



Recent Trends in Medical Professional Liability

Prepared for: 2018 CAS CLRS

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Principal & Consulting Actuary

Date: September 6, 2018

Agenda

- The Current Competitive Environment

- Loss Cost Components
 - Claim Frequency
 - Indemnity Severity
 - Defense Cost Severity

- The Financial Statement Effect

- Where Does That Leave Us?

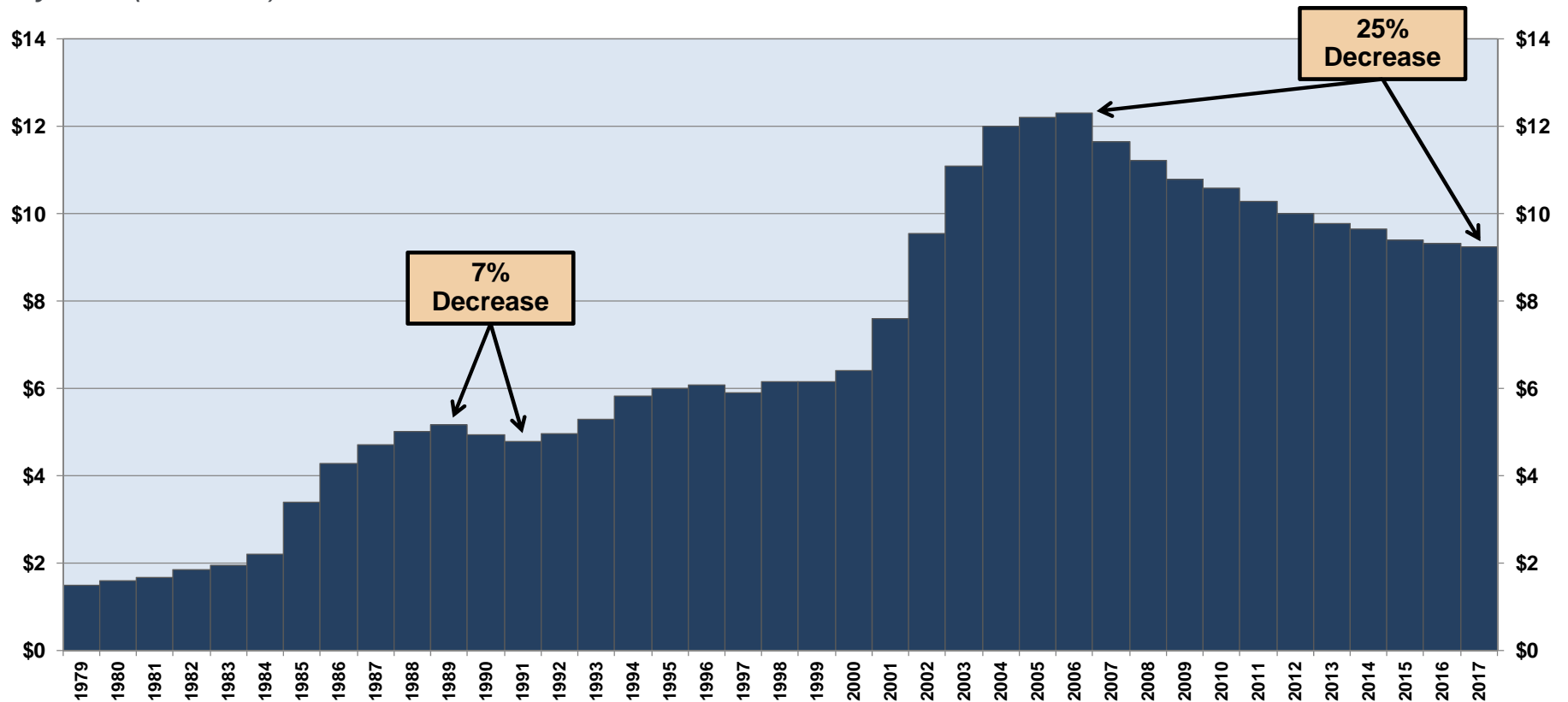
Topic #1

The Current Competitive Environment

The Current Competitive Environment

MPL Direct Written Premium

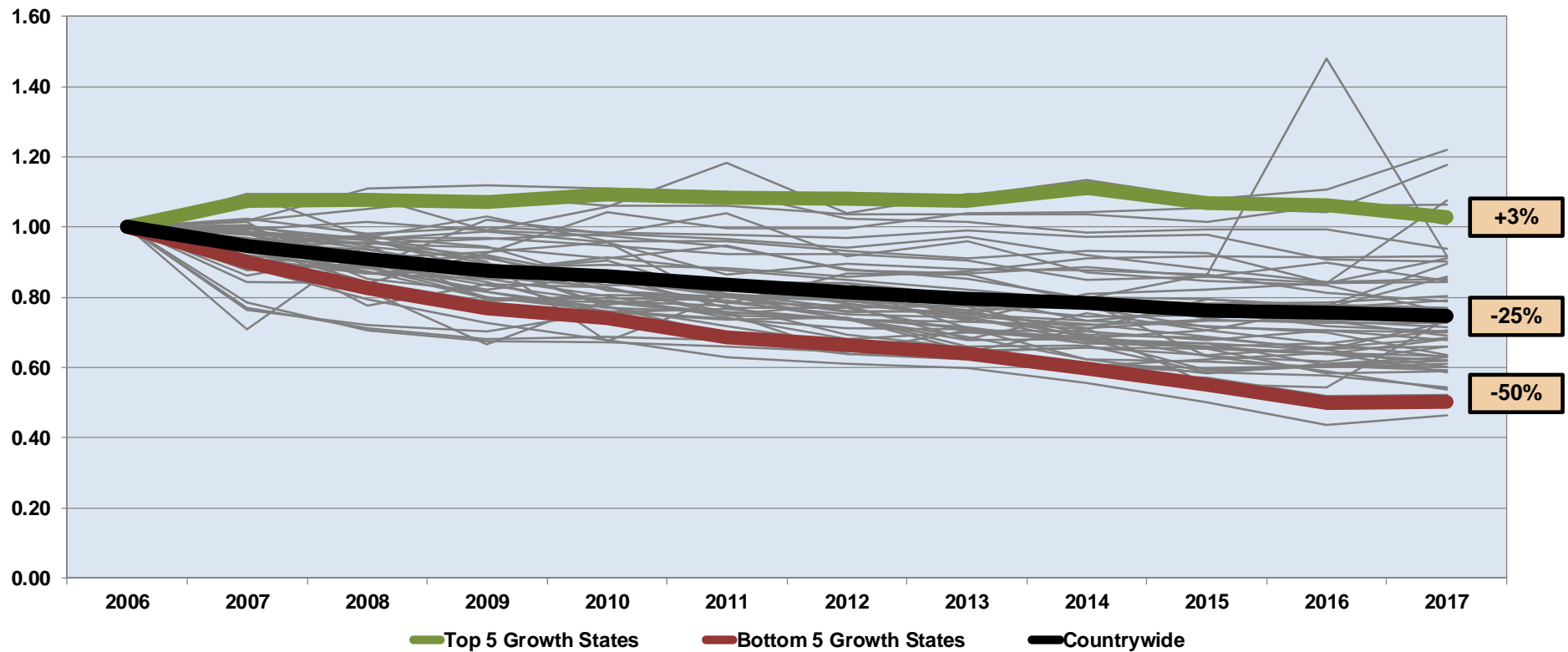
Countrywide (\$Billions)



The Current Competitive Environment

MPL Direct Written Premium

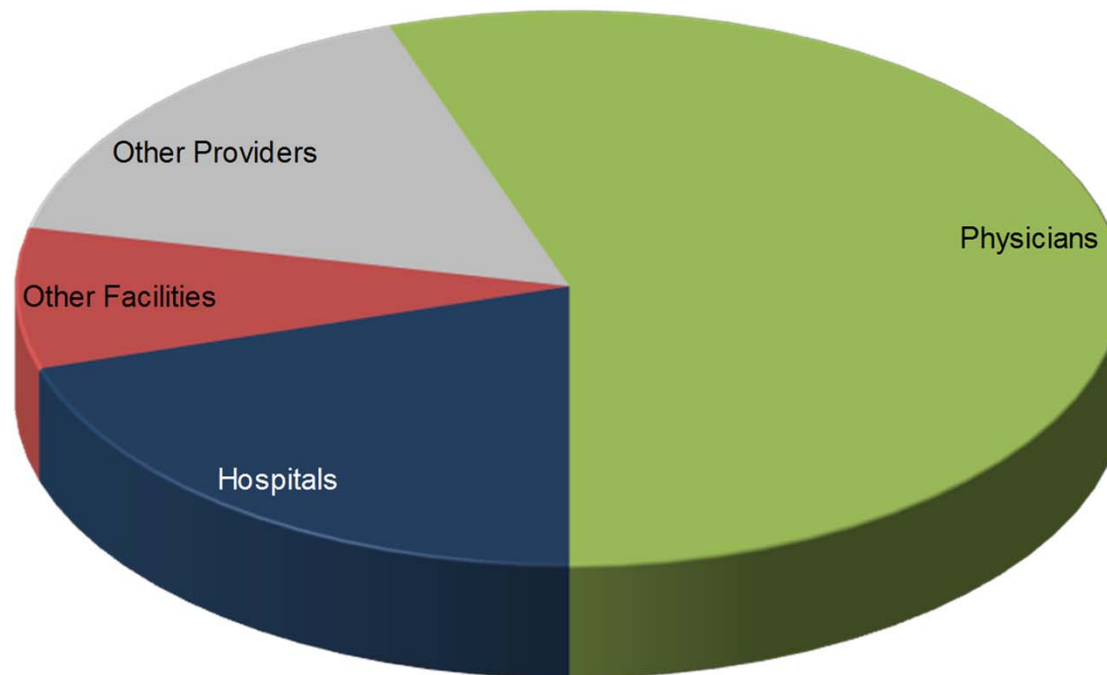
Variance by State, Relative to 2006



The Current Competitive Environment

Distribution of MPL DWP by Sub-Line

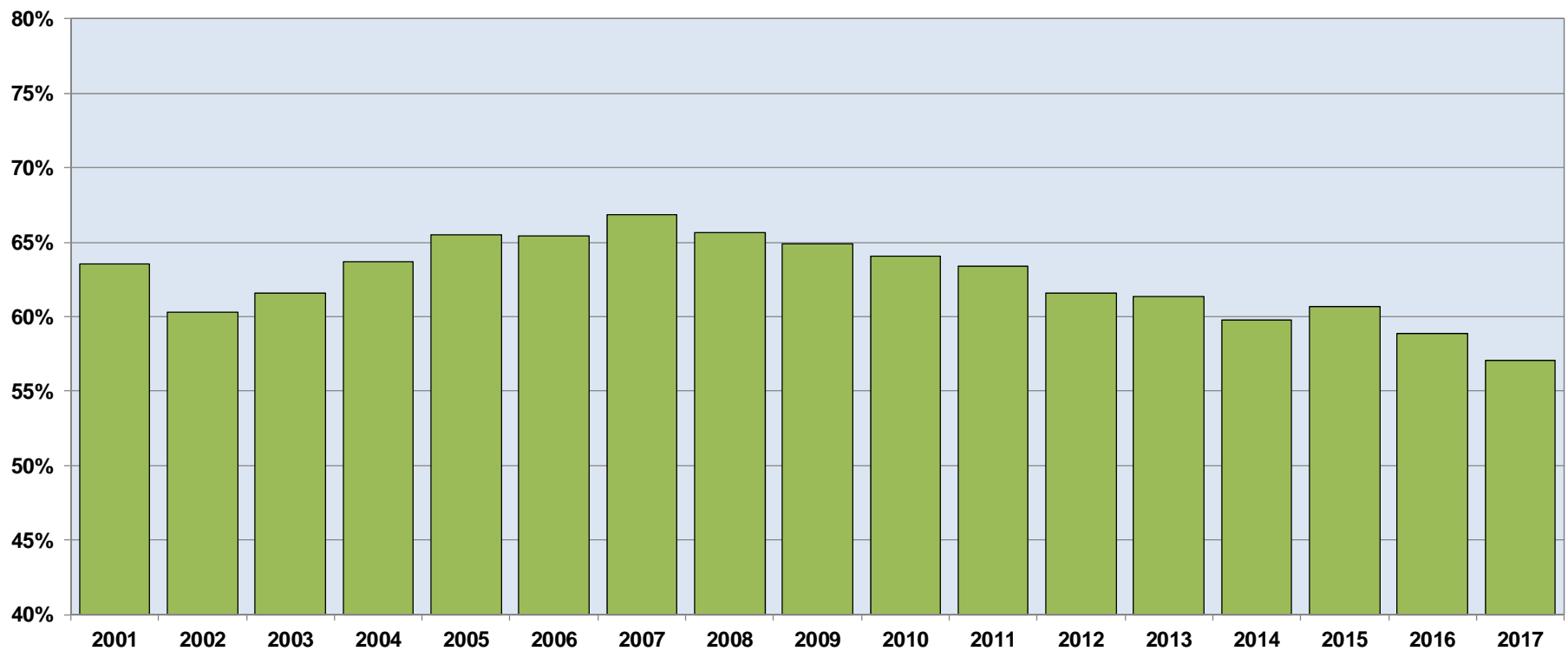
Countrywide, 2017



The Current Competitive Environment

PPL Share of Total MPL DWP

Countrywide

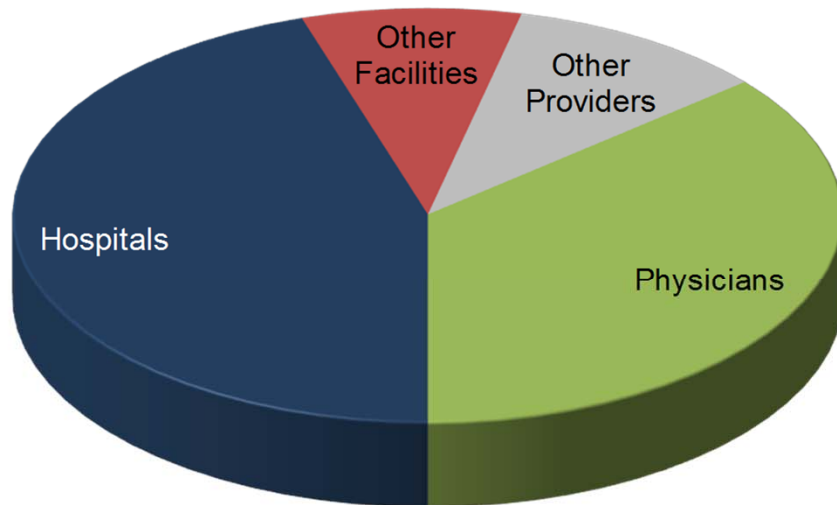


The Current Competitive Environment

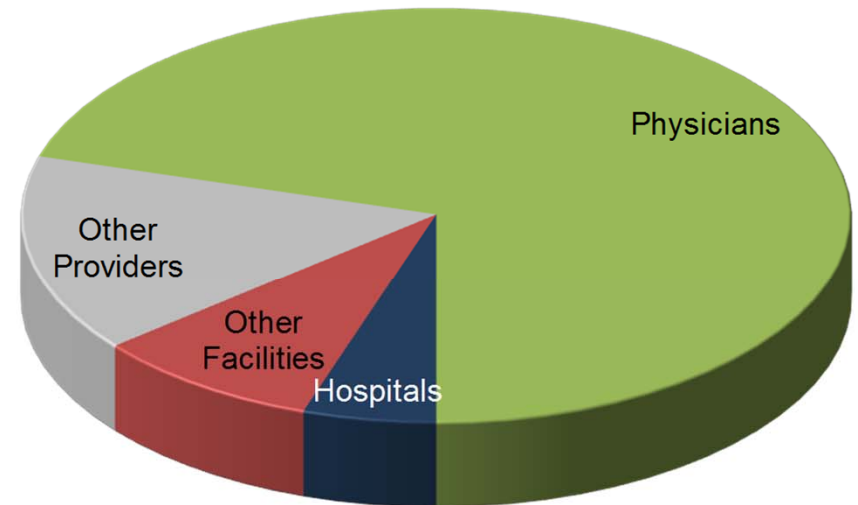
Distribution of MPL DWP by Sub-Line

Variance by State, 2017

Bottom 5 States for PPL Market Share



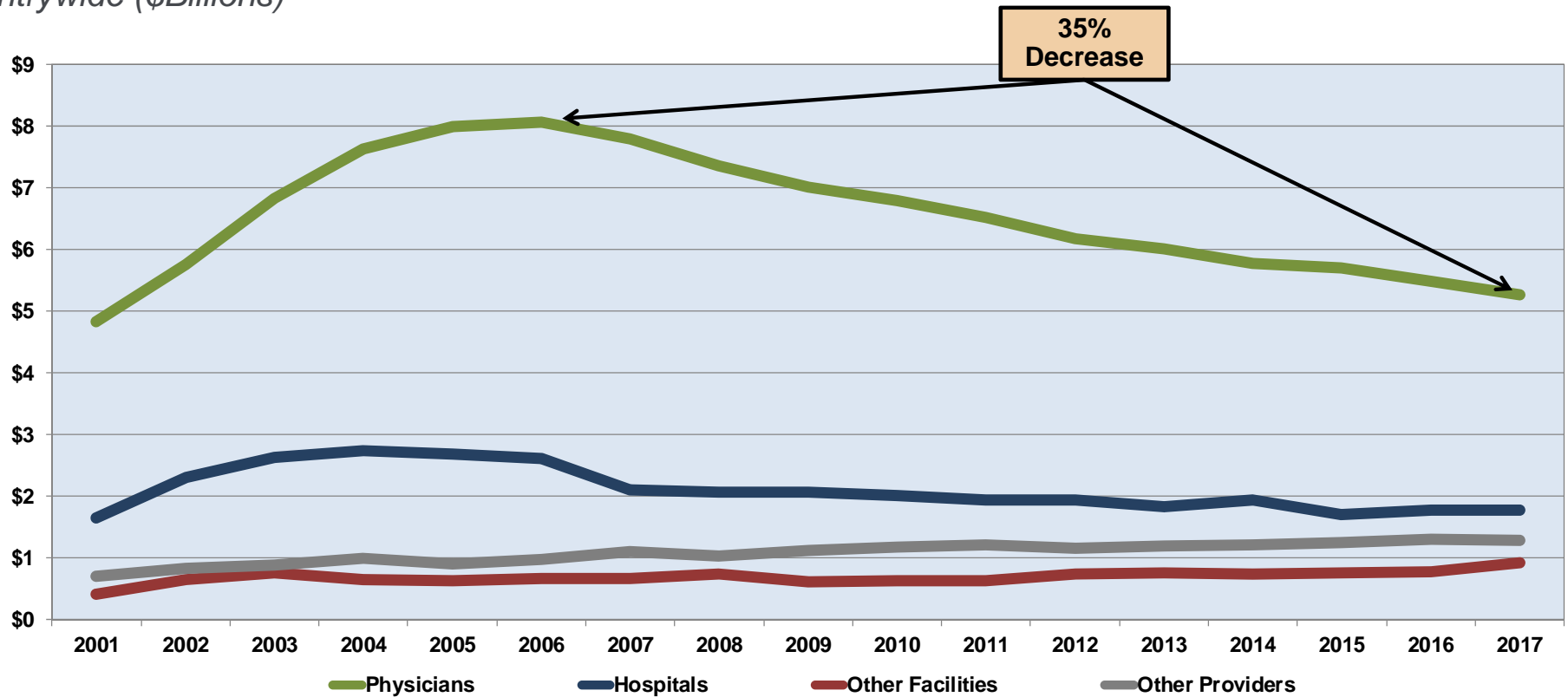
Top 5 States for PPL Market Share



The Current Competitive Environment

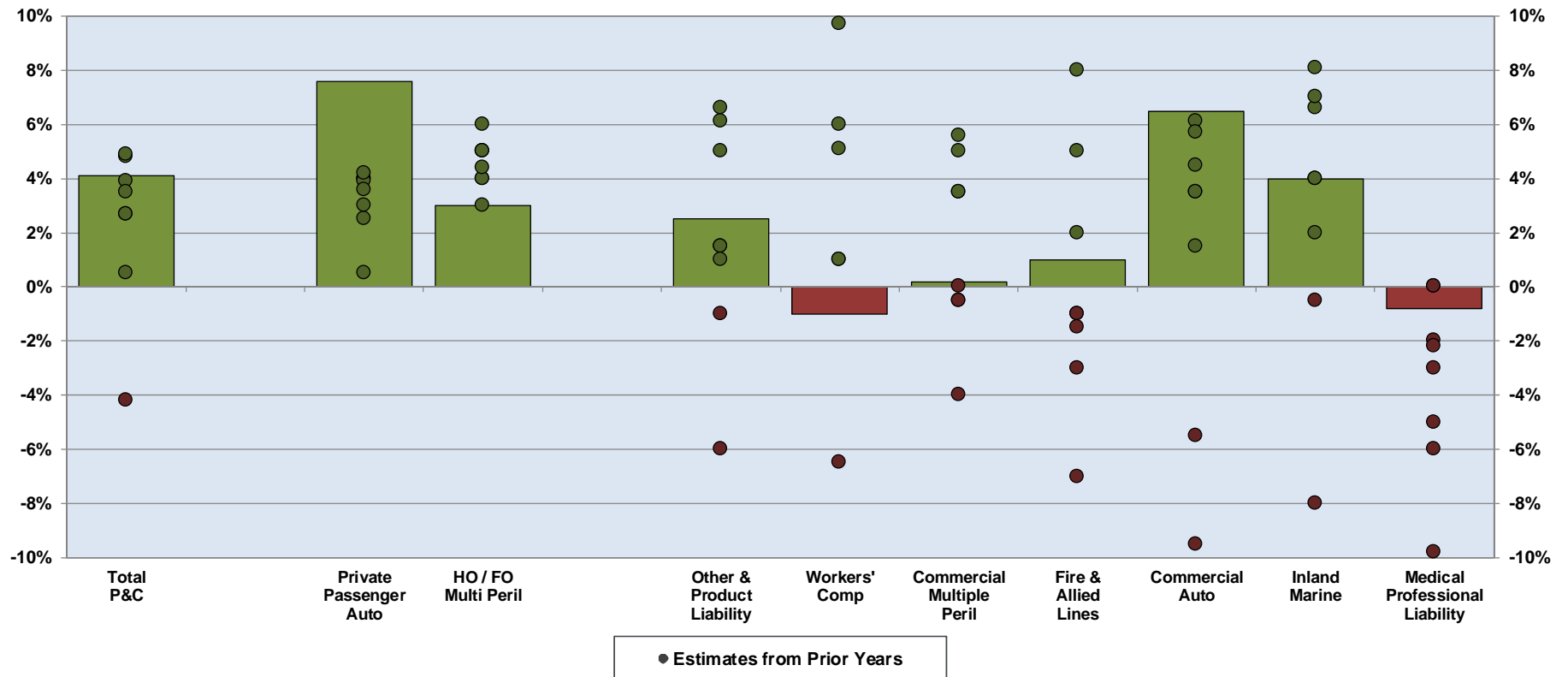
Distribution of MPL DWP by Sub-Line

Countrywide (\$Billions)



The Current Competitive Environment

A.M. Best Estimated Change in 2017 Net Written Premium



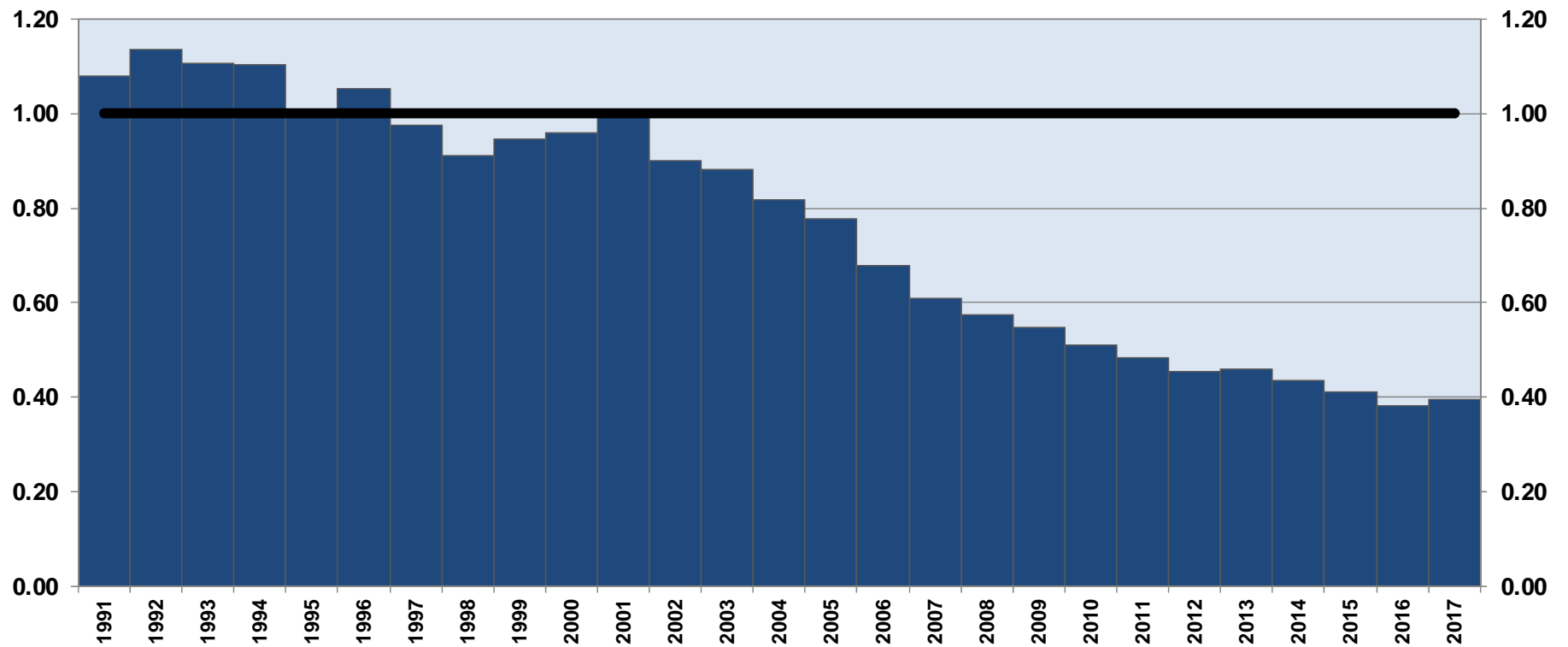
Topic #2

Loss Cost Components

Loss Cost Components

Closed Claim Frequency

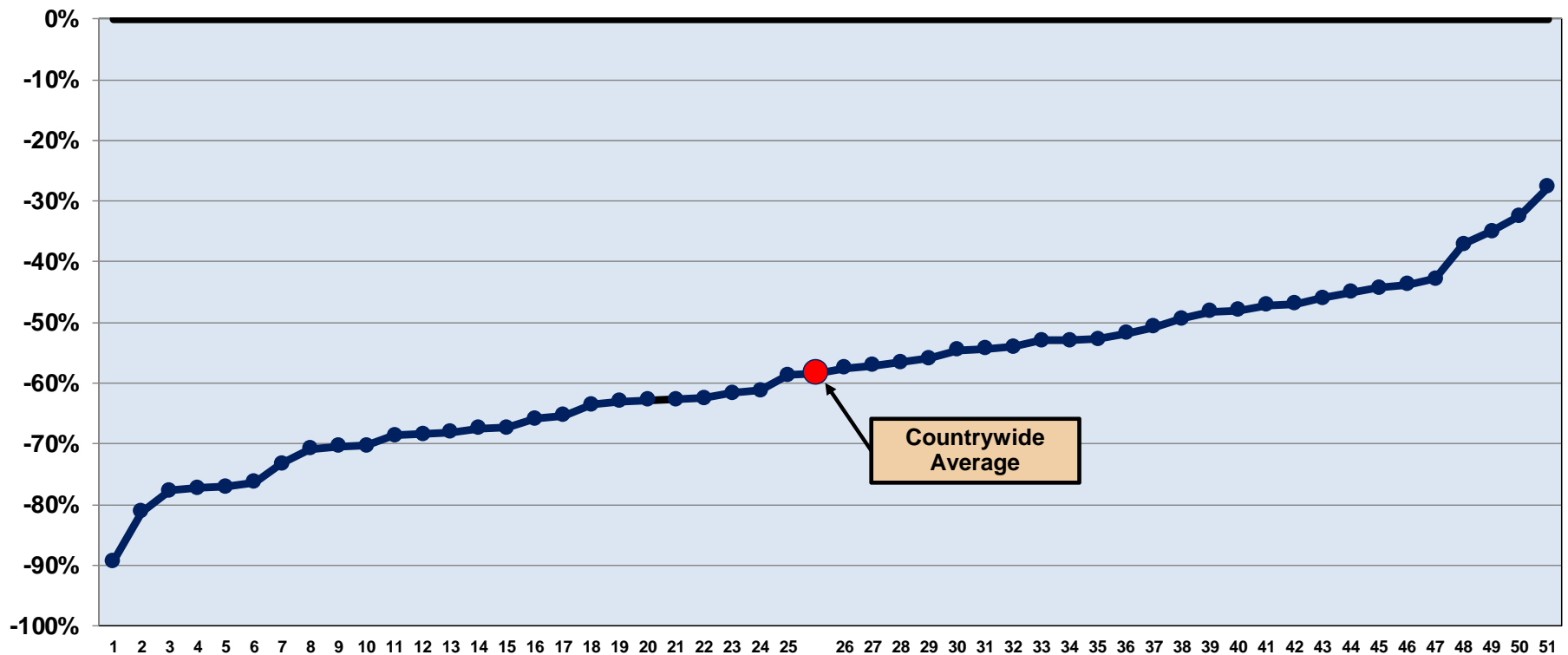
Countrywide, Relative to 2001



Loss Cost Components

Change in Closed Claim Frequency

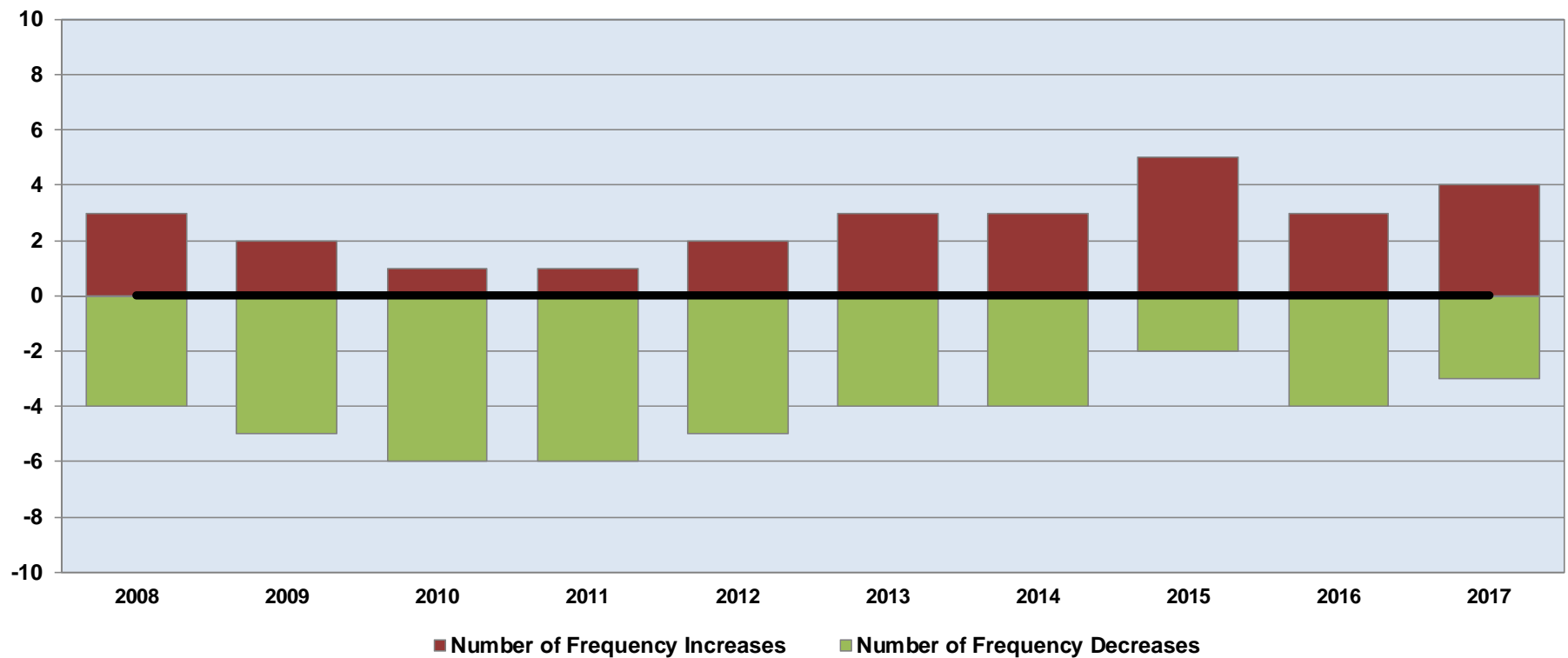
Variance by State, 2015-2017 Level Relative to 2000-2002 Level



Loss Cost Components

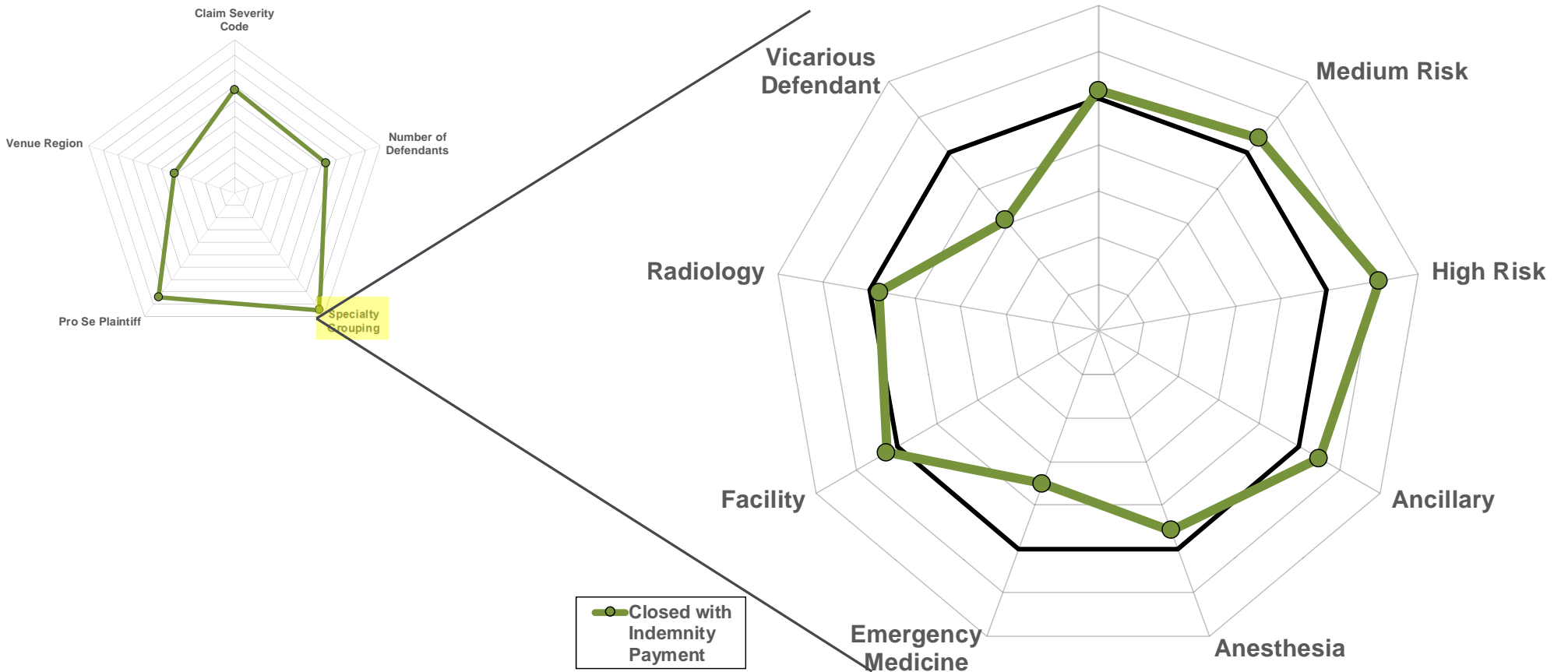
Change in Reported Claim Frequency

Market Leaders by State, Relative to Prior Three Years



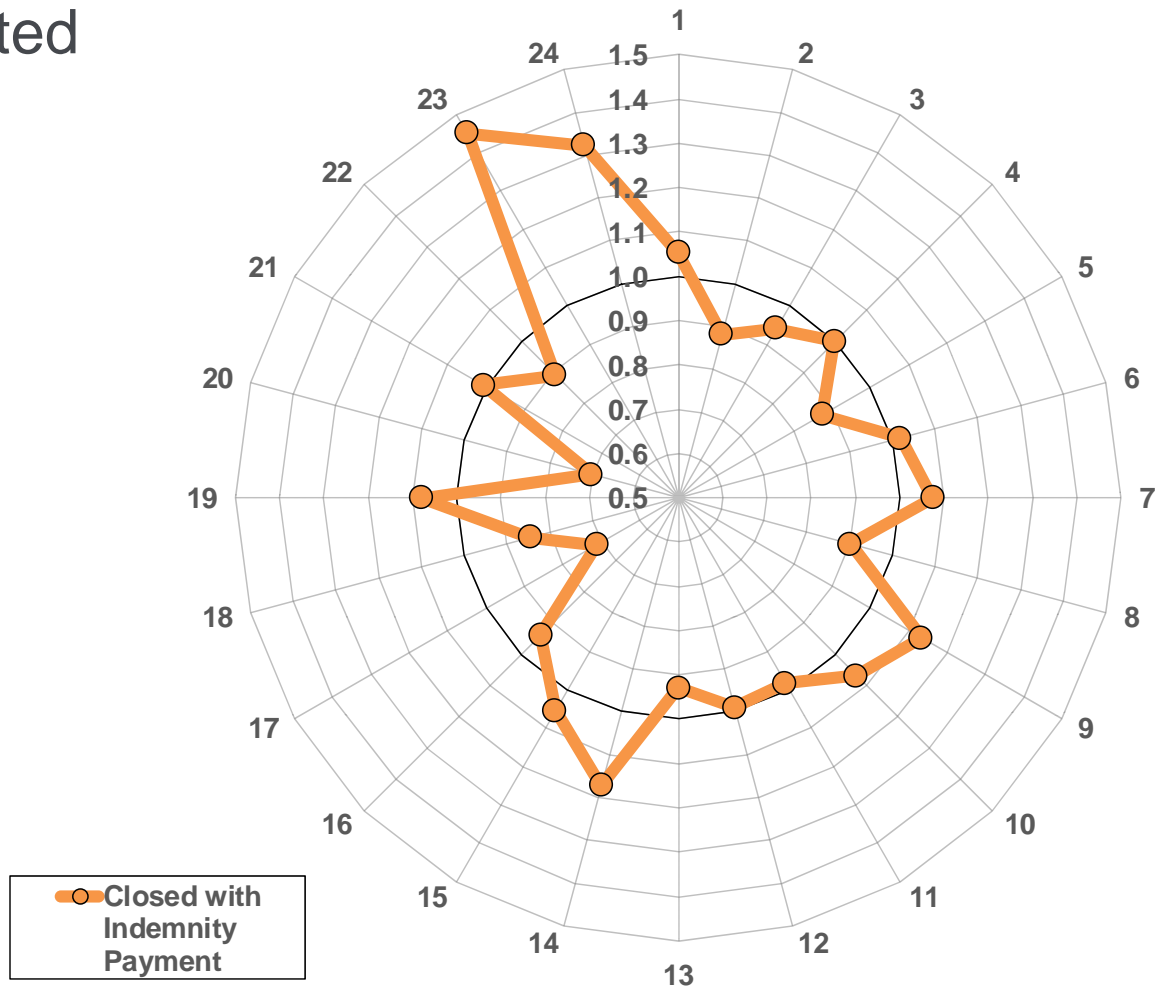
Loss Cost Components

Impact of Specialty Variables



Loss Cost Components

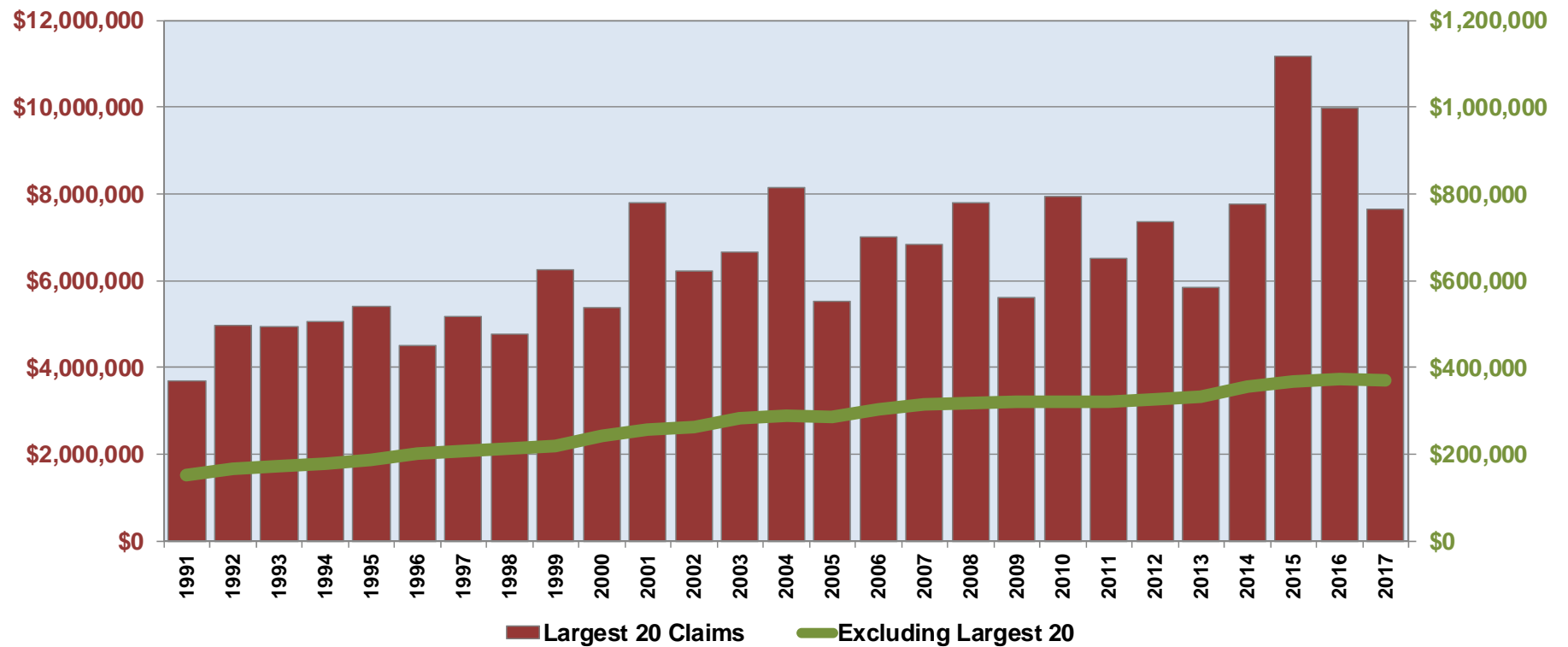
Actual vs. Predicted
CWI Claims



Loss Cost Components

Paid Indemnity Severity

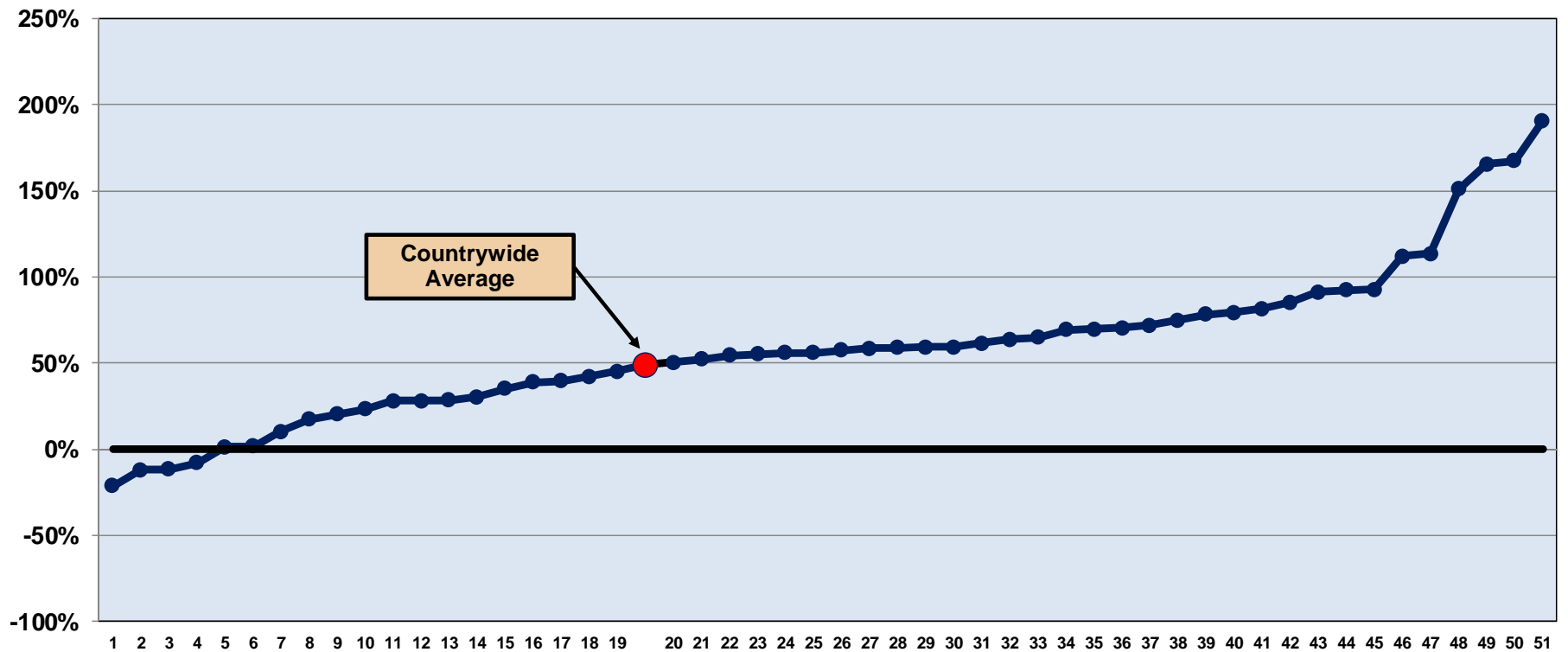
Countrywide by Closed Year



Loss Cost Components

Change in Indemnity Severity

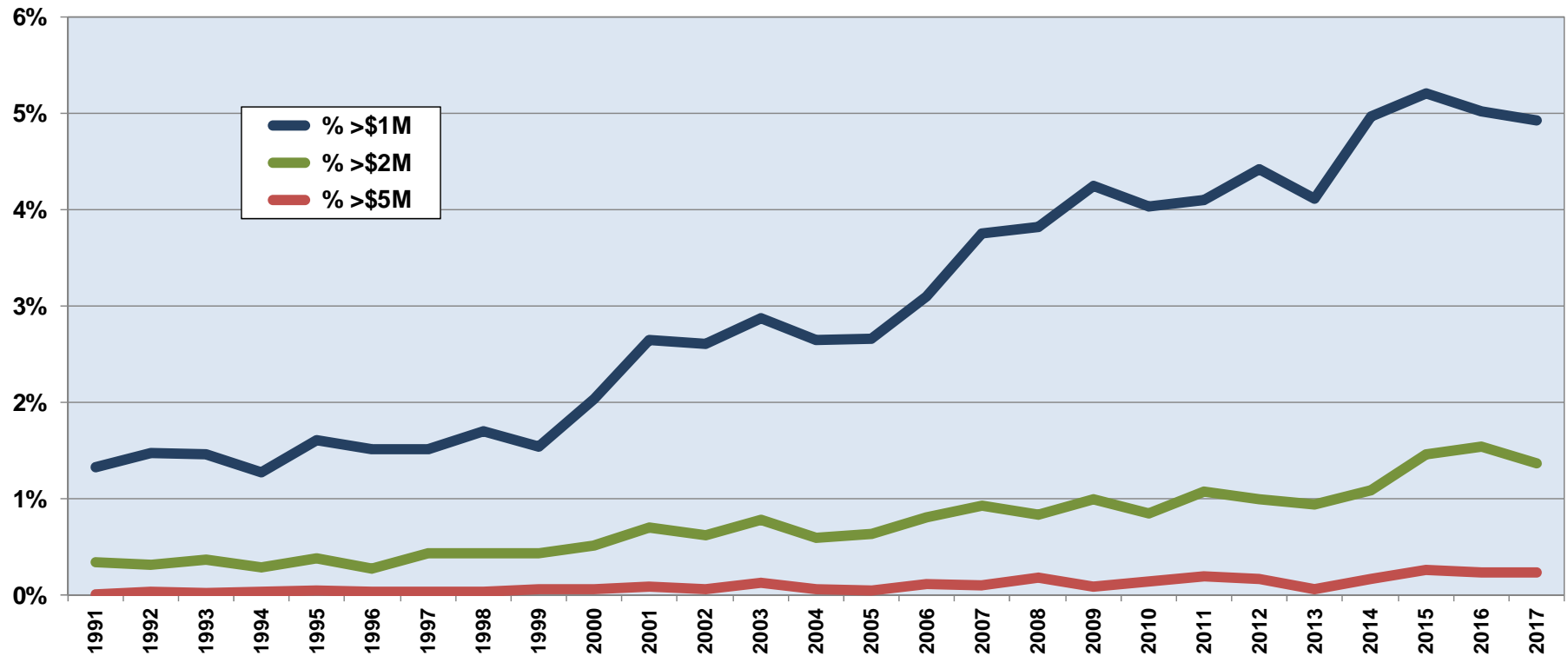
Variance by State, 2015-2017 Level Relative to 2000-2002 Level



Loss Cost Components

Stratification of Indemnity Claims

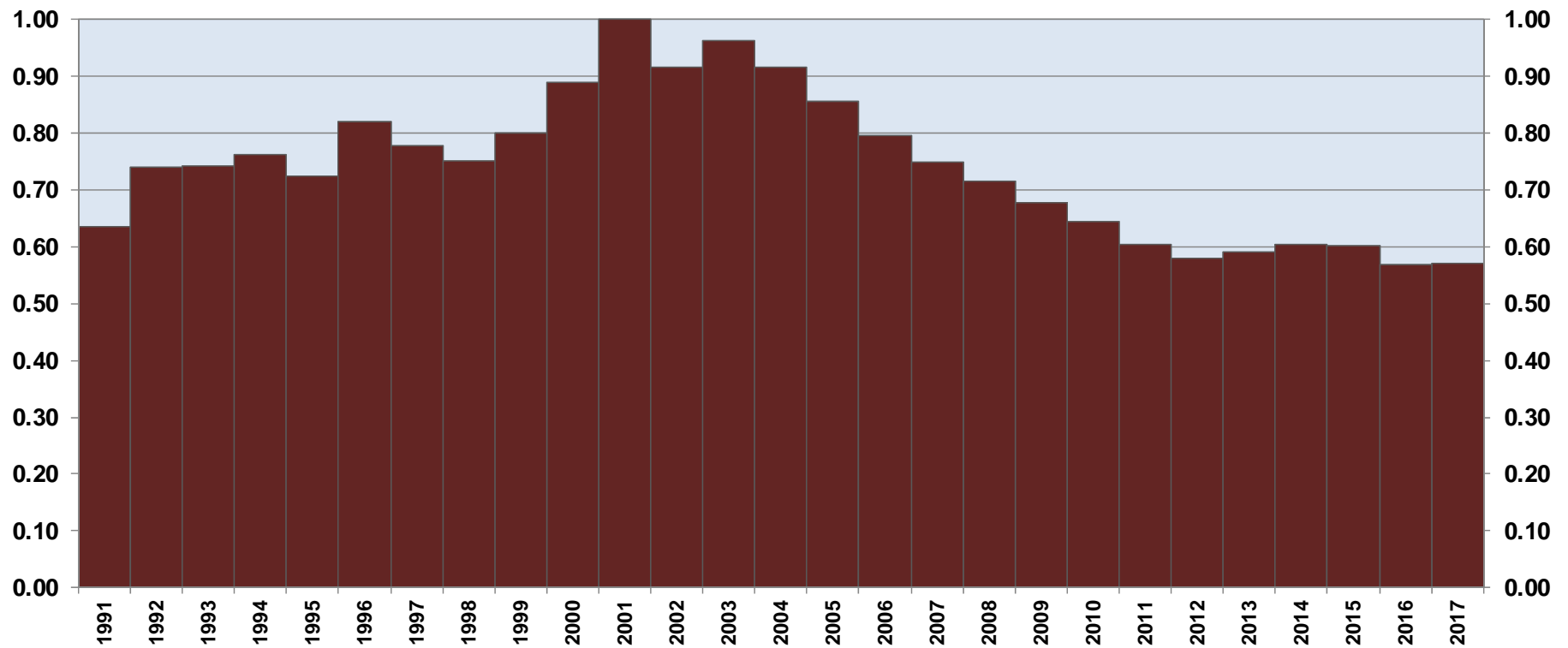
Countrywide by Closed Year



Loss Cost Components

Paid Indemnity per Physician

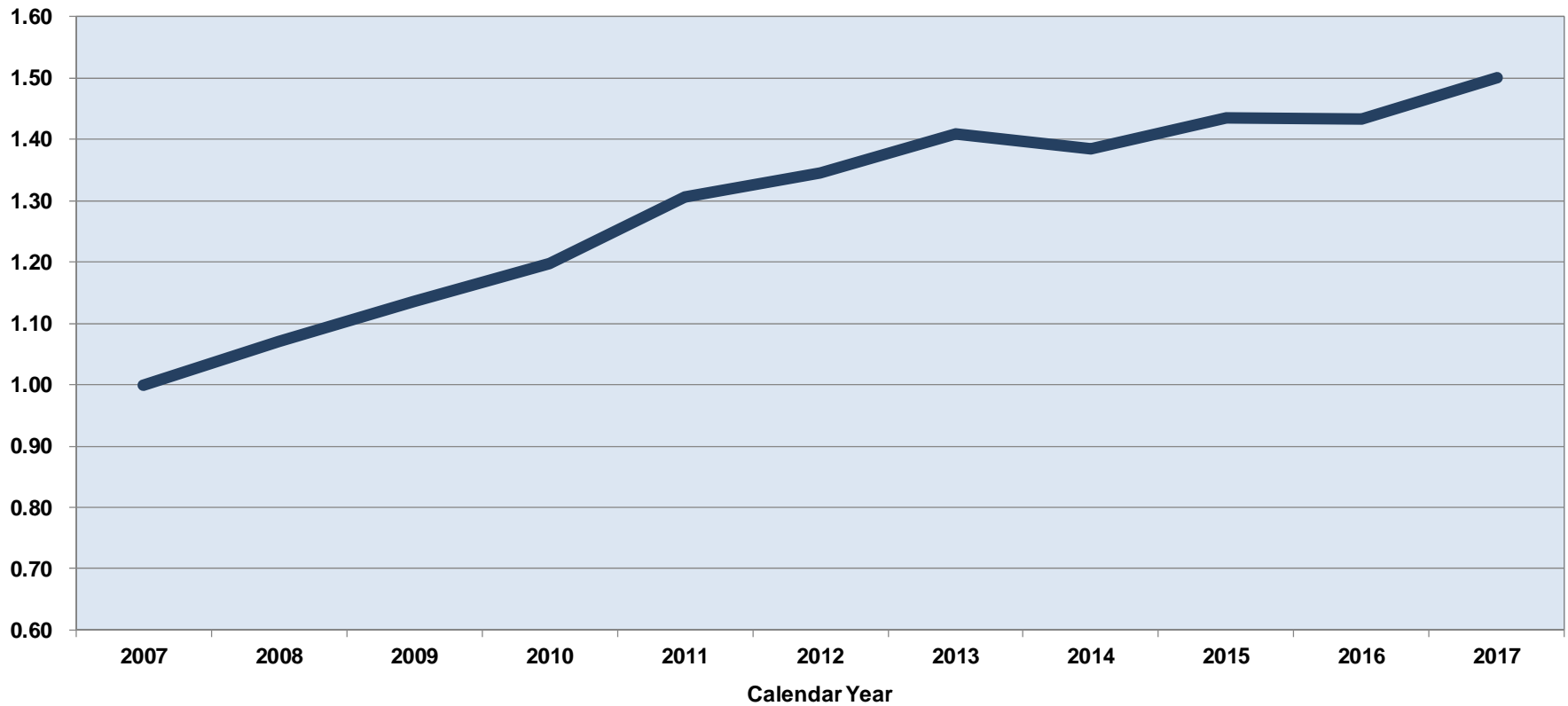
Countrywide, Relative to 2001



Loss Cost Components

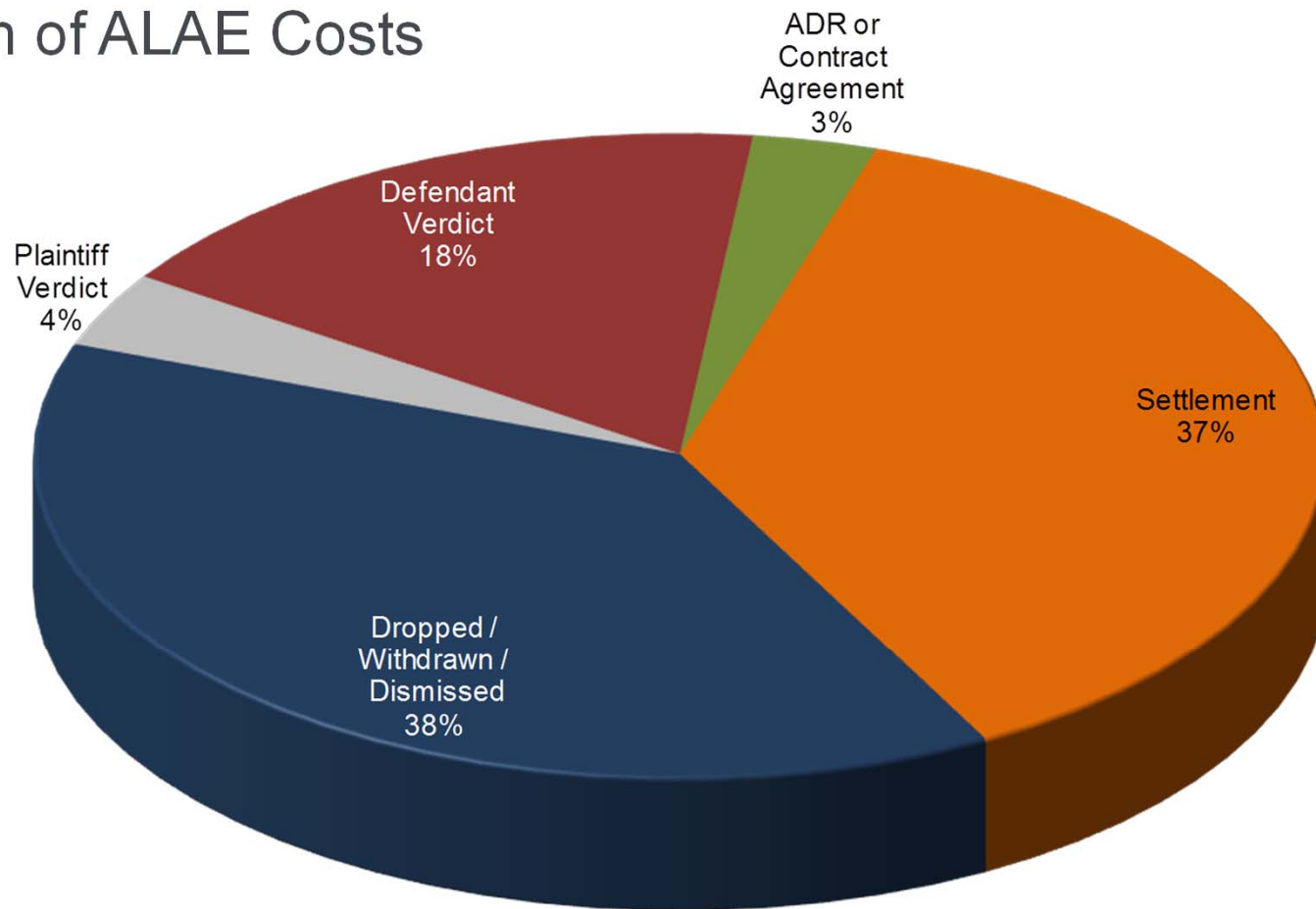
Paid ALAE Severity

by Calendar Year, Relative to 2007



Loss Cost Components

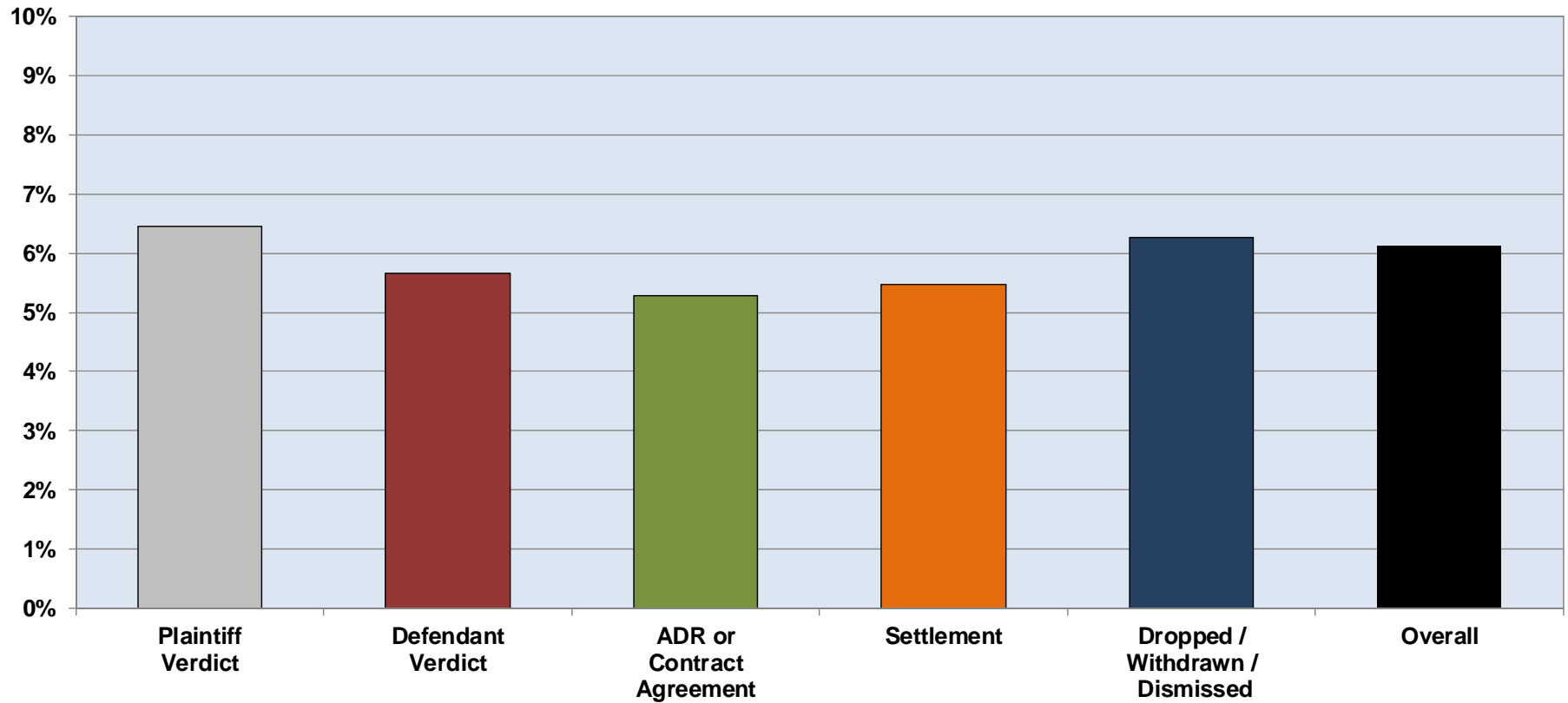
Distribution of ALAE Costs



Loss Cost Components

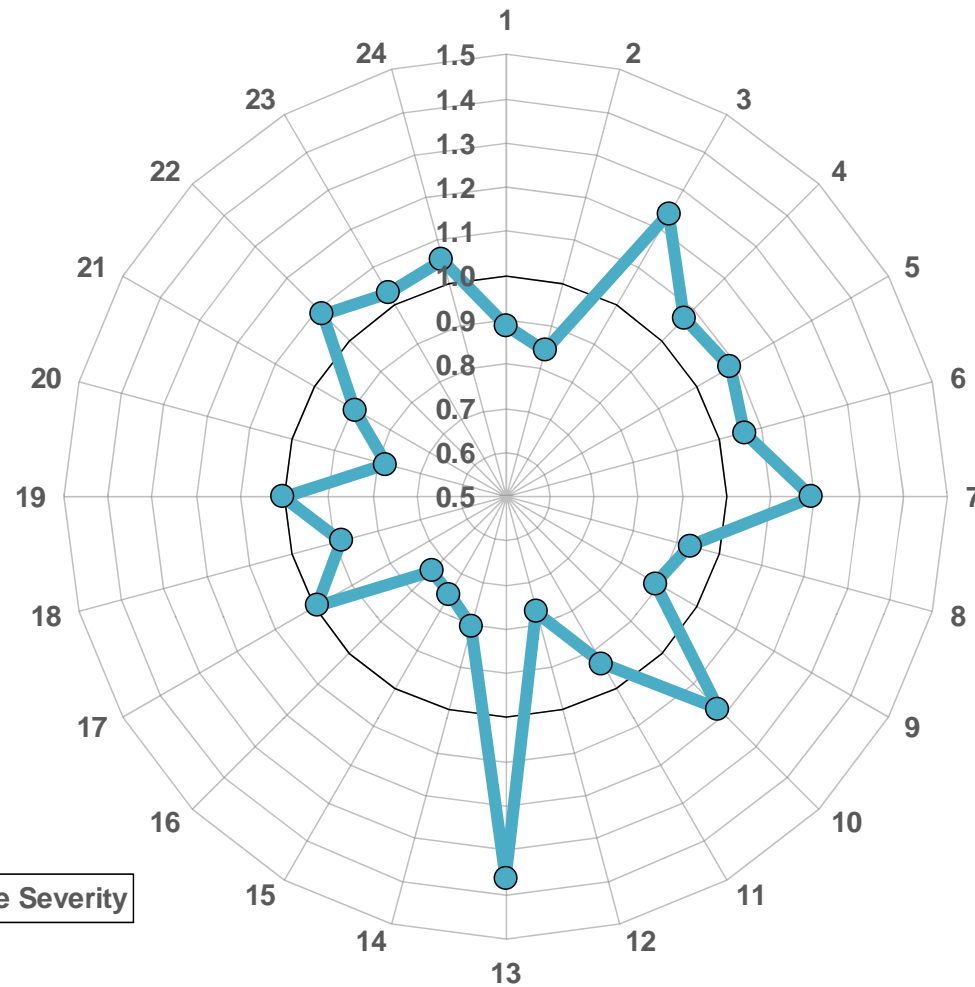
ALAE Annual Trend Rate by Category

Relative to 2003



Loss Cost Components

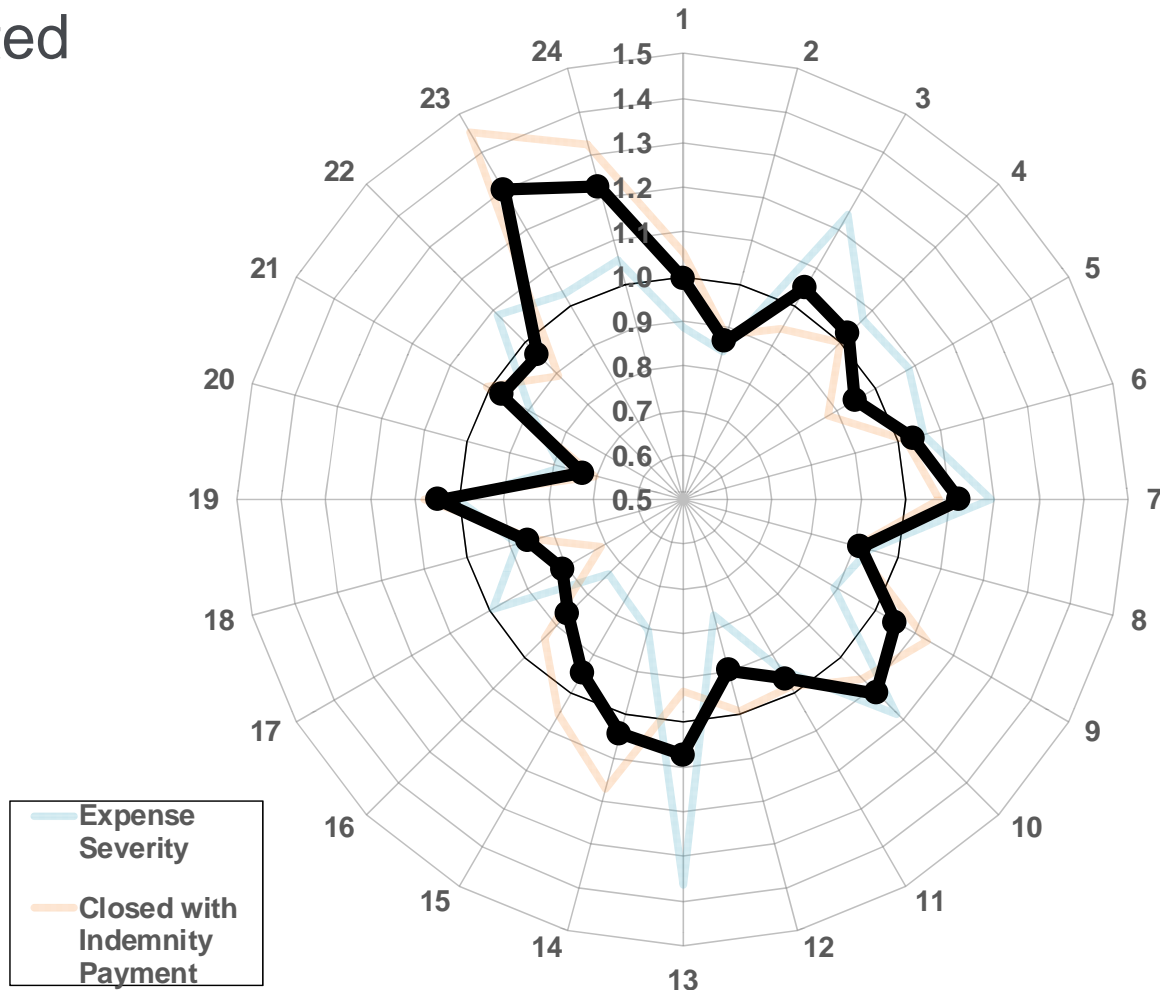
Actual vs. Predicted
ALAE Costs



Loss Cost Components

Actual vs. Predicted

Total Costs

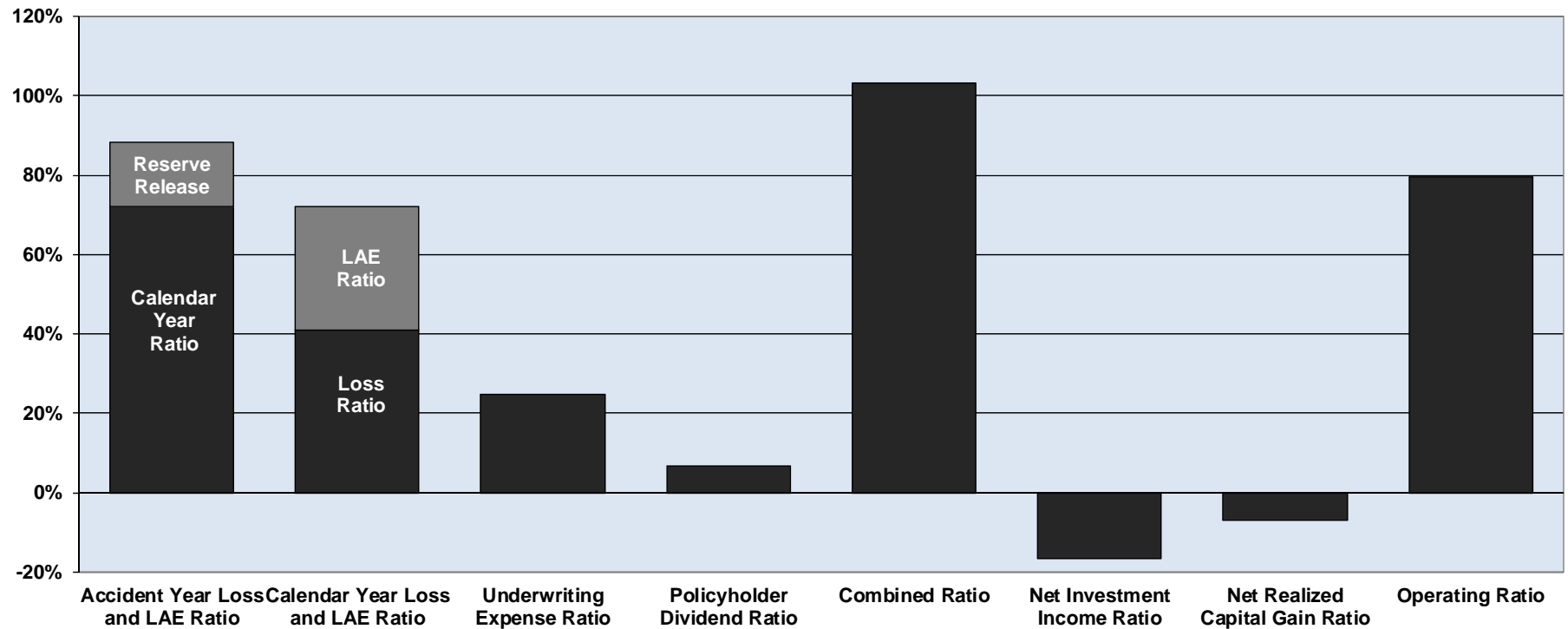


Topic #3

The Financial Statement Effect

The Financial Statement Effect

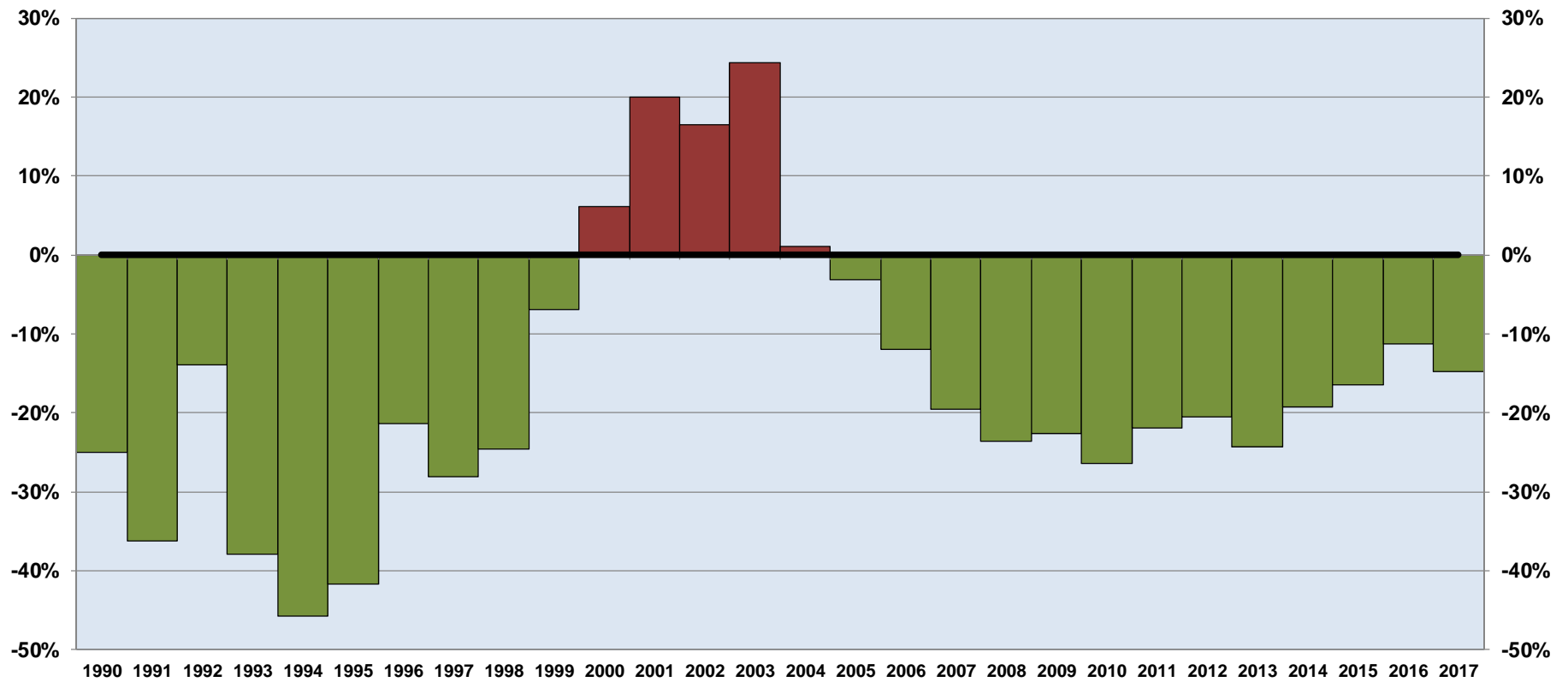
Breakdown of 2017 MPL Operating Ratio



The Financial Statement Effect

Net Reserve Development to Net Earned Premium

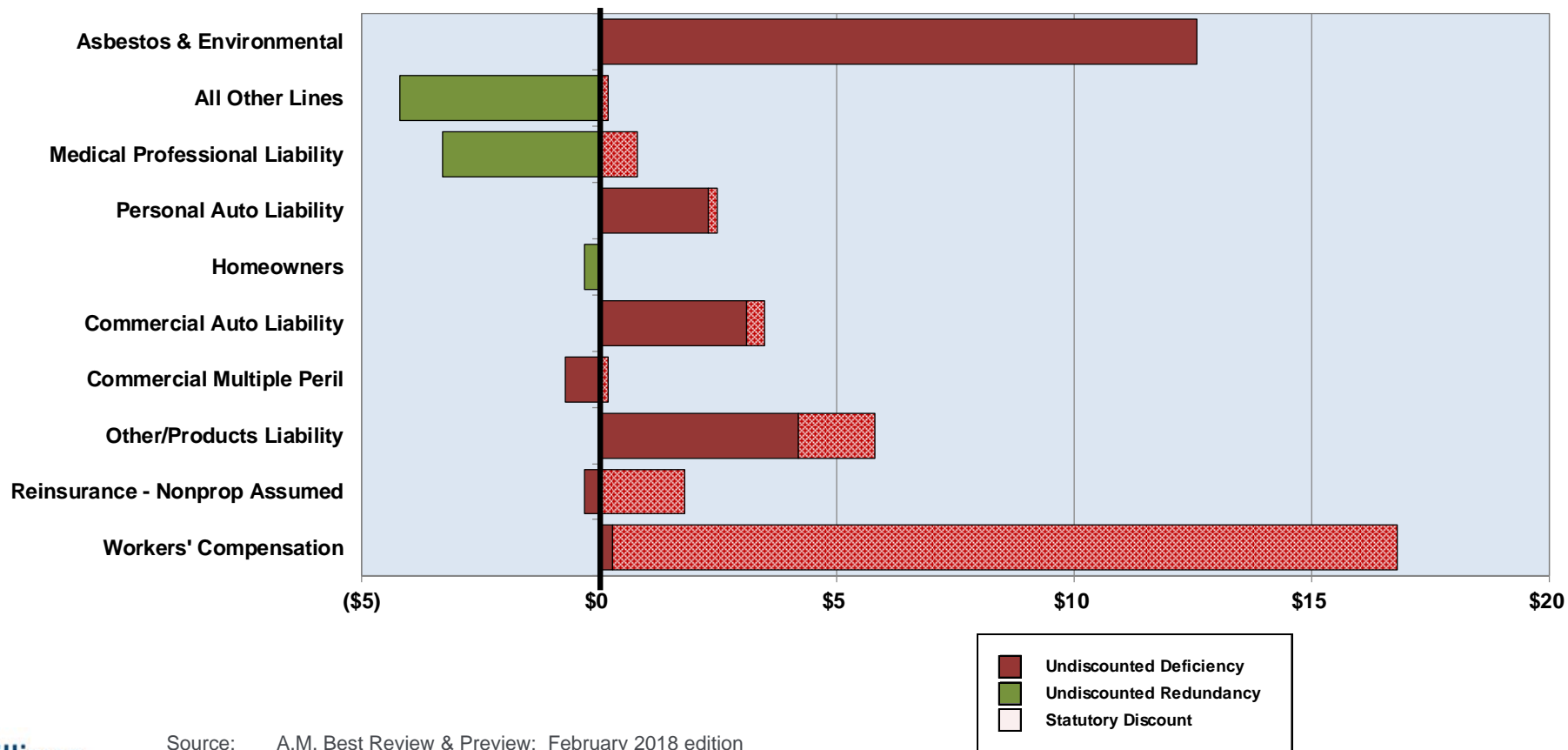
Total MPL Industry



The Financial Statement Effect

A.M. Best Industry Reserve Deficiencies

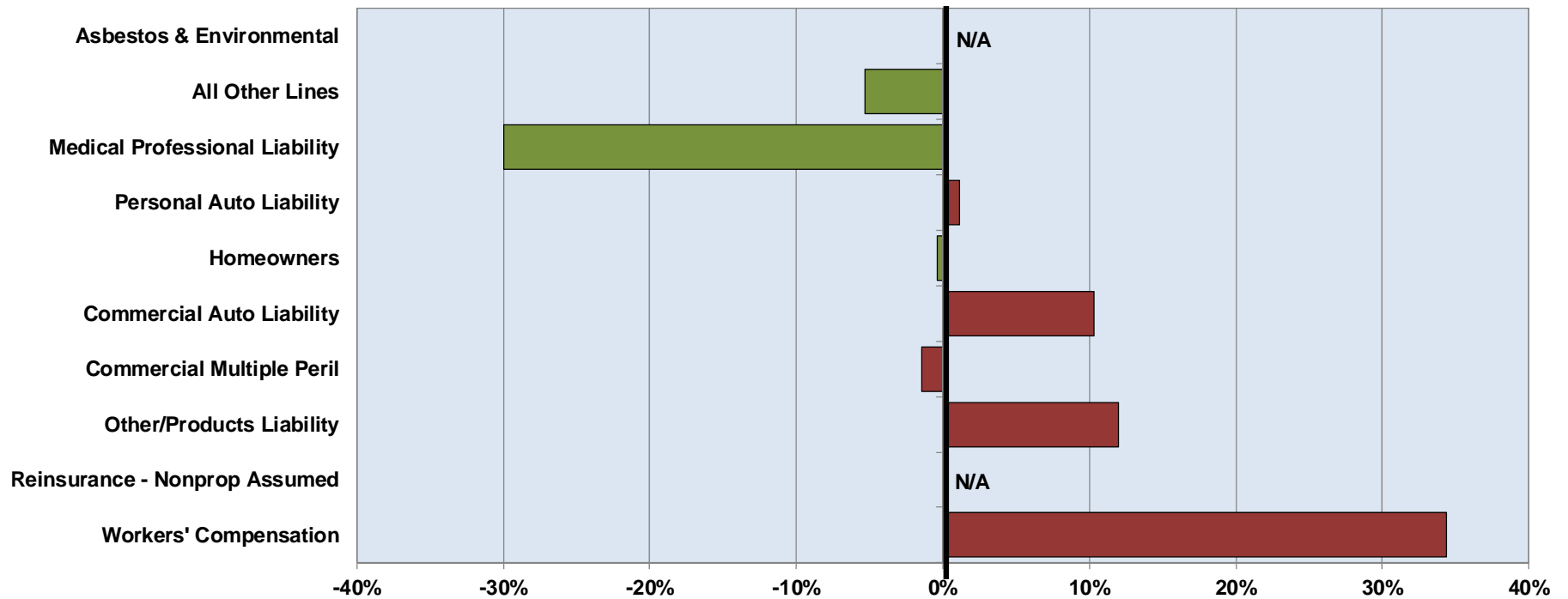
\$35 Billion as of year-end 2017



The Financial Statement Effect

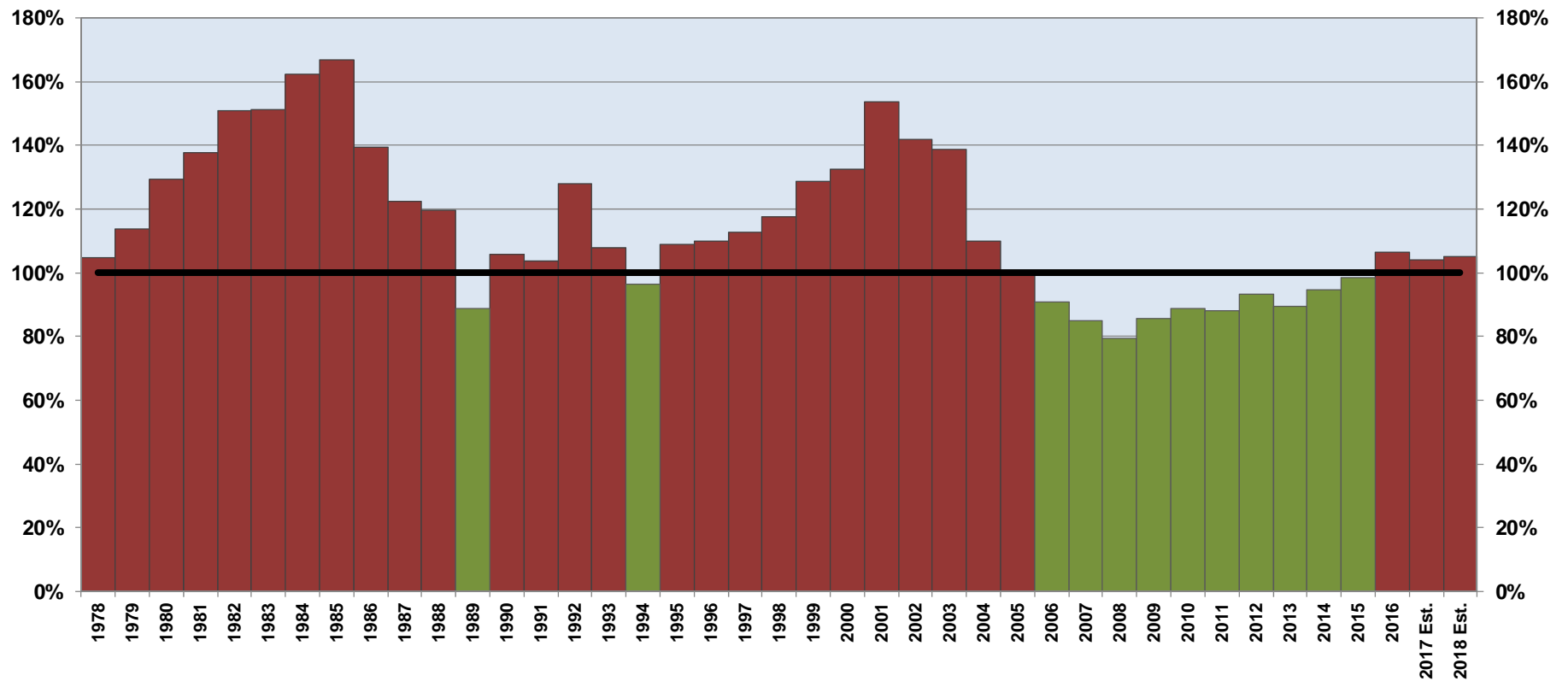
A.M. Best Industry Reserve Deficiencies

as a Percentage of 2017 Net Written Premium



The Financial Statement Effect

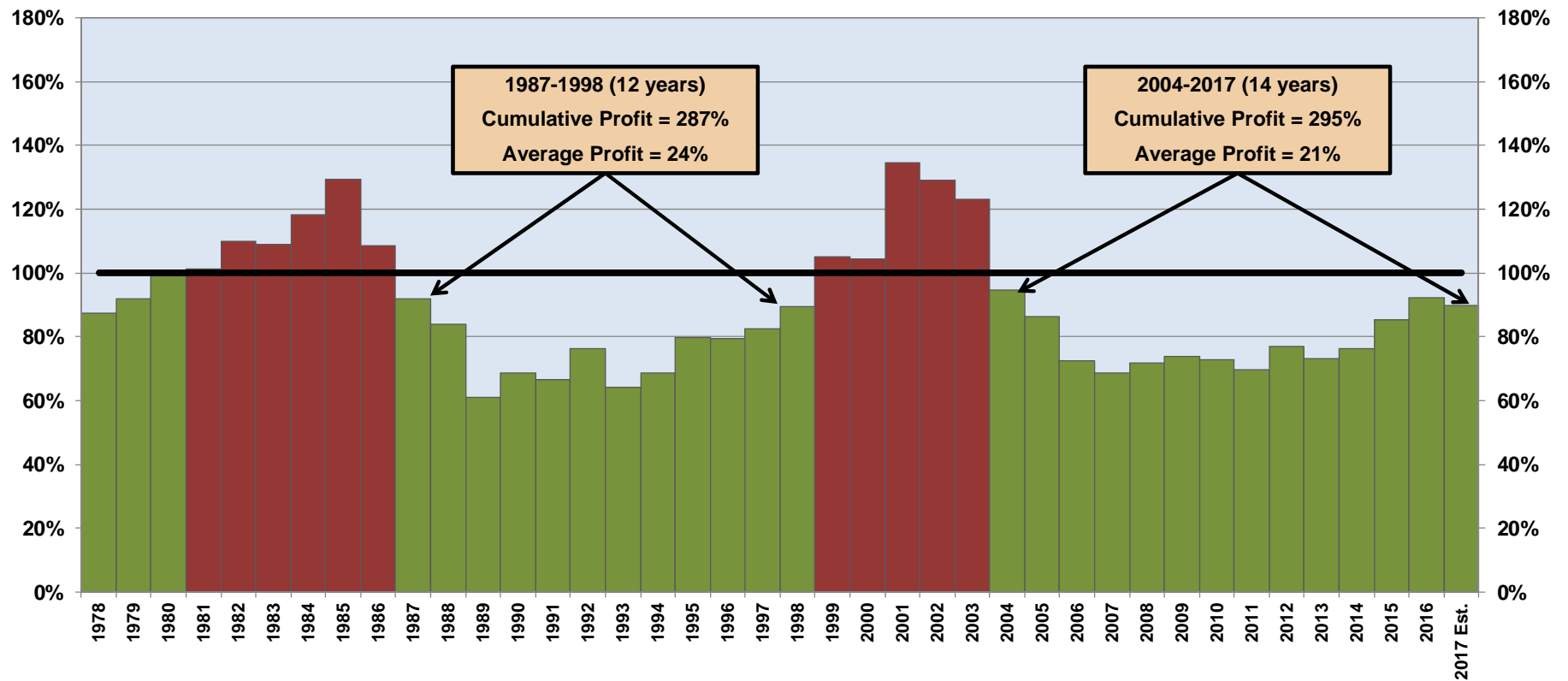
MPL Combined Ratio after Policyholder Dividends



Sources: Milliman analysis of A.M. Best Aggregates & Averages – P&C; multiple editions
 Milliman analysis of P&C insurance statutory data as provided by SNL Financial
 2017 and 2018 estimates from A.M. Best Review & Preview; February 2018 edition

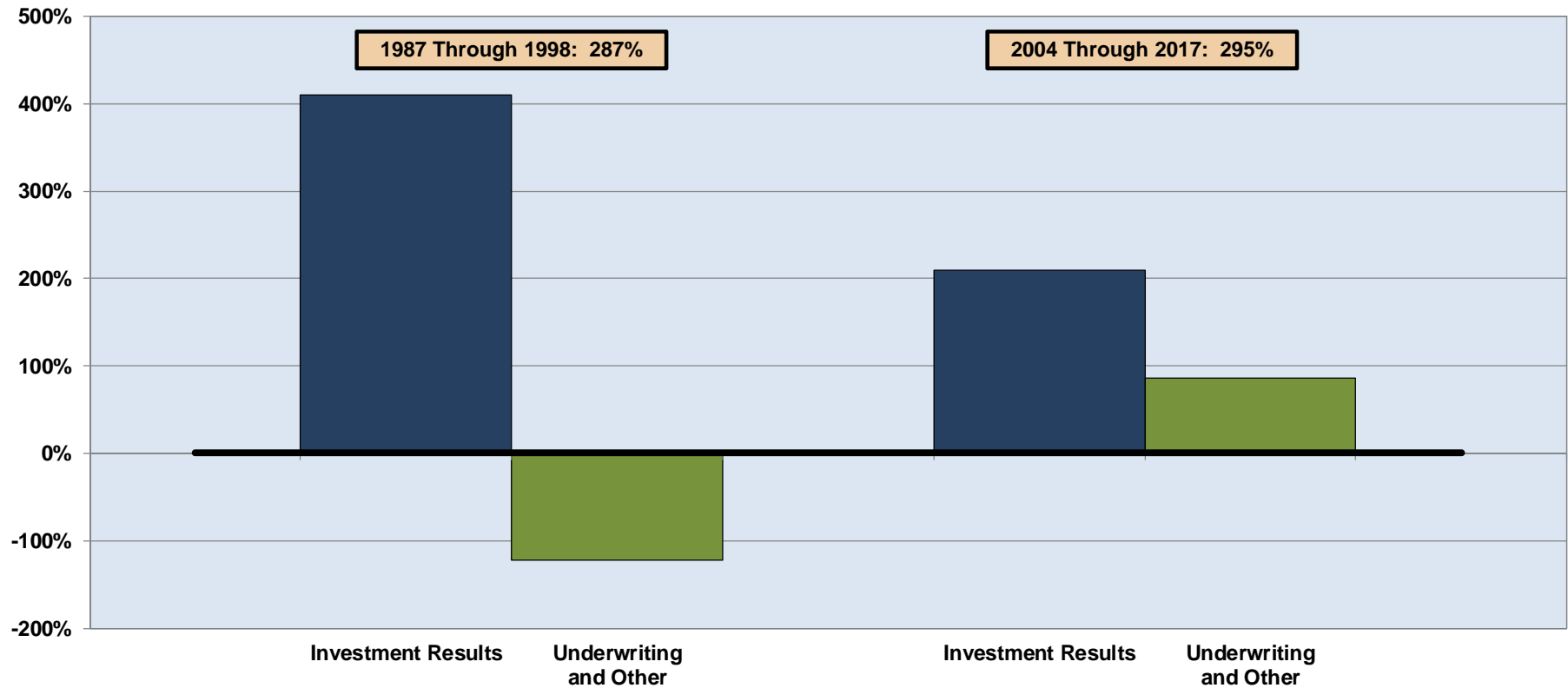
The Financial Statement Effect

MPL Operating Ratio



The Financial Statement Effect

Operating Profits: Investment versus Underwriting

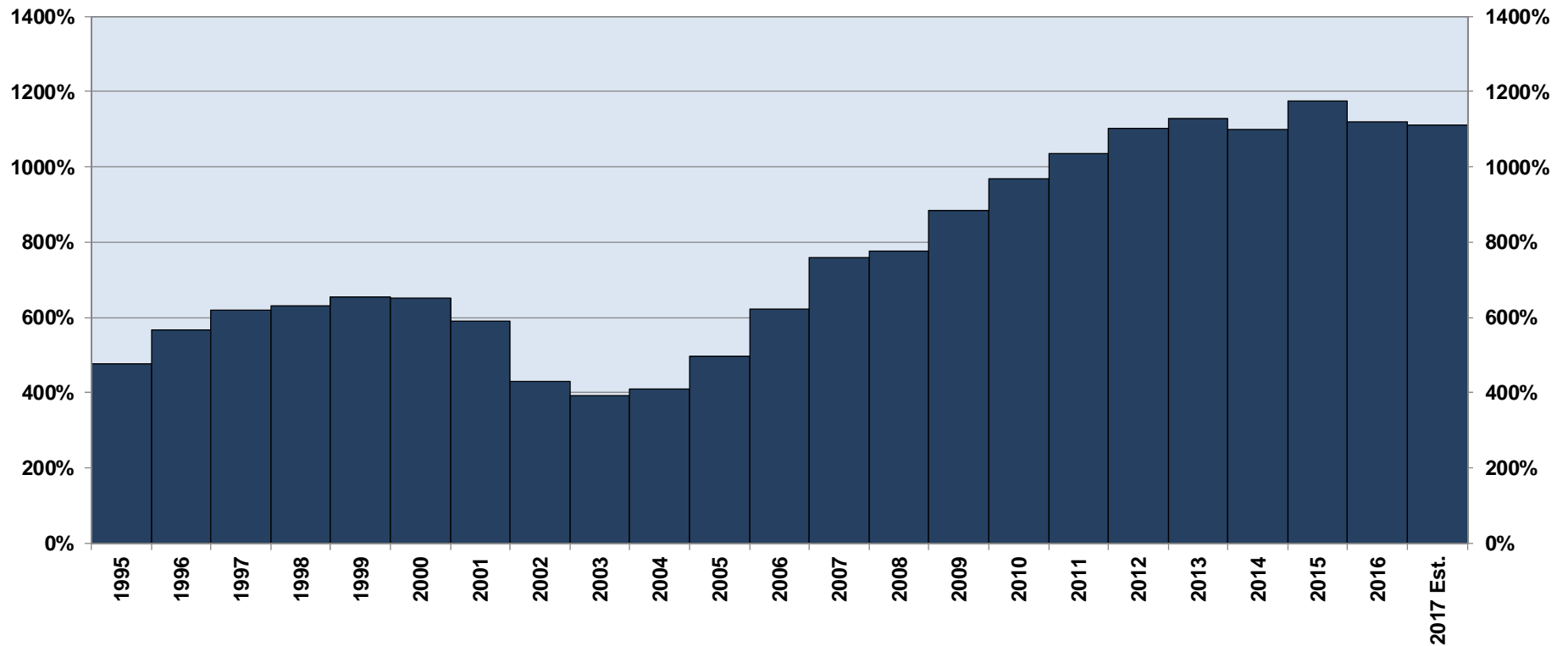


Topic #4

Where Does That Leave Us?

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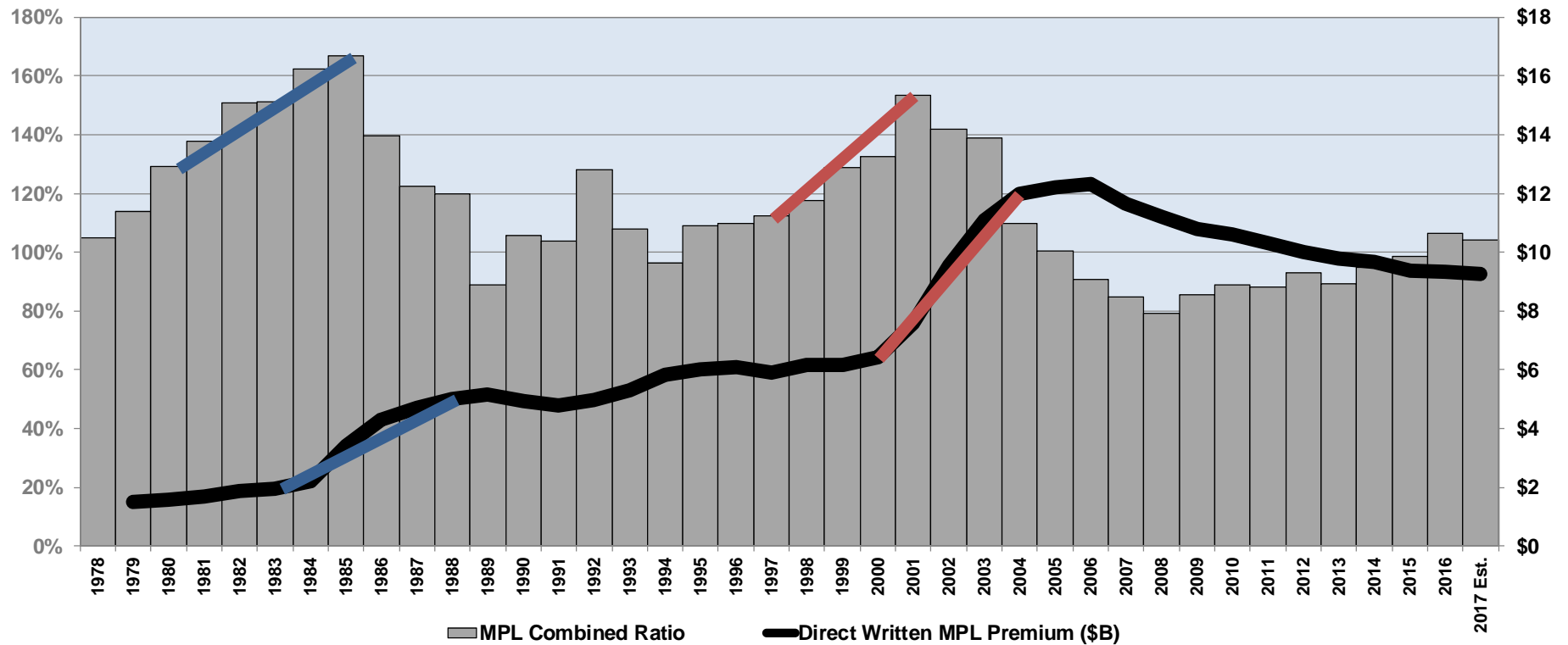
Risk-Based Capital (RBC) Ratio



Where Does That Leave Us?

DWP versus Combined Ratio

A Three Year Lag?

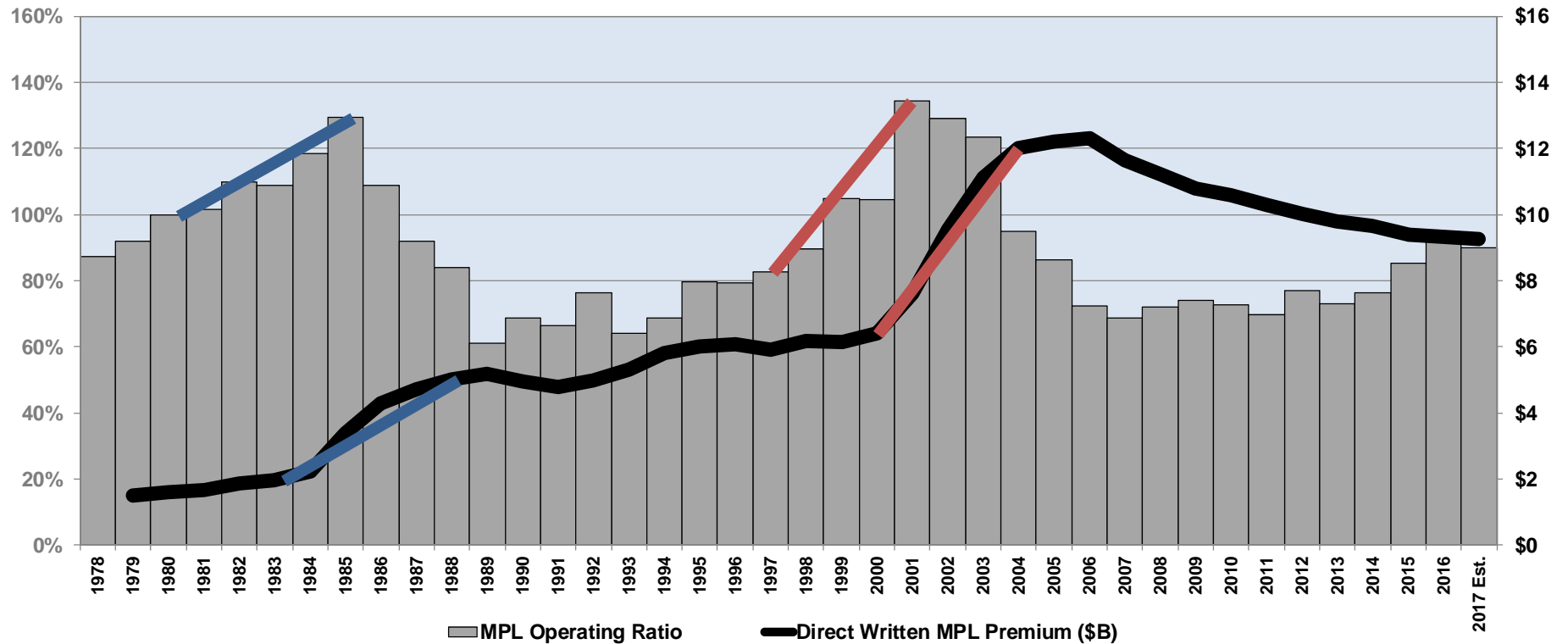


Sources: Milliman analysis of A.M. Best Aggregates & Averages – P&C; multiple editions
 Milliman analysis of P&C insurance statutory data as provided by SNL Financial
 2017 combined ratio estimate from A.M. Best Review & Preview; February 2018 edition

Where Does That Leave Us?

DWP versus Operating Ratio

A Three Year Lag?

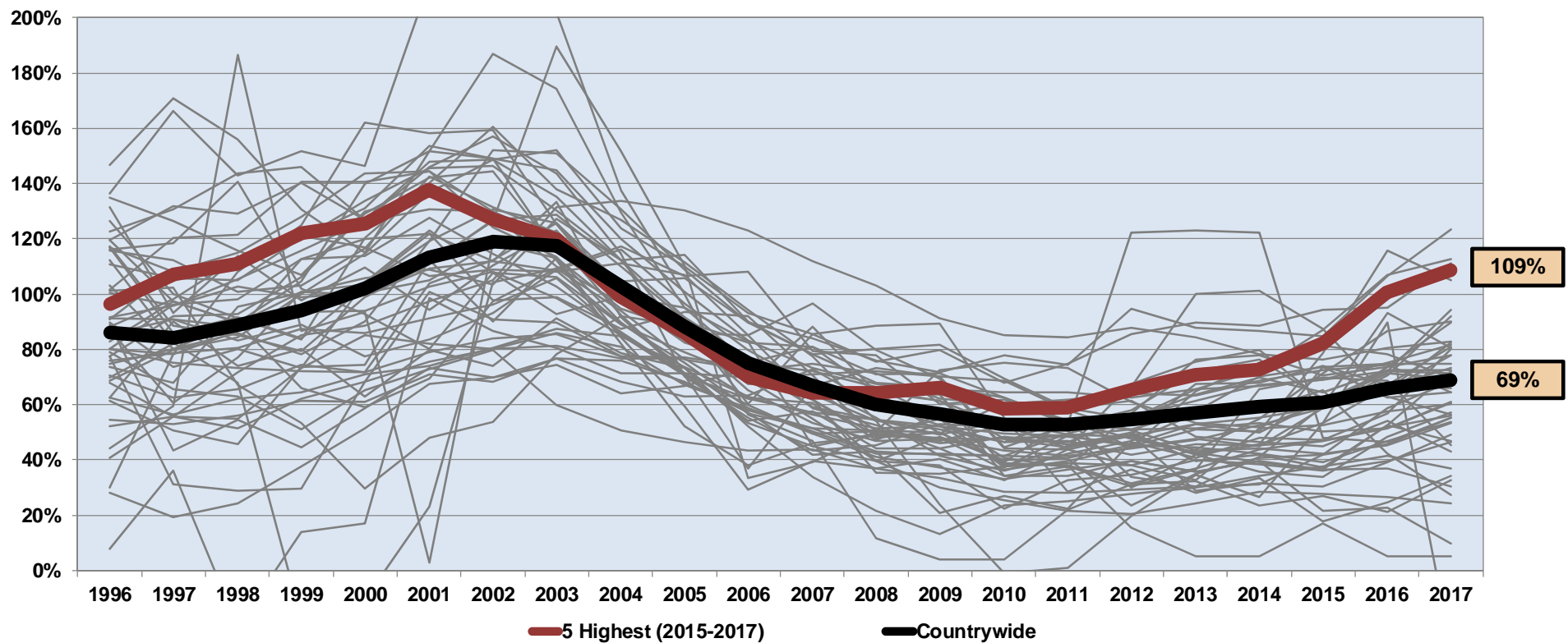


Sources: Milliman analysis of A.M. Best Aggregates & Averages – P&C; multiple editions
 Milliman analysis of P&C insurance statutory data as provided by SNL Financial
 2017 combined ratio estimate from A.M. Best Review & Preview; February 2018 edition

Where Does That Leave Us?

MPL Loss & ALAE Ratios

Variance by State, Three Year Rolling Calendar Year Results



Other Considerations

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Accompanying Oral Discussion

- This document is not complete without the accompanying oral discussion and explanation of the underlying information and concepts, as well as any interpretational limitations.

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- We have relied on data and other information provided prepared by others, as documented throughout this presentation. We have performed a limited review of the data for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.