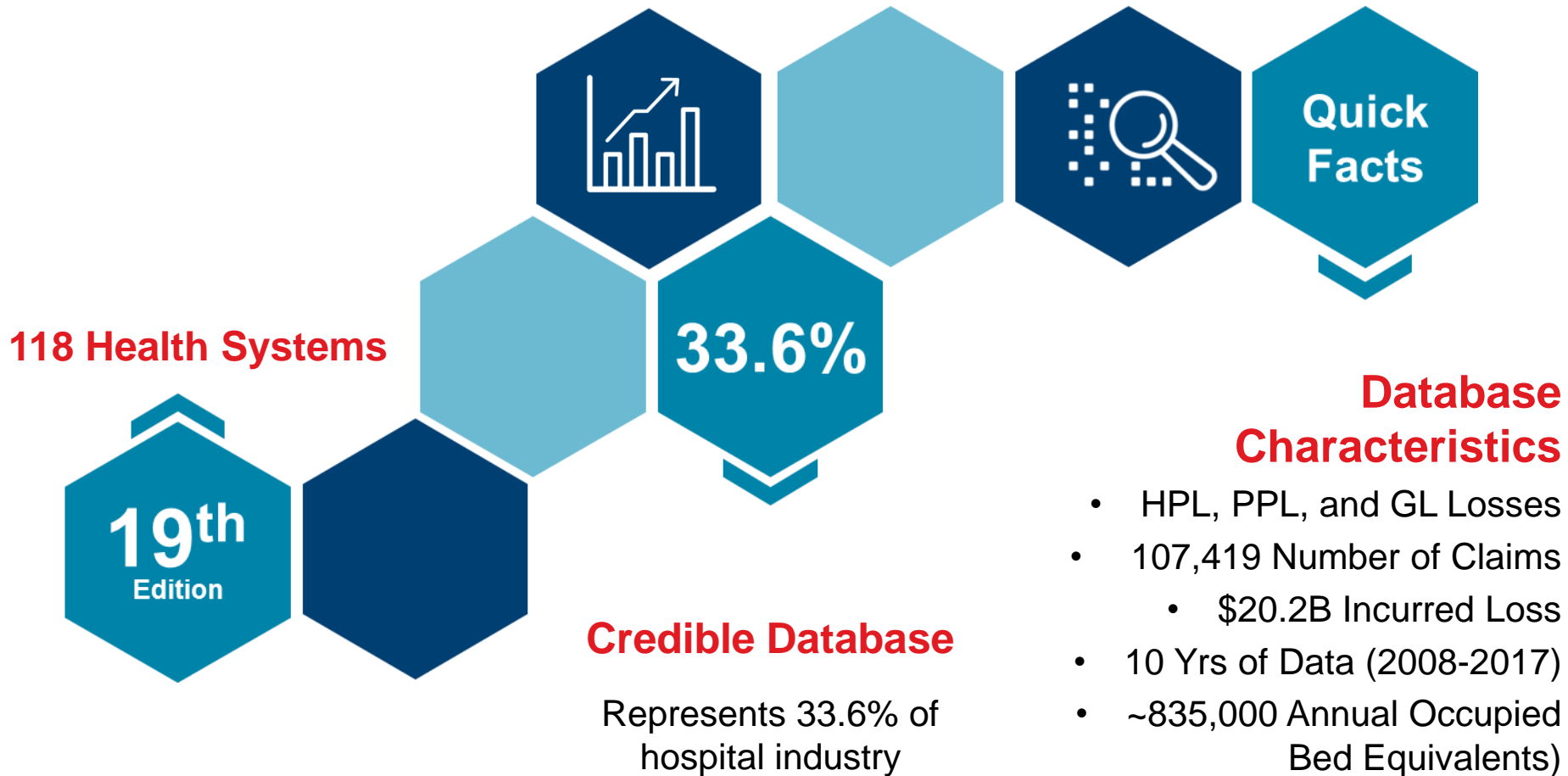
2018 Distribution of Invested Assets

Medical Professional Liability Insurance Companies and RRG's



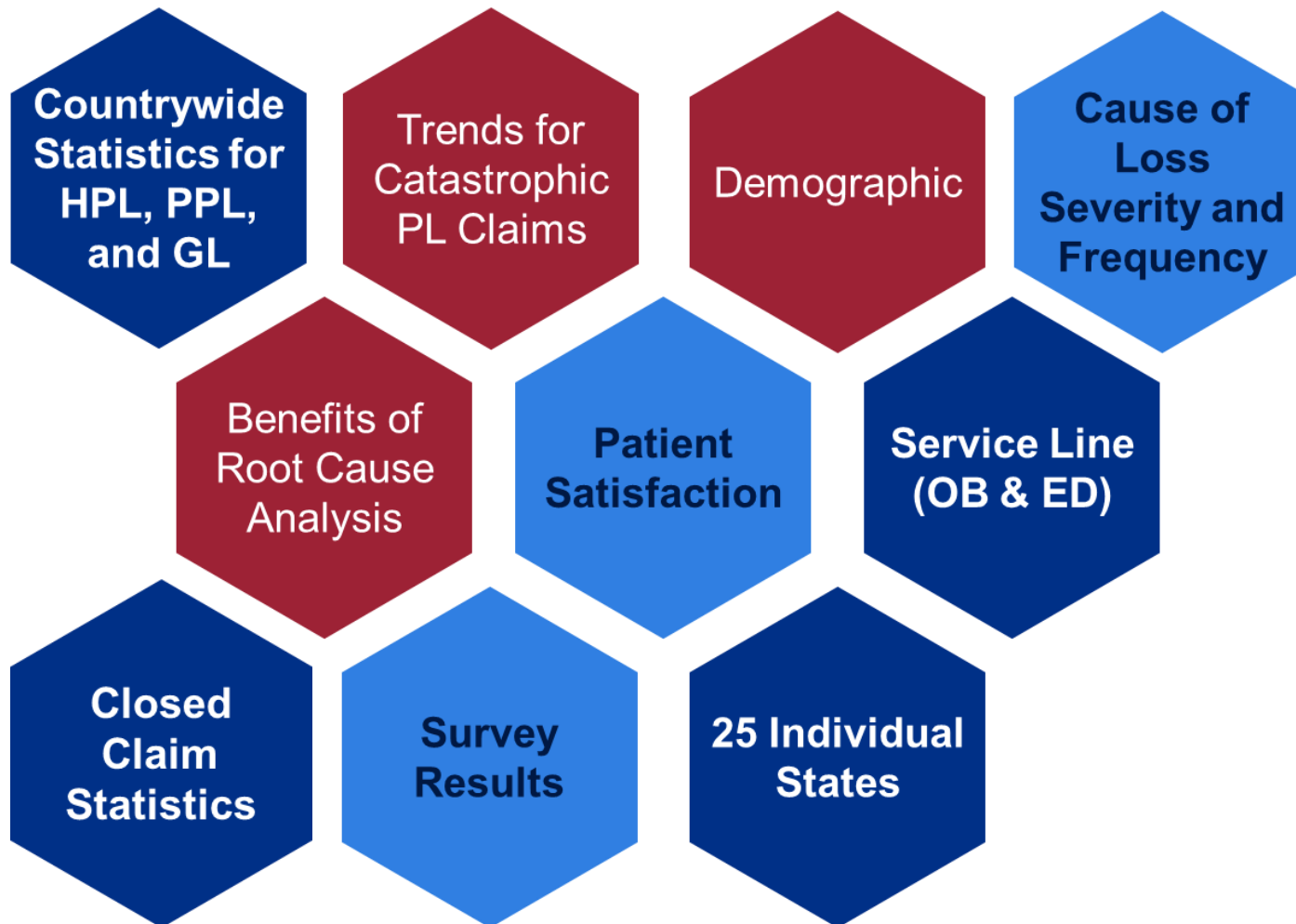
Source: Analysis of SNL Data 5/6/2019; Excludes Commercial Lines Carriers
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Overview of Participation – Aon/ASHRM 2018 Benchmark Study



Source: Aon/ASHRM Hospital and Physician Professional Liability Study, October 2018;
www.aon.com/hplreport

2018 Research Topics – Aon/ASHRM 2018 Benchmark Study



Source: Aon/ASHRM Hospital and Physician Professional Liability Study, October 2018;
www.aon.com/hplreport

Hospital Professional Liability – Loss Rate

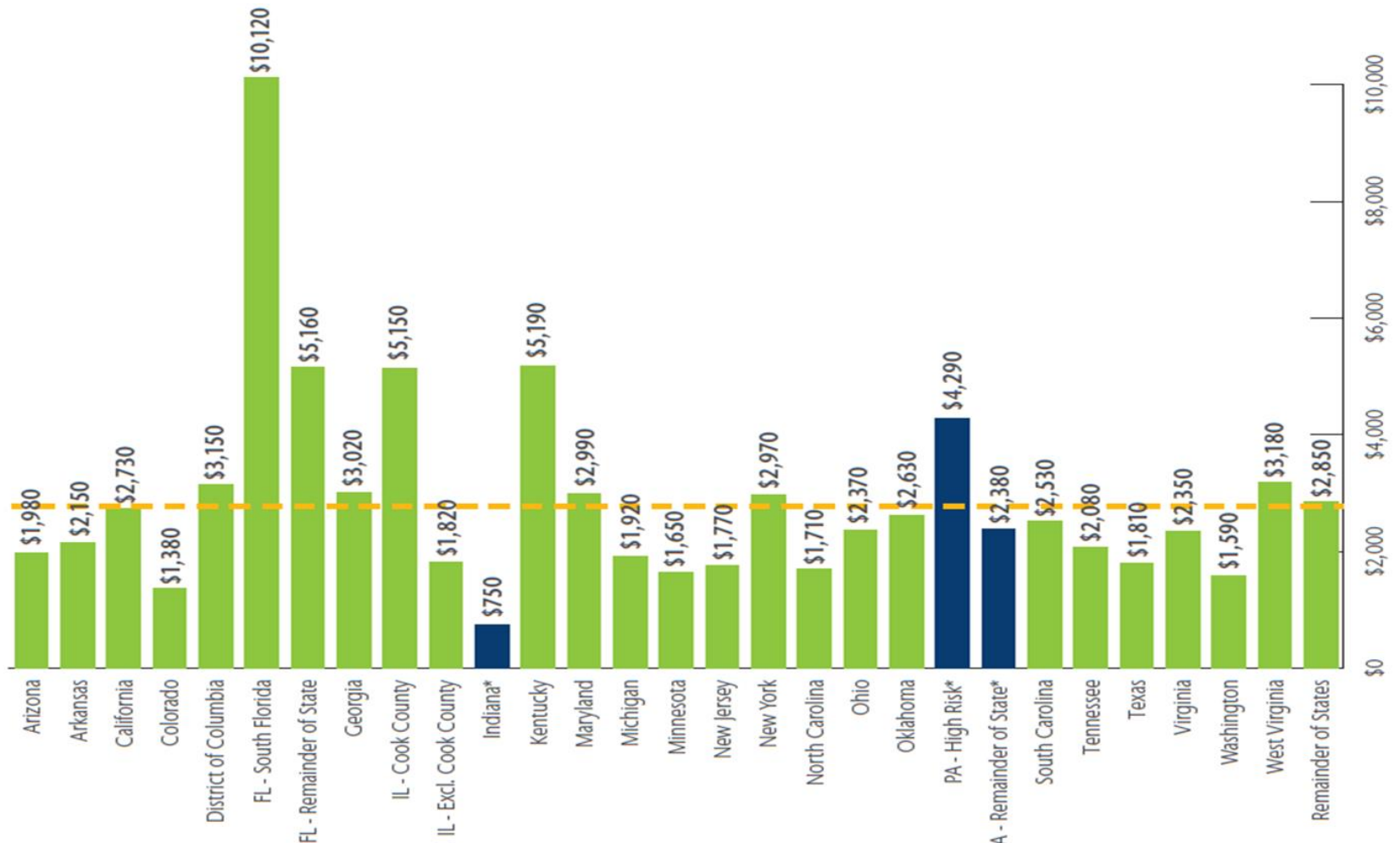
Cost of risk is increasing at an annual rate of 2%. This is driven by stable frequency and increasing severity.

Loss Rate per OBE Limited to \$2M per Occurrence



Source: Aon/ASHRM Hospital and Physician Professional Liability Study, October 2018;
www.aon.com/hplreport

State Statistics



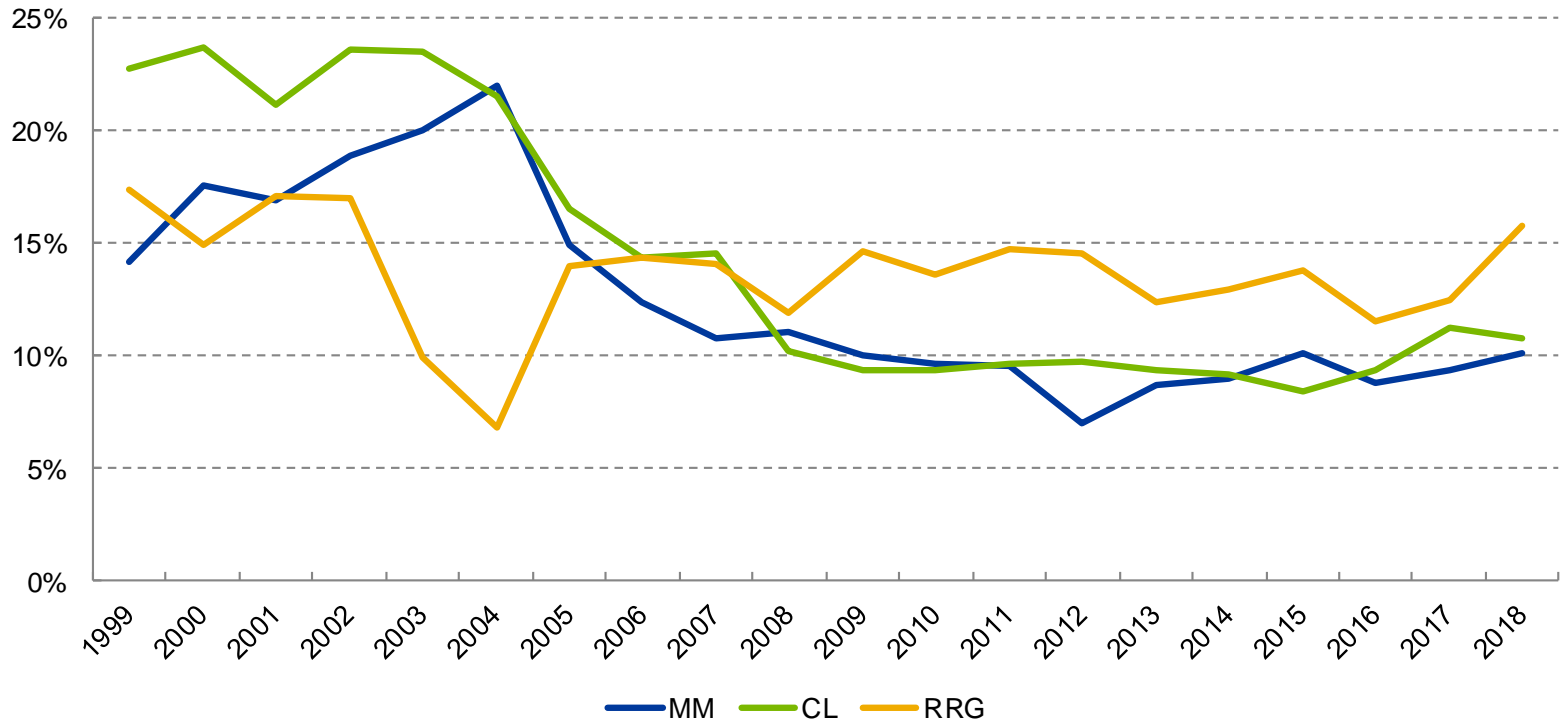
Source: Aon/ASHRM Hospital and Physician Professional Liability Study, October 2018;
www.aon.com/hplreport

Catastrophic Claims – Key Findings

- Large claims above \$5M and \$10M were studied for trends
- Frequency of catastrophic Medical Professional Liability claims has become more defined and trends at a higher rate than typical self-insured claims
- Drivers of the higher trend:
 - *Obstetrics claims*
 - *High Risk jurisdictions*
 - *Jurisdictions that are more litigious*

Historical Industry Calendar Year Ceded Premium

Percentage of Premium Ceded by Carrier Type



Source: Analysis of SNL Data 5/6/2019