

Policy Research Perspectives

Medical Professional Liability Insurance Premiums: An Overview of the Market from 2010 to 2019

By José R. Guardado, PhD

Introduction

This Policy Research Perspective (PRP) summarizes changes in medical professional liability insurance (MPL) premiums and provides examples of trends in premiums for select geographic areas from 2010 to 2019. The data are from the Annual Rate Survey Issues of the *Medical Liability Monitor* (MLM) including the latest from October 2019. The MLM is considered the most comprehensive source of data on MPL premiums from a national perspective. It conducts an annual survey of major U.S. liability insurers and reports manual premiums for obstetrics/gynecology (OB/GYN), general surgery and internal medicine in each state where those insurers provide coverage. In some states, insurers price their policies differently across geographic areas within a state and report premiums to the 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 report 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 distributions of those changes.¹ Exhibit 1 of this PRP includes this distributional information for the 2010-2019 period.

Despite the level of detail on how many premiums increased, decreased, or stayed the same from one year to the next, the MLM does not provide summary information on premium levels, such as averages or medians, or whether more or fewer premiums fell above or below a certain level. Rather, it is a useful indicator of whether premiums in the aggregate have been changing, in which direction, and by how much.

The data collection method mentioned above suggests some caution should be taken in the interpretation of the data in this PRP. The data do not reflect all insurers or all specialties, and they are for *manual* premiums, which could differ from the final premiums physicians pay.² Also, because some insurers report premiums at the sub-state level, insurers and states with more rating areas are overrepresented in the data in Exhibit 1.

¹ For example, the table might show that 25 percent of premiums reported to the MLM were higher than in the previous year, 25 percent were lower, and 50 percent stayed the same.

² 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.

Changes in premiums, 2010-2019

Each year the MLM compares an insurer's reported premium in a given geographic area and specialty to the premium reported in the previous year. Exhibit 1 summarizes those comparisons over the 2010 to 2019 period. For each year, it shows the percentage of premiums that remained the same, increased or decreased, and of premium comparisons where the change was more or less than 10 percent.

There are three important takeaways from Exhibit 1. First, more than a quarter (26.5 percent) of premiums increased in 2019. This is the highest proportion observed since 2006, when 30.5 percent of premiums went up from the previous year. In comparison, 13.7 percent of premiums rose in 2018. Between 2010 and 2017, the percentage of premiums that increased year-to-year fluctuated in a much narrower range, from 12.2 percent in 2014 to 17.2 percent in 2015. In terms of size, most annual increases since 2010 were less than 10 percent.

Second, after following an upward trend from 2011 to 2018, the fraction of premiums that did not change from the previous year fell considerably in 2019 to 68.4 percent. This is lower than the 80.8 percent that did not change in 2018, which was the largest "no change" share over the 2010-2019 study period.

Finally, premium decreases have become less frequent over time. In 2011, 30.3 percent of premiums were lower than in 2010. This share has followed a downward trend since then and reached its lowest point over the 10-year period in 2019, when only 5.1 percent of premiums fell from the previous year.

Premiums in select areas, 2010-2019

To illustrate the premiums that physicians face, Exhibit 2 reports 2010 to 2019 premiums for each of the three specialties in seven geographic areas for select insurers chosen based on data availability. For each area, the reported figures are for the same insurer over time, though the insurers can differ between states. Despite the number of data points in the MLM survey, there are relatively few areas in which the same insurer can be tracked over the 2010 to 2019 period. Thus, Exhibit 2 includes only 21 trends (7 per specialty), which are not necessarily state or nationally representative and can't fully reflect the changes described in Exhibit 1. The selected trends, however, clearly demonstrate the wide geographic and specialty variation in medical liability premiums.

For example, in 2019, OB/GYNs and general surgeons faced manual premiums ranging from \$49,804 and \$41,775, respectively, in Los Angeles County, California to \$195,600 (for both specialties) in Miami-Dade County, Florida. The premiums in Miami-Dade County were roughly 4 times greater than those in Los Angeles County.

In each of the selected areas, the manual premiums for general surgeons and OBGYNs were above those for internists. For example, in Nassau County, New York, premiums in 2019 were \$33,852 for internists, \$154,056 for general surgeons and \$182,482 for OB/GYNs, and in Cook County, Illinois, 2019 premiums ranged from \$41,272 for internists to \$179,497 for OB/GYNs.

To better assess changes in premiums over time, the data from Exhibit 2 are presented graphically in Exhibits 3 through 5, separately for each specialty. With the exception of some instability in a few premiums from about 2012 to 2015, the majority of premiums in the selected areas were generally stable during most of the period and particularly up to 2018.

In 2019, there were some very big changes in Connecticut's premiums—namely large decreases among internists (46 percent) and OB/GYNs (21 percent) and a big increase among general surgeons (37.6 percent). Because these large changes are somewhat at odds with the national picture presented in Exhibit 1 and because they are for just one insurer, we looked at the 2018 and 2019 premium data available in the MLM for other insurers in Connecticut. Of the other five insurers with available data, three kept premiums the same, and two increased premiums by only 6 percent and 7 percent. This suggests the large changes depicted in Exhibits 2 through 5 may not fully characterize premium changes in Connecticut in 2019.³

Conclusion

The last hard market—also referred to as the liability “crisis”—in the early 2000s was characterized by dramatic increases in premiums. In 2003 and 2004, respectively, 77.4 percent and 82.1 percent of premiums increased from their levels in the previous years. For example, some general surgeons in Miami-Dade County, Florida faced manual premiums that increased from \$110,068 in 2000 to \$277,241 in 2004.⁴

After the crisis, a growing number of premiums started to decrease. The fraction of premiums that decreased year-to-year reached a high of 42.7 percent in 2008. Since then, however, fewer premiums have been falling over time. The major trend after the last crisis has generally been one of increasing stability. The proportion of premiums that did not change from the previous year reached a high of 80.8 percent in 2018.

The new data for 2019, however, mark a significant departure from prior year trends. The share of premiums that increased year-to-year went up substantially in 2019 to 26.5 percent—the highest percentage observed since 2006. Less clear, however, is whether this signals the next hard market. In short, it is too early to tell. This is only one year of change and does not yet indicate a trend. According to the authors of the 2019 MLM article, it will take 12 to 24 months to get a better sense of whether we may be entering the next hard market.⁵ We will continue to monitor liability premiums and other market indicators to see if this is the beginning of a new trend or whether it turns out to be just a blip.

³ We can only speculate here and not state affirmatively since the MLM does not provide market shares for the insurers that report premiums in the Annual Rate Survey.

⁴ Guardado J. *Professional Liability Insurance Rates and Distributions of Rate Changes, 2003-2007*. Chicago, IL: American Medical Association; 2007. Policy Research Perspectives No. 2007-2. These numbers for Miami-Dade are not directly comparable to those in Exhibit 2 of the present PRP because they are for different insurers.

⁵ Burns B., Gittleman A. *Are Those Hoofbeats Horses or Zebras? Medical Professional Liability in 2019*. Medical Liability Monitor, Annual Rate Survey Issue, Vol. 44 (10). October 2019.

Exhibit 1. Distributions of year-to-year comparisons of medical liability premiums, 2010-2019

Size of change in premium	Premium comparisons									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Increased										
10% or more	0.8%	5.1%	0.3%	2.7%	0.1%	5.8%	1.0%	0.1%	3.9%	3.6%
0.1% to 9.9%	13.4%	9.4%	14.8%	11.0%	12.1%	11.5%	14.5%	13.3%	9.7%	22.8%
Any increase	14.1%	14.5%	15.1%	13.7%	12.2%	17.2%	15.4%	13.4%	13.7%	26.5%
No change	67.0%	55.1%	59.2%	57.6%	65.0%	69.1%	75.2%	74.2%	80.8%	68.4%
Decreased										
0.1% to 9.9%	14.9%	27.8%	15.7%	17.2%	16.9%	8.8%	5.0%	7.3%	4.5%	3.3%
10% or more	3.9%	2.5%	10.0%	11.5%	5.9%	4.8%	4.4%	5.2%	1.0%	1.8%
Any decrease	18.9%	30.3%	25.7%	28.7%	22.8%	13.6%	9.4%	12.4%	5.6%	5.1%
Observations	891	963	954	1014	1023	1056	1107	1143	1149	1296

Notes:

1. Sources: 2010-2019 Medical Liability Monitor (MLM) Rate Survey Issues; and data provided by Bill Burns, ACAS, MAAA and Alyssa Gittleman.
2. The table reports year-to-year comparisons of manual premiums for medical professional liability insurance. 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, 2010-2019

	\$									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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	134,054
Florida (Miami-Dade)	201,808	201,808	201,808	190,829	190,829	190,829	190,829	190,829	190,829	195,600
Illinois (Cook, Madison, St. Clair)	177,441	177,441	177,441	177,441	177,441	177,441	177,441	177,441	177,441	179,497
New Jersey	109,189	109,189	109,189	109,189	109,189	90,749	90,749	90,749	90,749	90,749
New York (Nassau, Suffolk)	204,864	206,913	204,684	227,899	214,999	214,999	214,999	214,999	192,087	182,482
Pennsylvania (Philadelphia)	168,317	163,793	165,657	124,627	124,627	112,289	117,415	119,466	119,466	119,466
General surgery										
California (Los Angeles, Orange)	41,775	41,775	41,775	47,595	47,595	47,595	41,775	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	90,577
Florida (Miami-Dade)	190,088	190,088	190,088	190,829	190,829	190,829	190,829	190,829	190,829	195,600
Illinois (Cook, Madison, St. Clair)	118,909	118,909	118,909	118,909	118,909	118,909	118,909	118,909	118,909	120,258
New Jersey	73,074	73,074	73,074	73,074	73,074	60,810	60,810	60,810	60,810	60,810
New York (Nassau, Suffolk)	114,770	128,542	114,770	148,454	134,923	134,923	134,923	134,923	154,056	154,056
Pennsylvania (Philadelphia)	134,084	130,026	131,274	90,802	90,802	80,154	84,280	85,930	85,930	85,930
Internal medicine										
California (Los Angeles, Orange)	10,343	10,343	10,343	8,274	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	18,878
Florida (Miami-Dade)	46,372	46,372	46,372	47,707	47,707	47,707	47,707	47,707	47,707	48,900
Illinois (Cook, Madison, St. Clair)	40,865	40,865	40,865	40,865	40,865	40,865	40,865	40,865	40,865	41,272
New Jersey	18,900	18,900	18,900	18,900	18,900	15,900	15,900	15,900	15,900	15,900
New York (Nassau, Suffolk)	32,288	32,611	32,288	35,883	33,852	33,852	33,852	33,852	33,852	33,852
Pennsylvania (Philadelphia)	37,353	36,469	37,360	26,037	26,037	23,335	24,433	24,873	24,873	24,873

Notes:

1. Sources: Annual Rate Survey (October) Issues of the Medical Liability Monitor, 2010-2019. 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.

Exhibit 3. Medical professional liability insurance premiums, selected insurers
OB/GYN

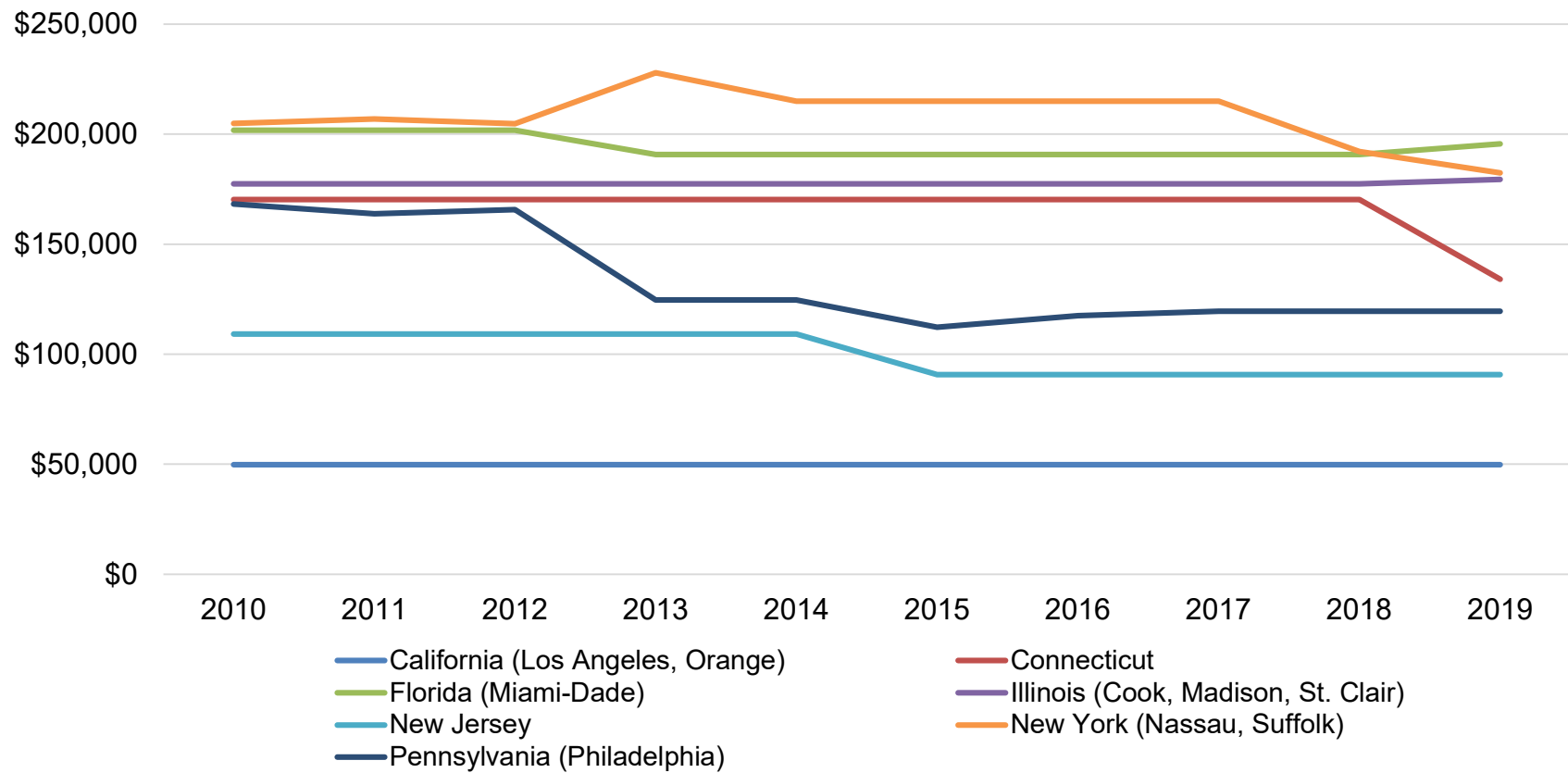


Exhibit 4. Medical professional liability insurance premiums, selected insurers
General Surgery

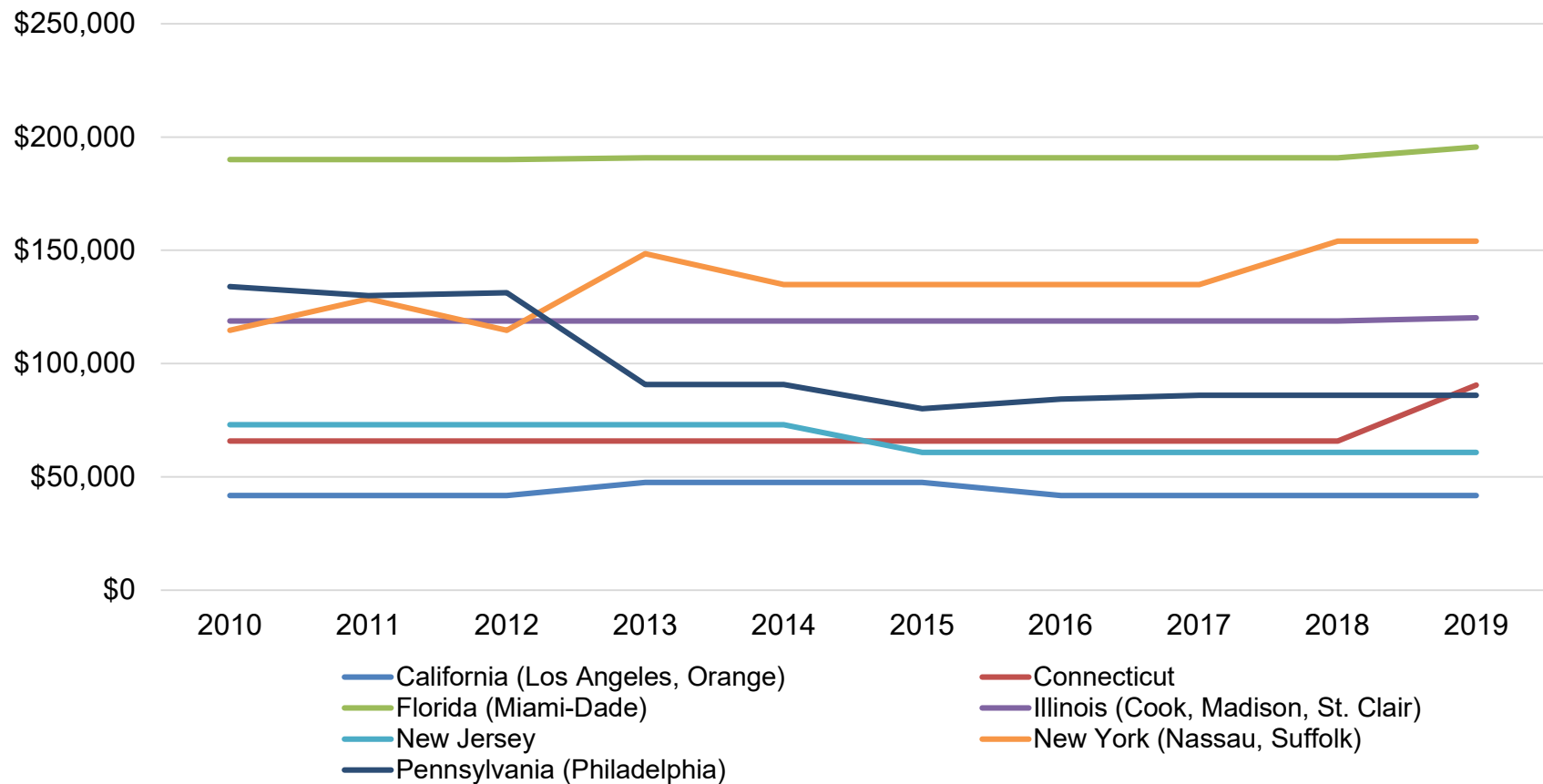


Exhibit 5. Medical professional liability insurance premiums, selected insurers
Internal Medicine

