

Policy Research Perspectives

Medical Professional Liability Insurance Premiums: An Overview of the Market from 2009 to 2018

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Introduction

This Policy Research Perspective (PRP) presents information on changes in medical professional liability insurance (MPL) premiums for 2009 to 2018 from the Annual Rate Survey Issues of the *Medical Liability Monitor* (MLM), including the latest from October 2018. It also provides examples of premium levels for select geographic areas. Considered the most comprehensive source on MPL premiums from a national perspective, the MLM conducts an annual survey of major U.S. liability insurers and reports manual¹ 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.² Table 1 of this PRP includes this distributional information for the period from 2009 to 2018. The data collection method mentioned above suggests some caution should be taken in the interpretation of Table 1. 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.

Changes in premiums, 2009-2018

Table 1 reports distributions of annual changes in MPL premiums reported to the MLM over the last 10 years. For each year, it shows the percentage of premiums that either remained the same, increased, decreased, and whether the change was more or less than 10 percent. The main finding from the table is increasing stability in liability premiums. In 2018, the vast majority of premiums

¹ 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.

² 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.

(82.0 percent) were the same as those reported in 2017. This was higher than the 74.2 percent that did not change between 2016 and 2017, and much higher than what was observed in 2009, when 57.8 percent of premiums were the same as in the previous year.

While the share of premiums that remain the same from one year to the next has been rising, decreases in premiums have become less frequent. In 2018, this share was at its lowest point over the 10-year period; only 5.0 percent of premiums fell from their levels in 2017. Decreases are much less common than they were at their peak in 2009. In that year, 35.9 percent of premiums were lower than they were in 2008.

In contrast, the share of premiums that increase from one year to the next has fluctuated in a much narrower range. In 2009, 6.3 percent of premiums were above their levels in 2008. Since then, this fraction has ranged from a low of 12.2 percent in 2014 to a high of 17.2 percent in 2015. In 2018, 13.1 percent of premiums were above their prior year levels. In terms of size, most increases during the period were less than 10 percent.

Note that despite the detail on how many premiums increased, decreased, or stayed the same from one year to the next, the MLM does not provide detailed information on average or median premiums, or whether more or fewer premiums fell above or below a certain level. However, it gives a good sense in the aggregate of whether premiums in general have been changing, in which direction, and by how much.

Premiums in select areas, 2009-2018

To get a sense of the premium levels faced by physicians, Table 2 reports 2009 to 2018 premiums in seven geographic areas for select 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. Given that only a few areas and one insurer per area are reported, the levels and trends in the table are not necessarily state or nationally representative. They are only meant to be illustrative.

Two notable observations emerge from this table. One is that there is wide variation in premiums by geography and specialty. For example, in 2018 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. In comparison and to illustrate the variation by specialty, internists in Nassau and Suffolk counties faced manual premiums of \$33,852.

The table is also consistent with the main finding reported in the previous section. Most premiums have been stable, particularly towards the latter part of the study period. First, consider that in 2010, only 9 of the 21 premiums shown were the same as in 2009. In contrast, all 21 of the premiums reported in 2018 were the same as in the prior year. Second, consider the 10-year trends for the 21 insurer-specialty-area combinations (i.e. rows). Of those 21, the 15 pertaining to each state except New York and Pennsylvania had 2 or fewer year-to-year changes in premiums over the entire 10-year period. Only the remaining 6 trends showed notable fluctuations in premiums, with 5 changes in New York and 7 in Pennsylvania. Even in New York, however, premiums have remained the same since 2014.

Conclusion

An overview of the MLM data suggests that the period between 2009 and 2018 was one of increasing stability in medical liability premiums. In 2009, 57.8 percent of premiums were the same as those reported for 2008. In contrast, by 2018 the share that remained the same as in the previous year reached a high of 82.0 percent.

This increase in stability has been coincident with fewer premiums falling over time. Decreases have become less common, particularly in the last four years. In 2009, 35.9 percent of premiums were lower than those reported for 2008. In contrast, by 2018 only 5.0 percent of premiums fell from their levels in the previous year.

In addition to the changes summarized above, we also report trends in premium levels for select insurers in seven geographic areas. Those trends corroborate the main finding of increasing stability in premiums. They also illustrate the wide variation by geography and specialty in what physicians pay for medical liability insurance. For example, in 2018, OB/GYNs faced premiums that ranged from a low of \$49,804 in some areas of California to a high of \$214,999 in some areas of New York.

The share of premiums that are stable increased markedly over the last 10 years. In fact, the 2018 share is the highest ever observed by the author, who has been studying these changes since 2003. We will continue to monitor the liability market to see if premiums continue to remain steady in the years to come or whether they will start to head in a different direction.

Exhibit 1. Distributions of annual changes in medical professional liability insurance premiums, 2009-2018

Size of change in premiums	Distributions of changes in premiums									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Increased										
10% or more	2.1%	0.8%	5.1%	0.3%	2.7%	0.1%	5.8%	1.0%	0.1%	3.3%
0.1% to 9.9%	4.2%	13.4%	9.4%	14.8%	11.0%	12.1%	11.5%	14.5%	13.3%	9.7%
Any increase	6.3%	14.1%	14.5%	15.1%	13.7%	12.2%	17.2%	15.4%	13.4%	13.1%
No change	57.8%	67.0%	55.1%	59.2%	57.6%	65.0%	69.1%	75.2%	74.2%	82.0%
Decreased										
0.1% to 9.9%	19.4%	14.9%	27.8%	15.7%	17.2%	16.9%	8.8%	5.0%	7.3%	4.5%
10% or more	16.5%	3.9%	2.5%	10.0%	11.5%	5.9%	4.8%	4.4%	5.2%	0.4%
Any decrease	35.9%	18.9%	30.3%	25.7%	28.7%	22.8%	13.6%	9.4%	12.4%	5.0%
Observations	808	891	963	954	1014	1023	1056	1107	1143	1149

Notes:

1. Sources: 2009-2018 Medical Liability Monitor (MLM) Rate Survey Issues; and data provided by Alison Milford, ACAS, MAAA and Paul Greve, JD, RPLU.
2. The table reports year-to-year changes in professional medical liability insurance manual premiums. The unit of observation is a liability insurer in a given geographic area and specialty.

Exhibit 2. Medical professional liability insurance premiums for \$1M/\$3M policies, selected insurers, 2009-2018

	\$									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Obstetrics/Gynecology										
California (Los Angeles, Orange)	49,804	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)	201,808	201,808	201,808	201,808	190,829	190,829	190,829	190,829	190,829	190,829
Illinois (Cook, Madison, St. Clair)	178,921	177,441	177,441	177,441	177,441	177,441	177,441	177,441	177,441	177,441
New Jersey	117,340	109,189	109,189	109,189	109,189	109,189	90,749	90,749	90,749	90,749
New York (Nassau, Suffolk)	194,935	204,864	206,913	204,684	227,899	214,999	214,999	214,999	214,999	214,999
Pennsylvania (Philadelphia)	169,336	168,317	163,793	165,657	124,627	124,627	112,289	117,415	119,466	119,466
General surgery										
California (Los Angeles, Orange)	41,775	41,775	41,775	41,775	47,595	47,595	47,595	41,775	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)	190,088	190,088	190,088	190,088	190,829	190,829	190,829	190,829	190,829	190,829
Illinois (Cook, Madison, St. Clair)	119,334	118,909	118,909	118,909	118,909	118,909	118,909	118,909	118,909	118,909
New Jersey	78,484	73,074	73,074	73,074	73,074	73,074	60,810	60,810	60,810	60,810
New York (Nassau, Suffolk)	104,054	114,770	128,542	114,770	148,454	134,923	134,923	134,923	134,923	134,923
Pennsylvania (Philadelphia)	135,986	134,084	130,026	131,274	90,802	90,802	80,154	84,280	85,930	85,930
Internal medicine										
California (Los Angeles, Orange)	10,343	10,343	10,343	10,343	8,274	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)	46,372	46,372	46,372	46,372	47,707	47,707	47,707	47,707	47,707	47,707
Illinois (Cook, Madison, St. Clair)	40,726	40,865	40,865	40,865	40,865	40,865	40,865	40,865	40,865	40,865
New Jersey	20,200	18,900	18,900	18,900	18,900	18,900	15,900	15,900	15,900	15,900
New York (Nassau, Suffolk)	30,692	32,288	32,611	32,288	35,883	33,852	33,852	33,852	33,852	33,852
Pennsylvania (Philadelphia)	37,190	37,353	36,469	37,360	26,037	26,037	23,335	24,433	24,873	24,873

Notes:

1. Sources: Annual Rate Survey (October) Issues of the Medical Liability Monitor, 2009-2018. 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, though some counties may not be named due to space constraints. 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.