Policy Research Perspectives

Prevalence of Medical Liability Premium Increases Unseen Since 2000s Continues for Fourth Year in a Row

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Introduction

This Policy Research Perspective (PRP) summarizes changes in medical professional liability insurance (MPL) premiums from 2013 to 2022. Its purpose is to track the direction that premiums are taking over time. It also provides examples of premium levels for select geographic areas during this time period. The data are from the Annual Rate Survey Issues of the *Medical Liability Monitor* (MLM), including the latest from October 2022. The MLM conducts an annual survey of major U.S. liability insurers and is considered the most comprehensive source of data on MPL premiums from a national perspective.

Despite their comprehensiveness, the data have some limitations. The MLM reports *manual* premiums, which could differ from the final premiums paid by physicians.[1] It reports them for three specialties—obstetrics/gynecology (OB/GYN), general surgery and internal medicine—in each state where those insurers provide coverage. In some states, insurers price policies differently across geographic areas within a state and report premiums to the MLM for each of those sub-state areas. Insurers and states with greater numbers of observations relative to their market size would be overrepresented in the data. Finally, the data may not reflect all liability insurers in a market.

The Annual Rate Survey Issue of the MLM lists the current and previous year manual premiums of participating insurers in each specialty and geographic 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.[2] The MLM does not provide summary information on premium *levels*, such as averages or medians. Rather, it is a useful indicator of whether premiums in the aggregate have been changing, in which direction, and by how much. There are six states that have a Patient Compensation Fund (PCF) where physicians pay a surcharge in addition to the premium paid to insurers. The PCF functions like supplemental

[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% of premiums reported to the MLM were higher than in the previous year, 25% were lower, and 50% stayed the same.

insurance. It provides coverage in addition to what the primary insurance policy covers. This PRP bases the changes in premiums in PCF states on the total (premium + surcharge) amounts.[3]

The most important finding in this PRP is that in the last four years (2019-2022), the proportions of premiums that increased year-to-year reached highs not seen since the 2000s. In 2019, this share almost doubled from what it was in 2018 from 13.7% to 26.5%. Then between 2020 and 2022, about 30% of premiums went up year-to-year over that period of time.

Annual changes in premiums, 2013-2022

Each year, the MLM compares an insurer's reported premium in a given geographic area and specialty to the amount reported in the previous year. Exhibit 1 of this PRP summarizes those changes over the 2013-2022 period.[4] For each year, it shows the percentages of premiums that *i*) remained the same, *ii*) increased, *iii*) decreased, or *iv*) changed by more or less than 10%.

Exhibit 1 shows that premiums had been increasingly stable through 2018, when 80.8% remained the same as in the previous year. Since then, however, stability has been slowing. Despite a small increase from 60.8% in 2020 to 64.0% in 2021, the proportion of premiums that remained the same fell to 56.1% in 2022.

Premium decreases have also become less frequent over time. In 2013, the proportion of premiums that fell was 28.7%. In contrast, only 7.8% of premiums went down in 2022. Interestingly, most decreases (62.9%) occurred in the six PCF states. Moreover, the premium decreases in the PCF states were *entirely* driven by decreases in the surcharge, rather than in the premium itself. Considering changes in only the premium—ignoring surcharges—there would have been *no* premium decreases at all in PCF states. Consequently, the share of *all* premiums (PCF and non-PCF states) that decreased would have been 2.9% rather than 7.8%.

The most significant finding for the last four years is that more premiums have increased than in any year since the 2000s. The proportion of premiums that went up in 2018 almost doubled in 2019, from 13.7% to 26.5%. In 2020, this share grew to 31.1% of premiums that increased from the previous year. Once again, and despite a small dip in 2021, 36.2% of premiums increased in 2022, which was higher than in any year since 2005.

Exhibit 2 reports the year-to-year average premium changes in the last three years. It shows the average change in the entire MLM sample, which includes increases, decreases and no changes (All). It also reports the average change for only premiums that increased, as well as the average change for only those that decreased. Consistent with the findings in Exhibit 1, premiums have been increasing on average in recent years. Between 2021 and 2022, the average change was 2.5%—up from 1.0% in 2019-2020. Among premiums that went up year-to-year, the average increase was 8.1% in 2022.

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[3] Prior to 2021, Exhibit 1 of the MLM based premium changes in PCF states on changes in the total (premium + surcharge) amounts. In 2021, they started being based on only the change in the premium (not the surcharge). The PCF states are Indiana, Kansas, Louisiana, Nebraska, New Mexico and Pennsylvania.

[4] Exhibit 1 in this PRP reflects a few corrections to estimates first published in the October 2021 issue of the MLM.

Over two thirds (68.2%) of the 2022 premium increases occurred in 10 states, and 78% were in 15 states. Thirty percent of the increases occurred in Illinois, which had the largest number of increases among all the states in each of the last three years. Part of the reason for these large numbers is that Illinois has many observations to begin with. With 7 insurers and up to 10 rating areas per insurer for a total of 162 observations in 2022, Illinois is overrepresented in the data.[5]

This raises the question of whether increases in premiums in Illinois are driving some of the results. To assess this possibility, the data were adjusted so that Illinois had a more representative contribution.[6] After doing so, the share of premiums that increased in 2022 is 31.3% rather than 36.2%—a percentage that is still higher than in any year since 2005. Illinois does have a bigger impact on large increases. Exhibit 1 shows that 10.2% of premiums increased by 10% or more in 2022. Including Illinois data in a more representative way would reduce this to 5.5%. It would also slightly lower the average premium change as well as the average premium increase in Exhibit 2. In short, the effects of Illinois's overrepresentation in the data on the overall results and particularly on increases of any size are relatively minor.

Exhibit 3 presents the states where there was at least one large premium increase (10% or more). There were 15 such states—up from 12 in 2021. They are ranked by the share of comparisons in the state that reflected increases of that size. Those states and such shares are Illinois (63.6%), New Mexico (33.3%), Oregon (26.7%), Kansas (20.0%), South Dakota (20.0%), Kentucky (20.0%), Massachusetts (16.7%), Montana (16.7%), Missouri (14.8%), South Carolina (11.1%), West Virginia (6.7%), Maine (6.7%), Virginia (6.4%), Nevada (5.6%) and Georgia (4.8%).

Interestingly, seven of the 15 states in Exhibit 3 also appeared in the exhibit that presented similar information in last year's edition of this PRP, indicating they have experienced large premium increases for at least two years. These are Illinois, Oregon, Kentucky, Missouri, South Carolina, West Virginia and Georgia. Six of those seven states (except West Virginia) had large increases in the last *three* years.[7]

Focusing on big increases only tells part of the story. Another telling measure is the proportion of premiums that went up by any amount. To give a more complete picture, Exhibit 3 also presents those shares (column 3), as well as the size of the largest increase (column 2) and the number of comparisons (N) in each state (column 4). With this we see that in Georgia, for example, although only 4.8% of reported premiums increased by 10% or more, 71.4% increased by any amount. Interestingly, Illinois further stands out on this list because 90.7% of its premiums increased in 2022, while 64.3% and 80.6% rose in 2020 and 2021.

There were 15 states in which at least half of reported premiums went up by any amount in 2022, compared to six states in 2021. Of those 15 states, 10 are already listed in Exhibit 3. In addition, there were another 23 where fewer than half the premiums rose, for a total of 38 states that had

[5] Checking back to 2017 to cover the period in which the jump in increases is observed (2019), IL's share of observations was relatively stable until 2021, hovering between 9% and 10% of the total observations, and increased to 12% in 2022.
[6] To do this, several estimates in Exhibit 1 were recalculated assuming Illinois's share in the data was 3.85% (its share of the patient care physician population in 2022).
[7] These data were not readily available to the author in 2019, so these statements can only be made for the last three years.

premium increases of any size—up from 32 states in 2021. Twenty-eight states experienced premium increases in both 2021 and 2022, and 20 states had them in all three years (2020, 2021 and 2022).[8]

Premium levels in select areas, 2013-2022

The previous section focused on *changes* in premiums. To illustrate *levels* in premiums and their variation across states and specialties, Exhibit 4 reports 2013 to 2022 premiums for the three specialties in the MLM. They are reported for seven geographic areas and for one selected insurer per state based on data availability throughout the study period. 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 entire 2013-2022 period.[9] Exhibit 4 includes 21 units of observation (7 areas per specialty), which are not necessarily state or nationally representative and cannot fully reflect the *trends* in Exhibit 1. In addition, because each state's premiums in Exhibit 4 pertain to only one insurer, those premium levels and the changes over time do not necessarily reflect the experience of each state as a whole. However, they meet the intent of demonstrating the wide variation by geography and specialty.

The wide geographic variation in premiums is striking. For example, OB/GYNs faced 2022 manual premiums ranging from $49,804 in Los Angeles County, California (L.A.) to $226,224 in Miami-Dade County, Florida—454% higher than in L.A. The relative difference between the two areas is even higher among internists, whose premiums in Miami-Dade are 677% greater than in L.A. There is wide variation between the other areas as well.

There is also wide variation in premiums by specialty, though this is perhaps less surprising due to known differences in liability risk.[10] In each of the selected geographic areas, the manual premiums for general surgeons were above those for internists, and OB/GYNs' were higher than general surgeons', with the exception that OB/GYNs and general surgeons faced the same premiums in Miami-Dade. To illustrate the wide variation across specialties, consider that premiums in Philadelphia County, Pennsylvania were $31,909 for internists, $105,013 for general surgeons and $185,565 for OB/GYNs. In Cook County, Illinois, they ranged from $47,788 for internists to $208,821 for OB/GYNs.

Conclusion

For several years, observers had been wondering when the next hard market would materialize. The last hard market—also referred to as the liability “crisis”—took place in the early 2000s. It was characterized by dramatic increases in premiums. In 2003 and 2004, respectively, 77.4% and 82.1%

[8] These data were not readily available to the author in 2019, though it's plausible that premium increases were widespread across the U.S. in 2019 as well.
[9] For example, the Pennsylvania insurer for which premiums were reported in previous editions of this PRP is no longer in the 2022 MLM data due to a merger with another insurer. Thus, data for a different insurer are reported for Pennsylvania in this PRP.
[10] Guardado J. *Medical Liability Claim Frequency Among U.S. Physicians*. Chicago, IL: American Medical Association; 2023. Policy Research Perspectives No. 2023-3. https://www.ama-assn.org/sites/ama-assn.org/files/corp/media-browser/public/government/advocacy/policy-research-perspective-medical-liability-claim-frequency.pdf

of premiums increased from their levels in the previous years. Some general surgeons in Miami-Dade County, Florida faced manual premiums that increased from $110,068 in 2000 to $277,241 in 2004.[11]

That period was followed by a soft market during which a growing number of premiums started to decrease. Since then, however, fewer premiums have fallen over time, and decreases have become much less common than premium increases. The major trend after the last hard market had generally been one of increasing stability, though stability has been slowing since 2019.

Also in 2019, for the first time since the last hard market, the share of premiums that increased year-to-year went up significantly. Then between 2020 and 2022, even higher proportions increased, when about 30% of premiums went up from the previous years—the highest proportions observed since the 2000s.

According to some actuaries, we were already in the early stages of a hard market in 2020, as insurers started raising premiums in response to deteriorating underwriting results, lower loss reserve margins, and lower returns on investment. Thus, it was expected that insurers would sustain or even push for higher premiums in 2021.[12] The 2021 and 2022 MLM data indicate that this has been coming to fruition. The average change in premiums across the nation was 2.5% in 2022. There were 15 states where at least some of the premiums increased by 10% or more, up from 12 such states in 2021. Smaller increases in premiums were more widespread as they were observed in 38 states in 2022, up from 33 states in 2020 and 32 in 2021. Twenty-eight states experienced premium increases in both 2021 and 2022, and 20 states had them in all three years (2020, 2021 and 2022). Although there may not be a hard market yet in the entire U.S., there appears to be a hard market in a considerable number of states, most notably Illinois, where 64.3%, 80.6% and 90.7% of premiums have increased respectively in each of the last three years.

The effect of the COVID-19 pandemic on the MPL market has been largely inconsequential. When it first hit in 2020, there was a temporary reduction in health care provided and thus lower exposure to risk of claims. A number of insurers responded by offering premium discounts and rebates and even special dividends.[13] While most respondents to the 2022 MLM Rate Survey do not expect an influx of COVID-related claims, the ultimate effect of the pandemic on premiums is still not yet fully known. If such claims are reported, respondents believe they would occur in the 12 months following the 2022 survey.[14]

In sum, average premiums have been increasing in recent years. To put it in perspective, however, at this stage the current hard market is not as severe and is spreading at a slower pace than the one from 20 years ago. According to some actuaries, that level of severity may not be reached. While they indicate that most factors point to pushing premiums higher and have been expecting more and

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[11] 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 4 of the present PRP because they are for different insurers.
[12] Burns B., Gittleman A. *Rate Increases – Just What the Doctor Ordered. Medical Professional Liability in 2020*. Medical Liability Monitor, Annual Rate Survey Issue, Vol. 45 (10). October 2020.
[13] Burns B., Erickson, D. *If You Want a Hard Market, You Have to Go Get It. Medical Professional Liability in 2021*. Medical Liability Monitor, Annual Rate Survey Issue, Vol. 46 (10). October 2021.
[14] Burns B., Erickson, D. *This Won't Be Your Parents' Hard Market. Medical Professional Liability in 2022*. Medical Liability Monitor, Annual Rate Survey Issue, Vol. 47 (10). October 2022.

higher premium increases, there are two differences compared to the last hard market. One is that the MPL industry is in a much better financial position this time around. Second, there is now a smaller MPL insurance market on the demand side. Thus, while 20 years ago, if an insurer increased premiums and lost customers, they could compete with other insurers and replace the lost business. In contrast, recent changes in physician practice arrangements from ownership in their practices to employment in health care entities such as hospital systems is making that replacement more difficult. Independent physicians have historically been insured by entities such as mutual (physician-owned) companies, risk retention groups and other commercial insurers. In contrast, hospital systems may self-insure and/or use captive (subsidiary) insurers. In light of this shrinking market, insurers need to be more selective and careful about where, when and by how much they will increase premiums.[15] An important question is whether the market will continue to shrink.

It is not atypical for there to be hard and soft markets, for premiums to go up and down, as this is part of the insurance cycle. How severe and widespread the current hard market will become—how many premiums will increase, how high they will go and whether insurers will follow suit and increase premiums in other states—remains to be seen. Nonetheless if current trends continue, even if slower and less severe than the last hard market, this medical liability pressure could have detrimental effects on health care markets, such as an increase in defensive medicine, lower physician supply, and thus reduced access to care. The upcoming editions of MLM will be anticipated with strong curiosity as they will be crucial in understanding where the liability market is headed next.

[15] Burns B., Erickson, D. *This Won't Be Your Parents' Hard Market. Medical Professional Liability in 2022*. Medical Liability Monitor, Annual Rate Survey Issue, Vol. 47 (10). October 2022.

Exhibit 1. Distributions of year-to-year comparisons of medical liability premiums, 2013-2022

Size of change in premium	Premium comparisons									
Increased	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
10% or more	2.7%	0.1%	5.8%	1.0%	0.1%	3.9%	3.6%	5.2%	7.5%	10.2%
Less than 10%	11.0%	12.1%	11.5%	14.5%	13.3%	9.7%	22.8%	25.9%	22.0%	25.9%
Any increase	13.7%	12.2%	17.2%	15.4%	13.4%	13.7%	26.5%	31.1%	29.5%	36.2%
No change	57.6%	65.0%	69.1%	75.2%	74.2%	80.8%	68.4%	60.8%	64.0%	56.1%
Decreased										
Less than 10%	17.2%	16.9%	8.8%	5.0%	7.3%	4.5%	3.3%	4.4%	4.9%	7.5%
10% or more	11.5%	5.9%	4.8%	4.4%	5.2%	1.0%	1.8%	3.7%	1.7%	0.3%
Any decrease	28.7%	22.8%	13.6%	9.4%	12.4%	5.6%	5.1%	8.1%	6.5%	7.8%
Observations	1014	1023	1056	1107	1143	1149	1296	1416	1500	1347

Notes:

1. Sources: 2013-2019 Medical Liability Monitor (MLM) Rate Survey Issues and author's analysis of 2020-2022 data from the Medical Liability Monitor.
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 state (or sub-state area) and specialty. Changes in Patient Compensation Fund (PCF) states are based on the change in the total (premium + surcharge) amounts.
3. In each year, the percentage of premiums that increased, had no change, and decreased sum to 100%. For example, between 2021 and 2022, 56.1% of the premiums reported did not change, 36.2% of the premiums increased, and 7.8% decreased.

Exhibit 2. Annual Average Changes in Liability Premiums, 2020-2022

	Average Change		
	2019-2020	**2020-2021**	**2021-2022**
All	1.0%	1.9%	2.5%
Increases	6.3%	7.9%	8.1%
Decreases	-11.7%	-6.0%	-5.1%
N	1416	1500	1347

Note: The unit of observation is an insurer in a state (or sub-state area) and specialty.

Exhibit 3. States With the Largest Increases in Liability Premiums, 2021-2022

State	% that were Increases >=10%	Size of Largest Increase	% that were Increases	N
	(1)	(2)	(3)	(4)
Illinois	63.6%	22.4%	90.7%	162
New Mexico	33.3%	17.6%	100.0%	9
Oregon	26.7%	15.0%	60.0%	15
Kansas	20.0%	40.9%	40.0%	15
South Dakota	20.0%	15.0%	20.0%	15
Kentucky	20.0%	11.7%	86.7%	15
Massachusetts	16.7%	23.5%	41.7%	12
Montana	16.7%	10.0%	25.0%	12
Missouri	14.8%	14.0%	66.7%	27
South Carolina	11.1%	25.0%	50.0%	18
West Virginia	6.7%	10.4%	60.0%	15
Maine	6.7%	10.0%	40.0%	15
Virginia	6.4%	13.7%	50.0%	78
Nevada	5.6%	10.1%	66.7%	18
Georgia	4.8%	20.0%	71.4%	21

Notes:

1. The unit of observation is an insurer in a state (or sub-state area) and specialty.
2. States are included in this Exhibit if they had at least one premium increase of at least 10%. The ranking of states is based on the share of comparisons that were increases of 10% or more.

Exhibit 4. Medical professional liability insurance premiums for $1M/$3M policies, selected insurers, 2013-2022

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Obstetrics/Gynecology	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
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	134,054	134,054	137,942	144,838
Florida (Miami-Dade)	190,829	190,829	190,829	190,829	190,829	190,829	195,600	205,380	215,649	226,224
Illinois (Cook, Madison, St. Clair)	177,441	177,441	177,441	177,441	177,441	177,441	179,497	179,497	179,497	208,821
New Jersey	109,189	109,189	90,749	90,749	90,749	90,749	90,749	90,749	90,749	90,749
New York (Nassau, Suffolk)	227,899	214,999	214,999	214,999	214,999	192,087	182,482	174,552	165,824	159,639
Pennsylvania (Philadelphia)	175,528	175,528	163,190	168,316	170,367	170,367	185,449	185,449	185,449	186,565
General surgery										
California (Los Angeles, Orange)	47,595	47,595	47,595	41,775	41,775	41,775	41,775	41,775	41,775	41,775
Connecticut	65,803	65,803	65,803	65,803	65,803	65,803	90,577	90,577	93,203	97,863
Florida (Miami-Dade)	190,829	190,829	190,829	190,829	190,829	190,829	195,600	205,380	215,649	226,224
Illinois (Cook, Madison, St. Clair)	118,909	118,909	118,909	118,909	118,909	118,909	120,258	120,258	120,258	139,807
New Jersey	73,074	73,074	60,810	60,810	60,810	60,810	60,810	60,810	60,810	60,810
New York (Nassau, Suffolk)	148,454	134,923	134,923	134,923	134,923	154,056	154,056	154,056	146,353	140,894
Pennsylvania (Philadelphia)	102,904	102,904	92,256	96,382	98,032	98,032	106,263	106,263	106,263	105,013
Internal medicine										
California (Los Angeles, Orange)	8,274	8,274	8,274	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	18,878	18,878	19,425	20,397
Florida (Miami-Dade)	47,707	47,707	47,707	47,707	47,707	47,707	48,900	51,345	53,912	55,996
Illinois (Cook, Madison, St. Clair)	40,865	40,865	40,865	40,865	40,865	40,865	41,272	41,272	41,272	47,788
New Jersey	18,900	18,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900
New York (Nassau, Suffolk)	35,883	33,852	33,852	33,852	33,852	33,852	33,852	33,852	32,159	30,960
Pennsylvania (Philadelphia)	30,745	30,745	27,983	29,081	29,521	29,521	32,055	32,055	32,055	31,909

Notes:

1. Sources: Annual Rate Survey (October) Issues of the Medical Liability Monitor, 2014-2022. 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.