

# Policy Research Perspectives

## Medical Professional Liability Insurance Premiums: An Overview of the Market from 2008 to 2017

By José R. Guardado, PhD

### Introduction

This Policy Research Perspective (PRP) presents information on changes in medical professional liability insurance (MPL) premiums from the Annual Rate Survey Issues of the *Medical Liability Monitor* (MLM), including the latest from October 2017. It also provides examples of premium levels in select areas. Considered the most comprehensive source for a national perspective on MPL premiums, the MLM conducts an annual survey of major U.S. liability insurers and reports manual<sup>1</sup> premiums for obstetrics/gynecology (OB/GYN), general surgery and internal medicine in each state in which those insurers provide MPL coverage. In some states, MPL insurers price their policies differently across geographic areas within the state. In those cases, survey participants report premiums to MLM for each sub-state area.

The Rate Survey Issues of the MLM list the current and previous year manual premiums of participating insurers in each specialty and sub-state area for which they reported data. The percentage change in an insurer's premium from the previous year to the current year is also provided as well as a table that summarizes the distribution of those changes.<sup>2</sup>

Table 1 of this PRP includes this distributional information for the period from 2008 to 2017.<sup>3</sup> The data collection method mentioned above suggests some caution should be taken in its interpretation. The table does not reflect all insurers or all specialties, and the data underlying the table is for *manual* premiums, which could differ from the final premiums physicians pay. Finally, because some insurers report premiums at the sub-state level, both insurers and states with more rating areas are overrepresented in the MLM data.

---

<sup>1</sup> A "manual" premium does not reflect credits, debits, dividends, or other factors that may reduce or increase the actual premiums that individual physicians pay for coverage. The manual premiums that insurers report to MLM are typically for policies with \$1 million/\$3 million limits.

<sup>2</sup> For example, the table might show that 25 percent of premiums reported to MLM were higher than in the previous year, 50 percent stayed the same, and 25 percent were lower.

<sup>3</sup> The information reported in Table 1 of this PRP is only based on states without a patient compensation fund.

## **Changes in Premiums, 2008-2017**

Table 1 presents distributions of annual changes in MPL premiums reported to the MLM. It shows there is a trend of increasing stability in premiums—more premiums stayed the same from one year to the next than in the past. In 2008, about half the premiums reported were the same as in 2007. In contrast, in 2017 almost three quarters were the same as in the previous year.

Increases in premiums have been relatively infrequent in the last ten years. In 2017, 13.4 percent of premiums were higher than those for 2016. This share is somewhat higher than it was in 2008, when only 7.4 percent of premiums rose. Since 2010, 12 percent to 17 percent of premiums have increased from the previous year. In all years, however, the vast majority of the increases have been relatively small (less than 10 percent).

The share of premiums that decreased from one year to the next has been falling over time, particularly in the last three years, and is substantially down from its peak in 2008. In that year, almost 43 percent of premiums fell below their 2007 levels. In contrast, only 12.4 percent of premiums decreased in 2017. In terms of magnitude, with the exception of the changes between 2007 and 2008, in the rest of the period most decreases were relatively small (less than 10 percent).

Although decreases in premiums occurred more often than increases in the first seven years of the 2008-2017 period, that pattern has reversed in the last three years. Since 2015, more premiums increased than decreased.

Note that despite the detail on how many premiums increased, decreased, or stayed the same, the MLM does not provide information on how those changes affected average or median premium levels, or whether more or fewer premiums fell above or below a certain level.

## **Premiums in Select Areas, 2008-2017**

To get a sense of the levels in premiums faced by physicians, Table 2 reports 2008 to 2017 premiums in a few (seven) geographic areas for specific insurers chosen based on data availability during that period. For each area, the reported figures are for the same insurer over time, though the insurers can differ between states. Note that because only a few areas (and one insurer per area) are reported, the levels and trends in the table are not necessarily representative of state or national average premiums. They are only meant to be illustrative.

Two notable observations emerge from this table. One is that there is wide geographic variation in premiums. For instance, in 2017 OB/GYNs faced manual premiums that ranged from a low of \$49,804 in some areas of California to a high of \$214,999 in Nassau and Suffolk counties in New York. The table also illustrates the key finding reported in the previous section—most premiums are increasingly stable. In 2009, 12 of the 21 premiums in the table were the same as in 2008, while nine of them were lower. In contrast, 18 of the 2017 premiums were the same as in the prior year, and only 3 of them increased.

## Conclusion

An overview of the MLM data suggests that the period between 2008 and 2017 was one of increasing stability in medical liability premiums. In 2008, about half of premiums reported did not change from those for 2007. In contrast, 74.2 percent of premiums reported for 2017 were the same as in the previous year.

This increase in stability, however, has come at the expense of fewer premiums falling over time. In 2008, 42.7 percent of reported premiums were lower than those for 2007. In contrast, by 2017 this share was only 12.4 percent.

The MLM data also illustrate the wide variation across the country in what physicians pay for medical liability insurance. For example, in 2017, OB/GYNs faced premiums that ranged from a low of \$49,804 in some areas of California to a high of \$214,999 in Nassau and Suffolk counties in New York.

Despite the increasing stability in liability premiums, the prospects for the near future are less than certain. As noted, the share of premiums that decreased has fallen, especially since 2015. And although there were more decreases than increases in the first seven years of the 2008-2017 period, that pattern has reversed in the last three years, when there were more premium increases than decreases. The medical liability market bears close monitoring to see whether stability in premiums will continue.

**Table 1. Distributions of Annual Changes in Medical Professional Liability Insurance Premiums, 2008-2017**

Size of Change in Premiums	Distributions of Changes in Premiums									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<i>Increased</i>										
10% or more	1.8%	2.1%	0.8%	5.1%	0.3%	2.7%	0.1%	5.8%	1.0%	0.1%
0.1% to 9.9%	5.6%	4.2%	13.4%	9.4%	14.8%	11.0%	12.1%	11.5%	14.5%	13.3%
Any Increase	7.4%	6.3%	14.1%	14.5%	15.1%	13.7%	12.2%	17.2%	15.4%	13.4%
<i>No Change</i>	49.9%	57.8%	67.0%	55.1%	59.2%	57.6%	65.0%	69.1%	75.2%	74.2%
<i>Decreased</i>										
0.1% to 9.9%	20.8%	19.4%	14.9%	27.8%	15.7%	17.2%	16.9%	8.8%	5.0%	7.3%
10% or more	21.9%	16.5%	3.9%	2.5%	10.0%	11.5%	5.9%	4.8%	4.4%	5.2%
Any Decrease	42.7%	35.9%	18.9%	30.3%	25.7%	28.7%	22.8%	13.6%	9.4%	12.4%
Observations	726	808	891	963	954	1014	1023	1056	1107	1143

## Notes:

1. Sources: 2008-2017 Medical Liability Monitor (MLM) Rate Survey Issues; and data provided by Paul Greve, JD, RPLU and Alison Milford, ACAS, MAAA from Willis Towers Watson.
2. The table reports year-to-year percentage changes in professional medical liability insurance manual premiums. The unit of observation is a liability insurer in a given geographic area and specialty. Premiums from states with patient compensation funds are excluded.

**Table 2. Medical Professional Liability Insurance Premiums for \$1M/\$3M Policies, Selected Insurers, 2008-2017**

	\$									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b><i>Obstetrics/Gynecology</i></b>										
California (Los Angeles, Orange)	63,272	49,804	49,804	49,804	49,804	49,804	49,804	49,804	49,804	49,804
Connecticut	170,389	170,389	170,389	170,389	170,389	170,389	170,389	170,389	170,389	170,389
Florida (Miami-Dade)	238,728	201,808	201,808	201,808	201,808	190,829	190,829	190,829	190,829	190,829
Illinois (Cook, Madison, St. Clair)	178,921	178,921	177,441	177,441	177,441	177,441	177,441	177,441	177,441	177,441
New Jersey	117,340	117,340	109,189	109,189	109,189	109,189	109,189	90,749	90,749	90,749
New York (Nassau, Suffolk)	194,935	194,935	204,864	206,913	204,684	227,899	214,999	214,999	214,999	214,999
Pennsylvania (Philadelphia)	171,813	169,336	168,317	163,793	165,657	124,627	124,627	112,289	117,415	119,466
<b><i>General Surgery</i></b>										
California (Los Angeles, Orange)	54,505	41,775	41,775	41,775	41,775	47,595	47,595	47,595	41,775	41,775
Connecticut	65,803	65,803	65,803	65,803	65,803	65,803	65,803	65,803	65,803	65,803
Florida (Miami-Dade)	213,054	190,088	190,088	190,088	190,088	190,829	190,829	190,829	190,829	190,829
Illinois (Cook, Madison, St. Clair)	119,334	119,334	118,909	118,909	118,909	118,909	118,909	118,909	118,909	118,909
New Jersey	78,484	78,484	73,074	73,074	73,074	73,074	73,074	60,810	60,810	60,810
New York (Nassau, Suffolk)	104,054	104,054	114,770	128,542	114,770	148,454	134,923	134,923	134,923	134,923
Pennsylvania (Philadelphia)	137,227	135,986	134,084	130,026	131,274	90,802	90,802	80,154	84,280	85,930
<b><i>Internal Medicine</i></b>										
California (Los Angeles, Orange)	14,237	10,343	10,343	10,343	10,343	8,274	8,274	8,274	8,274	8,274
Connecticut	34,700	34,700	34,700	34,700	34,700	34,700	34,700	34,700	34,700	34,700
Florida (Miami-Dade)	54,710	46,372	46,372	46,372	46,372	47,707	47,707	47,707	47,707	47,707
Illinois (Cook, Madison, St. Clair)	40,726	40,726	40,865	40,865	40,865	40,865	40,865	40,865	40,865	40,865
New Jersey	20,200	20,200	18,900	18,900	18,900	18,900	18,900	15,900	15,900	15,900
New York (Nassau, Suffolk)	30,692	30,692	32,288	32,611	32,288	35,883	33,852	33,852	33,852	33,852
Pennsylvania (Philadelphia)	37,380	37,190	37,353	36,469	37,360	26,037	26,037	23,335	24,433	24,873

## Notes:

1. Sources: Annual Rate Survey (October) Issues of the Medical Liability Monitor, 2008-2017. The numbers in this table are manual premiums reported by a liability insurer selected on the basis of data availability in every year. Premiums reported for Connecticut pertain to \$1 million/\$4 million limits, and Pennsylvania premiums include Patient Compensation Fund surcharges.
2. Counties to which the premiums refer are in parentheses. Counties in California (CA), Illinois (IL) and Pennsylvania (PA) changed slightly over time. However, CA counties always include Los Angeles, IL counties always include Cook and PA counties always include Philadelphia.