

# 2016

## Medical Malpractice Financial Information Closed Claim Database and Rate Filings

Annual Report  
October 1, 2016



FLORIDA OFFICE OF  
INSURANCE REGULATION

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## Executive Summary

Section 627.912(6)(b)&(c), Florida Statutes, requires the Office of Insurance Regulation (the Office) to prepare an annual report about the medical malpractice insurance market in Florida. As required by law, this report provides:

- A review of the profitability and solvency of medical malpractice insurers doing business in Florida;
- A comparison of Florida medical malpractice insurance data to that of other states;
- A review of rate filings resolved by the Office during the 2015 calendar year; and
- An analysis of Florida medical malpractice closed claims.

It also provides:

- Detailed information by leading states and for leading companies that is targeted specifically to the physicians malpractice subline, and similar information for each of the other three sublines (other healthcare professionals, hospitals, and other facilities);
- Information on the breakdown of the market between licensed insurance companies, surplus lines companies, and risk retention groups for each of the four sublines;
- Information on competition and marketplace dynamics for the physicians malpractice market; and
- A comparison of malpractice premiums in leading states for physicians malpractice insurance.

This report satisfies the statutory requirements. Specifically, it analyzes the financial performance of the 27 medical malpractice insurance writers that constituted 80% of the overall Florida market in 2015.

**Market size and cost components** – Florida is the fourth largest U.S. state in terms of total medical malpractice premium, with roughly \$530 million in 2015 direct written premium. Among the top 10 states by premium, Florida's:

- Combined loss and defense and cost containment ratio of 67.8% ranks fourth highest;
- Non-claims-based expense ratio of 21.8% is the highest among the top 10 states;
- Claims-based adjusting and other expense of 4.9% ranks third highest among the top 10 states; and
- Combined ratio (total payouts to premium) of 101.1%, up from 96.6% in 2014, is the third largest.

**Carrier financial strength** – It is estimated that the Florida medical malpractice line of business standing alone generated a direct (before reinsurance) return on surplus( Florida after tax profit divided by surplus allocated to Florida) of -5.3% in 2015. This return compares negatively with the average countrywide all-lines net return on surplus for Florida's leading medical malpractice writers of 2.6% (down from 5.2% in 2014). This was generally consistent with stock market returns in 2015. This represents the first operating loss over the 12 years since the reform. One should consider that the 2015 countrywide calendar year financial results of the various insurers may be heavily affected by improvements in their cost estimates for claims from older years.



Data from the National Association of Insurance Commissioners (NAIC) financial database suggests that the largest carriers' 2014 and prior year loss cost estimates were reduced by up to 9.4% of 2014 loss and DCC reserves. Related financial information in the report also suggests that the leading malpractice carriers as a class are financially strong.

**Breakdown of the market by subline** – Physicians malpractice dominates the medical malpractice premium in Florida. 66% of the 2015 Florida medical malpractice written premium was for physicians, 18% was for other healthcare professionals, 5% was for hospitals, and 11% was for other medical facilities.

**Breakdown of the market between licensed carriers and total of surplus lines insurers and risk retention groups** – For the overall medical malpractice market, 65% of the premium is generated by licensed insurance companies (as opposed to surplus lines carriers and risk retention groups). However, the results are very different when the scope is limited to one of the individual sublines broken out in the annual statement. The following percentages of premium, by subline, are for licensed insurance companies:

- Physicians and surgeons: 80%
- Other healthcare professionals: 66%
- Hospitals: 1%
- Other facilities: 7%

For the most part, loss ratios within the segments in the physicians subline did not differ materially by carrier type. However, differences in loss ratios between segments were seen where the premium volume is low, as with the other sublines.

**Company Admissions activity** – Seven (7) entities (including two risk retention groups (RRGs) and one advisory organization) entered the Florida malpractice market during 2015. One carrier became inactive. One risk retention group withdrew its Florida registration. No new risk purchasing groups entered the market during 2015. One risk purchasing group withdrew its registration during 2015.

**Legislation** – There was no legislation affecting the medical malpractice environment that was passed during the 2016 legislative session. No court decisions with a significant effect on the medical malpractice environment have occurred since the previous report. However, the Florida Supreme Court is presently considering the *Kalitan v. North Broward Hospital* case, which could eliminate the caps on non-economic damages contained in the 2003 reforms.

**Key financial information on physicians malpractice** – Florida is the fourth largest state for physicians malpractice, with \$353 million in 2015 direct written premium. Its loss ratio during 2015 (specifically excluding defense and cost containment), at 39.9%, was the fourth highest among the top 10 states. That midrange ranking nonetheless translates to an estimated 2015 combined (all costs divided by all premiums) ratio of 100%. Since investment income will offset some of the costs in addition to premiums, this suggests acceptable profitability, in comparison to the all medical malpractice estimated combined ratio of 101% (which suggests lessened profitability in Florida medical malpractice overall). Physicians malpractice loss ratios differ markedly among carriers, ranging from as low as 11% to as high as 55%.

**Specialization among physicians insurers** – The majority of leading physicians insurers in Florida may be said to specialize in insuring physicians malpractice. Some of them specialize specifically in Florida physicians, although most do not.

**Market concentration** – The commonly-used Herfindahl-Hirschman (Herfindahl) index of market concentration, is 1,376 for physicians malpractice insurance. That is below the 1,500 threshold that would suggest the market is moderately concentrated. Since the types of insureds within the other sublines in the NAIC financial database are very diverse, the database does not contain enough information to evaluate the degree of market concentration in the remaining sublines.

**Comparison of Florida rates to those of other states** – A limited scope study contained within the report indicates that in three out of eight of the examples priced, Florida rates were the highest among all 10 states. In the remaining examples, Florida's rank varied from second to third among the 10 states reviewed.

**Rate filings** – There were 90 medical malpractice rate filings either approved or processed as informational during 2015 (up from 86 in 2014 and up from 87 in 2013) in Florida. The average rate change for a Florida physician as a result of rate filings resolved in 2015 was a decrease of 1.7%. This was derived by taking the actual rate changes approved in 2015 and weighting them with zero rate change for the companies without approved filings. Some of the specialized areas of medical malpractice also experienced average rate changes in 2015, including:

- Dentists rates: +1.0%
- Professional nurses rates: +4.0%
- Podiatrists, optometrists, chiropractors and similar professionals rates: +26.6%

**Professional liability claims reporting system data** – During 2015, 2,766 claims were reported as closed (up from 2,681 in 2014); 1,476 claims were closed for female claimants and 1,290 for male claimants. As in previous reports, hospital inpatient facilities were the most commonly reported claims location. As in prior reports, most claims were in the “severe to moderate” category. An estimated \$878 million (34% above 2014, which in turn was 33% below 2013) was paid over the lifetime of the claims closed in 2015; \$640 million was paid in damages, the remainder in loss adjustment expenses.

**Historical context** – The Office has continued to monitor the profitability of the medical malpractice insurance market in Florida. Prior to the 2003 legislative changes, the market experienced double-digit annual rate increases, an availability crisis, and had one of the highest defense and cost containment expense ratios in the country.

**General conclusion** – Based on the trends found in this report, it would appear that the 2003 changes to the law have benefited policyholders and the industry, assisted with the solvency of medical malpractice carriers, and directly contributed to a long-term lowering of the defense and cost containment ratios in the State of Florida.

## Purpose and Scope

Section 627.912(6)(b)&(c), Florida Statutes, requires the Office to publish an annual report of the state of the medical malpractice insurance market in Florida. The statute requires the Office to utilize three data resources:

1) The National Association of Insurance Commissioners (NAIC) annual financial statement filings; 2) The closed claims database maintained by the Office; and 3) An analysis of rate filings filed with the Office during the previous year. Specifically:

*(6)(b) The office shall prepare an annual report by October 1 of each year, beginning in 2004, which shall be available on the Internet, which summarizes and analyzes the closed claim reports for medical malpractice filed pursuant to this section and the annual financial reports filed by insurers writing medical malpractice insurance in this state.*

*The report must include an analysis of closed claim reports of prior years, in order to show trends in the frequency and amount of claims payments, the itemization of economic and noneconomic damages, the nature of the errant conduct, and such other information as the office determines is illustrative of the trends in closed claims. The report must also analyze the state of the medical malpractice insurance market in Florida, including an analysis of the financial reports of those insurers with a combined market share of at least 80 percent of the net written premium in the state for medical malpractice for the prior calendar year, including a loss ratio analysis for medical malpractice written in Florida and a profitability analysis of each such insurer. The report shall compare the ratios for medical malpractice in Florida compared to other states, based on financial reports filed with the National Association of Insurance Commissioners and such other information as the office deems relevant.*

*(c) The annual report shall also include a summary of the rate filings for medical malpractice which have been approved by the office for the prior calendar year, including an analysis of the trend of direct and incurred losses as compared to prior years.*

## Background on the Florida Market

Since Florida's population ranks third in the country, it would be expected that Florida would represent one of the largest medical malpractice insurance markets. Although data was compiled for all 50 states and all U.S. territories (Appendix A), for purposes of comparison, this report compares Florida with other states in the top 10 for the most medical malpractice premium written overall for the medical malpractice line of business: New York, California, Pennsylvania, Illinois, New Jersey, Massachusetts, Texas, Maryland, and Ohio. The report also compares Florida with other states in that top 10 group as regards direct losses incurred, expenses borne, and other key financial criteria.

As part of this report, a few global adjustments to the data were necessary. Since captives of large healthcare chains have a different marketing structure than conventional insurers, they have

different operating characteristics than conventional insurance companies. One large carrier, Healthcare Indemnity (HCI), primarily covers the risks of its (hospital chain) owner, and its data was removed from the October 2015 version of this report. Another captive belonging to a large hospital chain, The Healthcare Underwriting Company, RRG, was removed from the October 2015 version of this report as well. Therefore, both captives were removed from the data used to produce this report.

## **Organization of this Report**

The primary financial data used to construct this report is obtained from the NAIC financial database. However, additional data from the Professional Liability Claims Reporting System (PLCR), internal reviews of rate filing activity, internal reviews of company admissions data, internal “CORE” system data, and the Office’s legislative summary was used as well. In that NAIC financial database, extensive information is provided regarding the total financial position of a company across all lines of business. A substantial, but lesser, amount of information is provided for just the medical malpractice line of business. An even lesser amount of information is provided when the scope is restricted to one of the “sublines” in the NAIC database, such as for only physicians, only non-physician healthcare professionals, only hospitals, or only non-hospital medical facilities.

The medical malpractice market for physicians is very different from the medical malpractice market for other sublines such as hospitals. Thus, information by subline can be of key interest. Therefore, the first section of this report focuses on the total malpractice market; the second section focuses on the results for just the policies covering physicians; the third on the malpractice market for other healthcare professionals, and so on. Those sections are followed by an analysis of the data from the PLCR system. Detailed comparisons of physicians medical malpractice premiums for the nine states where information could be readily obtained and other key 50 states plus U.S. territories data items are in the appendices.

## **Analysis of the Total Medical Malpractice Line of Business**

As mentioned earlier, the first section of this report covers data from all types of medical malpractice coverage combined. The first subsection of that analysis involves comparisons among the leading medical malpractice states.

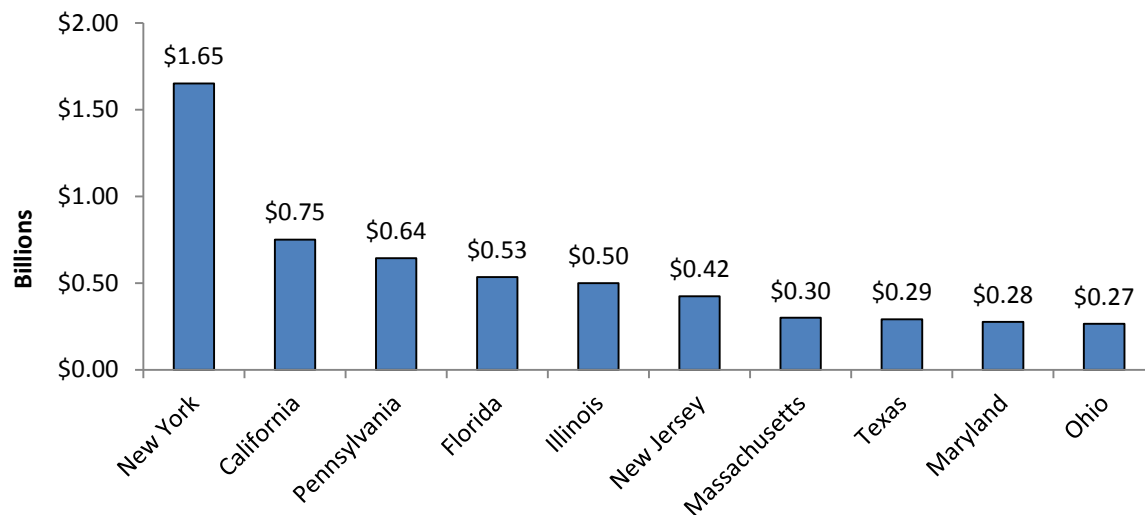
### ***Comparisons to Other Leading States***

Comparative data for the Florida medical malpractice market and that of the top 10 states for total malpractice premium follows.

### **Top 10 States by Medical Malpractice Premium Volume**

Written premium is a commonly used measure of the dollars of sales generated by an insurance company. As the graph below shows, however, there is not a direct 1:1 correlation between state population and total medical malpractice written premium. California, by far the most populous state, is a distant second to New York in the amount of medical malpractice premium written. Meanwhile, Texas is the second most populous state, but ranks eighth in terms of medical malpractice premium. As mentioned earlier, Florida ranks third by population and fourth within its peer group for medical malpractice premium.

#### **2015 Top 10 States for Medical Malpractice Direct Written Premium**



*Data from two captive insurers was removed from this analysis and all subsequent charts.*

### **Loss and DCC Information for the Top 10 States**

The loss ratio is a measure of the percentage of premium that will be expended on paying claims. It divides the total loss dollars accrued in a calendar year, by an “earned premium” value that adjusts the premium on each policy to match the 12 months of possible loss costs that the policy might have to pay. As such, a high loss ratio would suggest that losses are high in relation to premium. Further, a higher loss ratio would indicate a lower average markup on loss costs on the part of the various insurance companies doing business in a state. Data on the loss ratios of the top 10 states and their loss ratio ranks are shown in the chart on the following page.

## 2015 All Medical Malpractice Direct Loss Ratios

Written Premium Rank	State	2015 All Medical Malpractice Direct Loss Ratio	Loss Ratio Rank
1	New York	58.9%	1
6	New Jersey	52.4%	2
3	Pennsylvania	45.4%	3
5	Illinois	43.9%	4
4	Florida	43.5%	5
7	Massachusetts	41.0%	6
2	California	40.5%	7
9	Maryland	29.5%	8
8	Texas	25.6%	9
10	Ohio	10.6%	10

Before discussing the results of the chart, a few points about this data should be mentioned. When actuaries and other professionals compute the rates companies charge, they replace this data with data that removes year-to-year fluctuations in estimates of the costs of claims, and reflects the historical rate changes companies have made. As a by-product, those adjustments remove some of the year-to-year volatility in loss data.

New York continues to lead this group, with New Jersey a close second. However, New York offers physicians excess insurance at no cost if they fulfill certain criteria, so the New York costs may be higher. The aggregate direct loss ratio for the Florida market was the fifth in 2015, the same as in 2014. The national average in 2015 for all states and territories was 38.1% – slightly below the 40.1% loss ratio in 2014. Florida’s loss ratio increased slightly from 42.8% to 43.5% in 2015, although it still appears to be in a reasonable range.

However, losses are not the only benefits insureds receive from their policies. Insurance companies are also required to pay for legal defense of claims. Those additional defense and cost containment (DCC) dollars can be substantial and are included with loss in the “loss and DCC” ratios to earned premium shown on the following page.

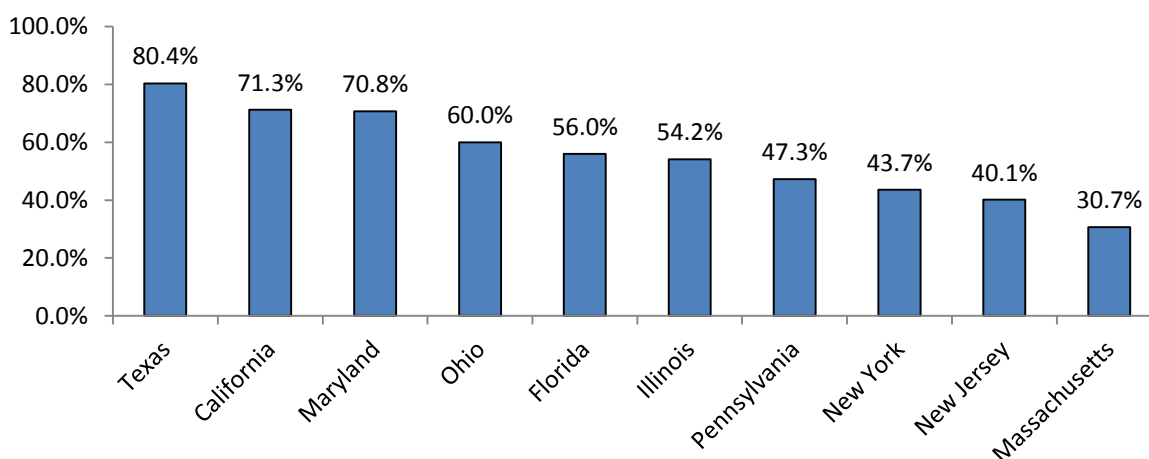
## 2015 All Medical Malpractice Direct Loss and DCC Ratios

Written Premium Rank	State	2015 All Medical Malpractice Direct Loss and DCC Ratio	Loss & DCC Rank
1	New York	84.7%	1
6	New Jersey	73.4%	2
2	California	69.3%	3
4	Florida	67.8%	4
5	Illinois	67.7%	5
3	Pennsylvania	66.8%	6
7	Massachusetts	53.5%	7
9	Maryland	50.4%	8
8	Texas	46.2%	9
10	Ohio	17.0%	10

The loss and DCC ratio rankings loosely mirror the loss ratio rankings somewhat. New York, with the highest loss ratio, also had the highest loss and DCC ratio among the top 10 states in 2015. In this case, New Jersey was the second, California was the third, and Florida was the fourth (up from the fifth in 2014).

Alternatively, DCC can be considered as frictional costs associated with the payment of damages to claimants<sup>1</sup>. Following that approach, the graph below shows the ratios of incurred (accrued in a calendar year) DCC to incurred loss.

## 2015 All Medical Malpractice Direct DCC to Loss Ratios



<sup>1</sup> It is important to note that DCC expenses are not the only frictional costs associated with payments to injured parties. In-house or other adjuster fees included in “adjusting and other” expense are also frictional costs. In some analyses, all expenses and profit would be considered as well. The payments made to plaintiff attorneys, plaintiff expert witnesses, etc. are also such frictional costs, although the NAIC database does not break down the loss amounts between the amounts received by the plaintiff and the amounts expended on plaintiff frictional costs.

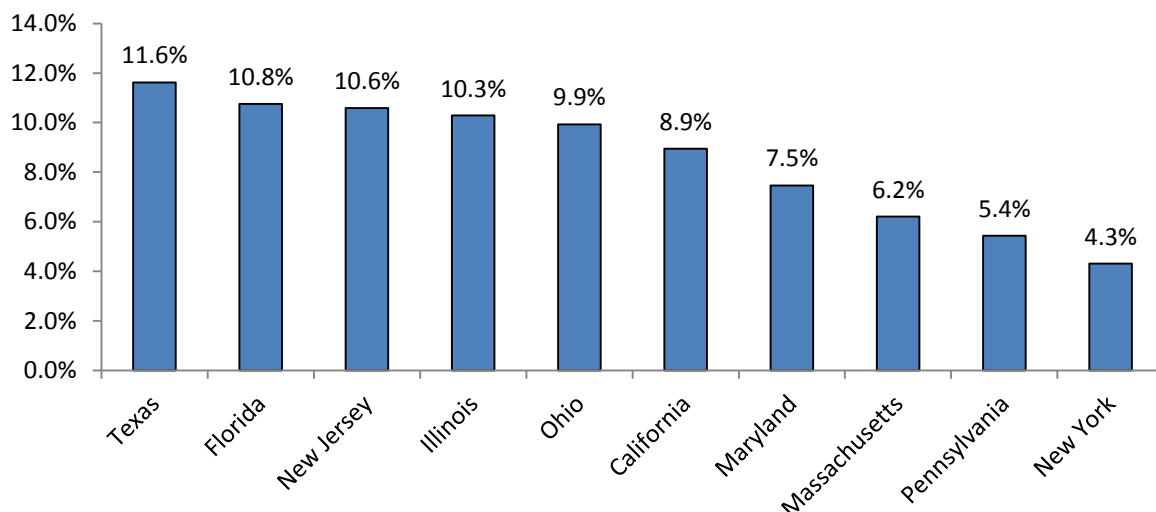
Note that Florida had the fifth highest ratio of DCC to loss among the top 10 states in 2015. Although this data may also be distorted by the same factors that can distort the loss ratio, it is suggestive of relative efficiency in DCC expenditures.

### **Expense Information for the Top 10 States**

While loss and DCC may be considered as the benefits provided under a malpractice policy, the insurance companies also have expenses associated with administering the policy. These are the adjusting and other expenses (AOE) associated with administering claims, the commissions paid to agents to sell policies, state premium taxes, non-commission policy acquisition costs called “other acquisition expense,” and general overhead costs defined as “general expense.” Of course, profit is also a cost paid by the insured, but that will be discussed separately. Detailed breakdowns of commission and taxes by company and state are included in the NAIC financial database. However, the NAIC database AOE, other acquisition, and general expense data is strictly on a countrywide basis. Florida AOE, other acquisition, and general expense for each company were determined by pro-rating countrywide figures using direct malpractice earned premium. In that way, if a state is dominated by (or has a higher-than-average percentage in the mix, by market share, of) companies with high expenses, the state would show a higher-than-average expense ratio. If a state had a high proportion of lower-overhead insurance companies, it would show as a lower expense state. By custom of the business, the commission and taxes are generally related to written premium (in effect, related to sales). AOE, other acquisition, and general expense are generally related to earned premium (relating them to the period when benefits are provided).

The largest expense provision related to written premiums is commission. The average commission ratios for the top 10 states (by direct written premium) are shown below.

### **2015 All Medical Malpractice Direct Commission to Written Premium Ratios**

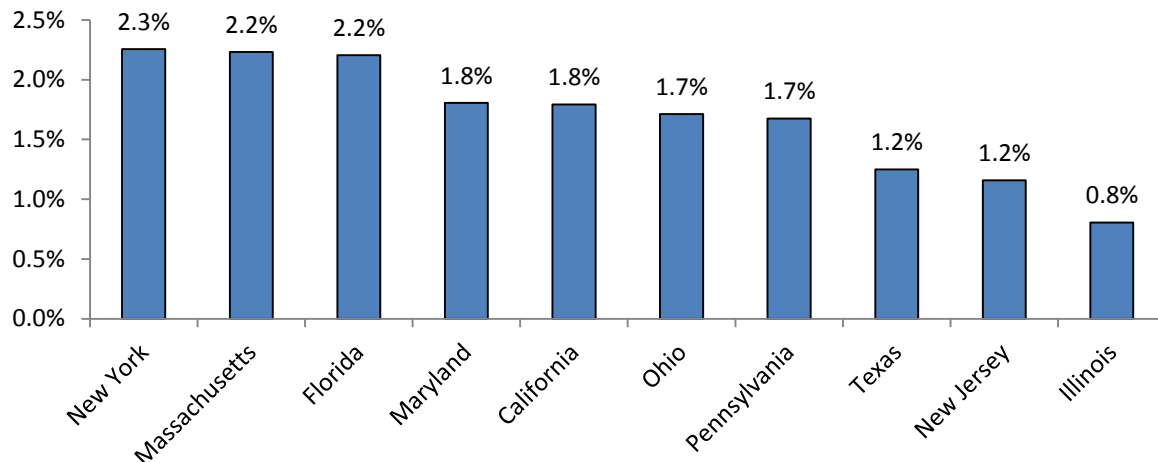




Florida is among the states with the higher commission ratios (second highest), although the commission is nearly unchanged from last year's 10.6%.

Ratios of premium tax to written premium for the top 10 states are shown below.

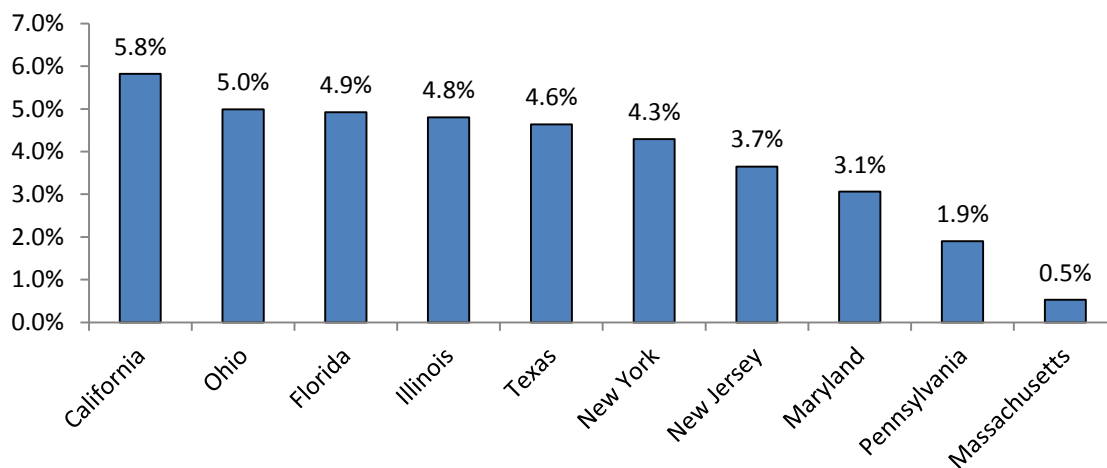
### 2015 All Medical Malpractice Premium Tax to Direct Written Premium Ratios



Differences in premium tax amounts are mostly minimal, and Florida's premium tax expense has not changed from 2.2% in 2014.

The commission expense ratios shown on the prior page and premium tax expense ratios above are based on actual state and company data. The next step involves the expenses that are first prorated to states within each company (using direct earned premium), and then expressed as a ratio to the total direct medical malpractice earned premium in each state.

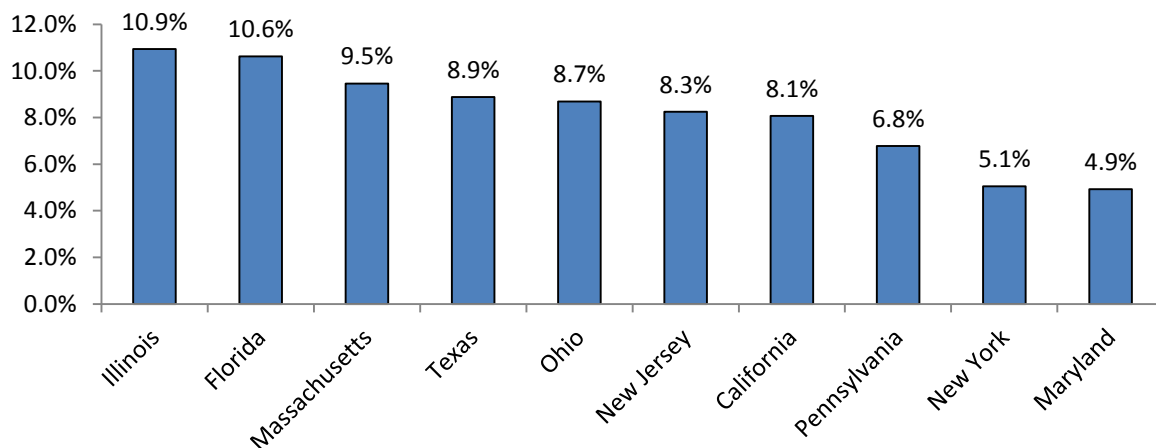
### 2015 All Medical Malpractice AOE to Direct Earned Premium Ratios



Last year, Florida had the highest AOE expense ratio within the peer group. In 2015, Florida had the third highest AOE expense ratio.

General expense is often related to written premium. However, the NAIC data source from which the data was drawn is based on earned premium, and relating general expense to earned premium is sometimes done as well. The corresponding general expense ratios by state are shown below.

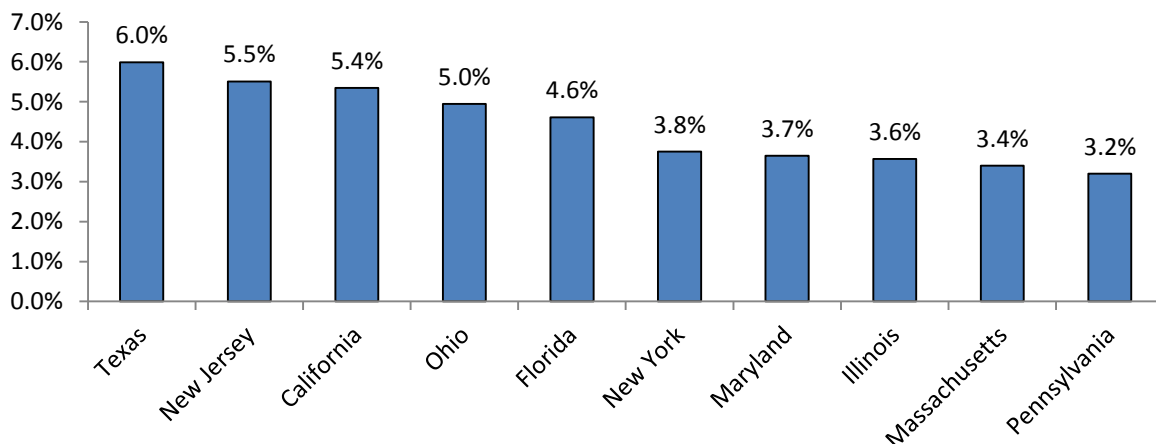
### 2015 All Medical Malpractice General Expense to Direct Earned Premium Ratios



Florida had the second highest general expense ratio amongst the states at 10.6%, down from a higher expense ratio (11.9%) in 2014 (the highest in the peer group).

Other acquisition expense is also related to earned premium due to the way it is stored in the NAIC database. The other acquisition expense ratios are shown in the following graph.

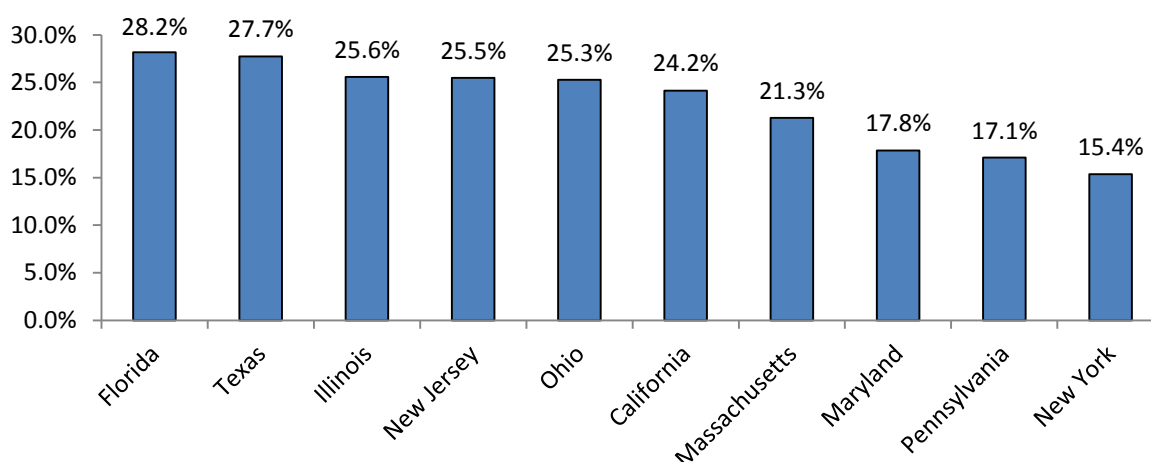
### 2015 All Medical Malpractice Other Acquisition Expense to Direct Earned Premium Ratios



These ratios are typically not as high as the general expense ratios. Although Florida's other acquisition expense ratio was midrange in the peer group (fifth), recall that Florida is near the upper end of commission expense, so that Florida's total acquisition expense (commission and other acquisition combined of 15.4%) ratio was somewhat high (third) within the peer group.

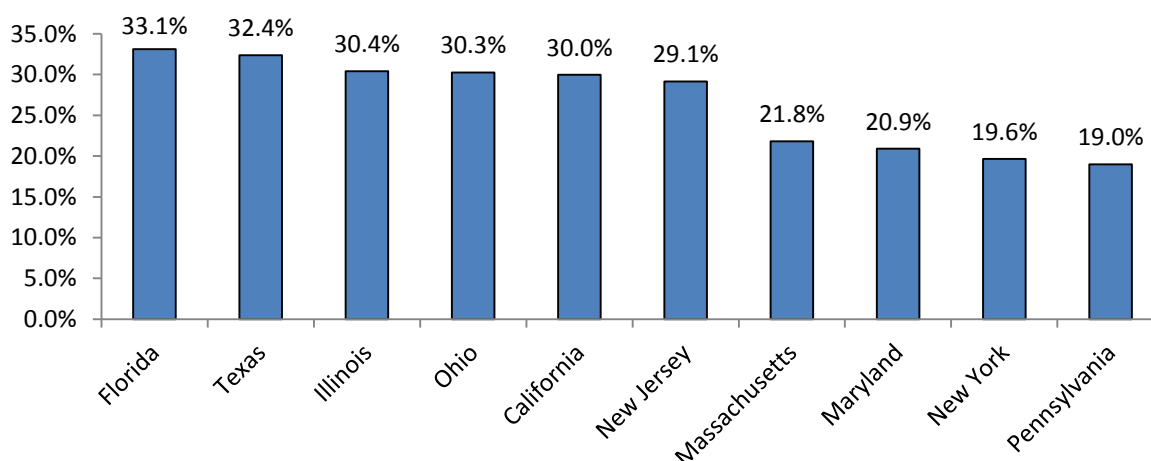
In calculating the overall expense ratio, the industry standard approach involves the combination of the commission, tax, general expense, and other acquisition ratios (and excludes AOE since the AOE ratio relates better to the amount of claims to be adjusted rather than premium). Ratios on that basis are shown below.

### 2015 All Medical Malpractice Standard (No AOE) Expense Ratios



A review of the chart shows that Florida's standard expense ratio is the highest among the top 10 states (with two other states at a close second), while New York's is the lowest. When AOE expense is added to the above expense ratios (as a step in computing total underwriting profitability), Florida still has the highest expense ratio of the top 10 states.

### 2015 All Medical Malpractice Expense Ratios (Inclusive of AOE)



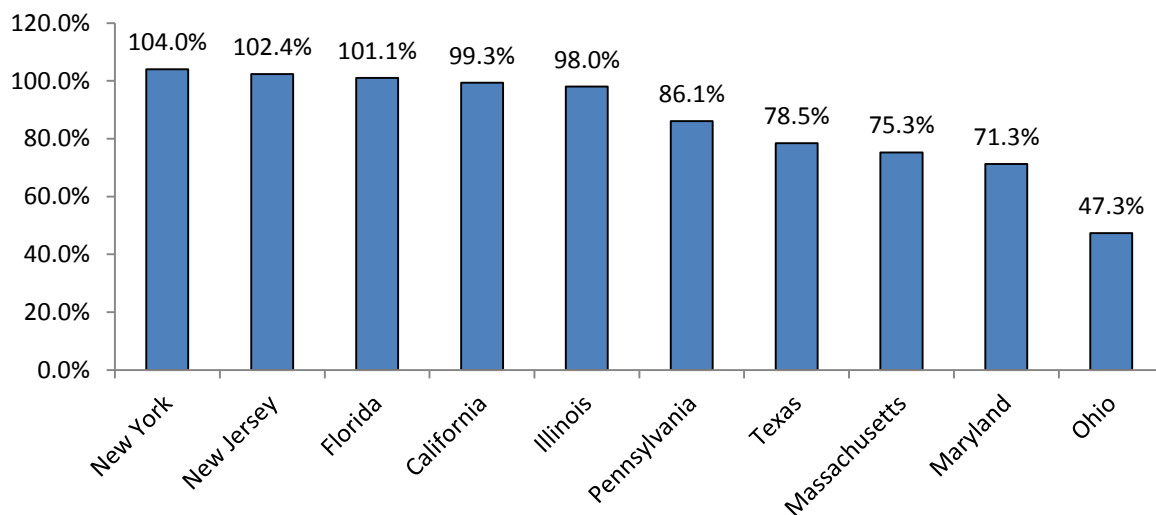
### **Profitability Measures for the Top 10 States**

The standard gauge of underwriting profitability used in the insurance industry is the combined ratio. In this case, the loss and both forms of claims management expense (DCC and AOE) are related to earned premium, general expense and other acquisition are related to earned premium for reasons discussed previously, and the commission and tax are related to written premium. The sum of the loss and DCC and expense ratios form the combined ratio. A ratio below one indicates that the total costs are less than the premiums paid, generating an underwriting profit. If the ratio is above one, an underwriting loss is generated. However, since investment income may offset all or part of an underwriting loss, the fact that a company is running an underwriting loss does not mean that the company is unprofitable. Generally, though, loss ratios well below one suggest a very high degree of profitability. Consequently, they are associated with high financial solvency and, theoretically, should lead to higher competition to enhance the value per dollar spent ratio for insureds. Loss ratios well above one are consistent with unprofitability and could lead to a problem of too few insurers offering coverage to meet the needs of all the healthcare providers.

The majority of the data available in the NAIC financial database is “calendar year” data. This represents the amounts associated with the experience that occurs during the calendar year regardless of when the policy was written or when the claim occurred or was filed. For example, calendar year losses are determined by adding the losses paid during the year and the loss reserve at the end of the year, then subtracting the loss reserve at the beginning of the year. Some types of volatility in the loss reserves will distort the calendar year loss values. When the calendar year combined ratio of a state is taken as a bellwether, one should understand that a deeper actuarial analysis of the individual state data for each company (which is not included in the NAIC database) may be needed to fully understand medical malpractice profitability in the state.

The combined ratios for the top 10 states are shown below.

#### **2015 All Medical Malpractice Direct Combined Ratios**



The chart shows that the overall medical malpractice line is generating very healthy underwriting profits in all the top 10 states but New York, New Jersey, and Florida. Even in New Jersey and Florida, it is highly likely that investment income carriers earn more than offsets the underwriting loss. Florida is the third in the peer group with a 101.1% combined ratio.

### ***Analysis of Florida Malpractice Results for Leading Carriers in Overall Medical Malpractice Line in Florida***

Part (6)(b) of Section 627.912, Florida Statutes, requires that this report include a financial analysis of the companies that comprise 80% of the medical malpractice *net written premium* in Florida. Financial information is reported by insurers in their statutory annual statements on both an aggregate, nationwide basis, and on a by-state, by-line of business basis. Net written premiums are reported in the annual statements in Schedule P Part 1F Sections 1 & 2. However, these premiums are aggregated on a nationwide basis and net written premiums by state are not included in the database. As such, the Office has utilized the direct written premiums by state that are included.

State specific data is primarily limited to information on page 19 of the annual statement, commonly referred to as the “state page” or “statutory page 14.” Data reported on the Florida market by line of business includes:

- Direct Premiums Written
- Direct Premiums Earned
- Dividends to Policyholders
- Direct Losses
- Direct Defense and Cost Containment (DCC)
- Commissions & Brokerage Expenses
- Taxes, Licenses, and Fees

The 2004 Annual Report, prepared by Deloitte, provided a financial analysis of insurers representing 80% of the market on a *direct written premium* basis as a surrogate for net written premium. The Office repeated this analysis for each of the subsequent annual reports. Eighty percent (80%) of the medical malpractice on a direct written premium basis should be a reasonable approximation of 80% of the market measured on a net written premium basis, although the analysis in this report may include a few companies that cede significant portions of their premium to other companies.

Due to the limited information on the reinsurance premiums, losses and expense ceded that is contained in the annual statement, the widely varying expense treatments in different reinsurance treaties, and the difficulties insurance companies may have in estimating ceded loss “reserves,” it is not possible to reliably estimate net of reinsurance values at anything other than the all-lines, all-states level for a company. Therefore, a substitution, from “net” (reflecting reinsurance) to “direct” (not reflecting the impact of reinsurance) will be made throughout almost the entirety of this report. When net values are shown, the fact that the values are net will be stated explicitly.

Another distinction typically made in the insurance marketplace is between medical malpractice written for individuals (usually physicians) and those written for institutions (usually hospitals). The legislative intent for the reporting requirements appears to be aimed at medical malpractice availability and rates for individual physicians. However, large portions of the NAIC annual statement reporting requirements do not contemplate a distinction of hospital insurance versus physician insurance versus other types of malpractice insurance. Various types of care providers are aggregated into the “Medical Malpractice Insurance” category. Later in the report, analyses of medical malpractice insurance data limited to only physicians, only other healthcare professionals, only hospitals, and only other healthcare facilities are performed using data from the “Supplement A to Schedule T” included in the NAIC database.

While portions of the annual statement are limited to medical malpractice, the balance sheet, income statement, cash flow statement, and investment information lump data from all lines of business together. Therefore, certain information must either be analyzed on all lines combined basis or allocated between lines or states.

### **Leading Medical Malpractice Carriers in Florida and Their Loss & DCC Ratios**

With those caveats, the 2015 direct written premium of the companies that comprise 80% of the total medical malpractice insurance market in Florida is shown on the next page (highlighted rows indicate insurers that are domiciled in Florida in this exhibit and other exhibits in this report).

## 2015 Florida Written Premium for the Top Total Malpractice Carriers

Premium Rank	Company	Direct Premium Written	Market Share	Cumulative Share
1	Doctors Company, An Interinsurance Exchange	\$120,626,185	22.6%	22.6%
2	MAG Mutual Insurance Company	\$55,452,602	10.4%	32.9%
3	Medical Protective Company	\$48,058,094	9.0%	41.9%
4	FD Insurance Company	<b>\$25,188,701</b>	<b>4.7%</b>	<b>46.7%</b>
5	ProAssurance Casualty Company	\$16,916,331	3.2%	49.8%
6	Lexington Insurance Company	\$14,811,208	2.8%	52.6%
7	MedMal Direct Insurance Company	<b>\$13,266,621</b>	<b>2.5%</b>	<b>55.1%</b>
8	American Casualty Company of Reading, PA	\$11,867,784	2.2%	57.3%
9	Evanston Insurance Company	\$10,839,113	2.0%	59.3%
10	National Fire & Marine Insurance Company	\$9,233,231	1.7%	61.0%
11	Samaritan RRG, Inc.	\$8,897,271	1.7%	62.7%
12	Continental Casualty Company	\$8,325,730	1.6%	64.3%
13	Medicus Insurance Company	\$7,834,711	1.5%	65.7%
14	Lancet Indemnity RRG Inc	\$6,483,146	1.2%	66.9%
15	Columbia Casualty Company	\$6,260,767	1.2%	68.1%
16	MCIC Vermont (A Reciprocal RRG)	\$6,150,127	1.2%	69.3%
17	Ophthalmic Mutual Insurance Company (A RRG)	\$6,035,911	1.1%	70.4%
18	Podiatry Insurance Company of America	\$5,870,812	1.1%	71.5%
19	Physicians Casualty RRG, Inc.	\$5,741,094	1.1%	72.6%
20	OMS National Insurance Company, RRG	\$5,599,187	1.0%	73.6%
21	Healthcare Underwriters Group, Inc.	\$5,526,498	1.0%	74.7%
22	Torus Specialty Insurance Company	\$5,518,704	1.0%	75.7%
23	Landmark American Insurance Company	\$5,394,894	1.0%	76.7%
24	Admiral Insurance Company	\$5,362,456	1.0%	77.7%
25	Physicians Insurance Company	<b>\$5,292,179</b>	<b>1.0%</b>	<b>78.7%</b>
26	Health Care Casualty RRG. Inc.	\$5,022,254	0.9%	79.6%
27	Arch Specialty Insurance Company	\$5,009,394	0.9%	80.6%
<b>Top 80% Total</b>		<b>\$430,585,005</b>		
<b>Total Florida Market</b>		<b>\$534,435,338</b>		

In terms of organizational structure, 11 of the sample companies are admitted Property & Casualty insurers, eight are surplus lines companies (#6 Lexington, #9 Evanston, #10 National Fire & Marine, #15 Columbia Casualty, #22 Torus Specialty, #23 Landmark American, #24 Admiral, and #27 Arch Specialty). There was one reciprocal-type insurer (#1 Doctors Company); and seven Risk Retention Groups (#11 Samaritan, #14 Lancet, #16 MCIC Vermont, #17

Ophthalmic Mutual, #19 Physicians Casualty, #20 OMS National, and #26 Health Care Casualty).

The list shows some differences and similarities in the market when compared to the sample firms in the 2015 Annual Report on 2014. This year, achieving the 80% market share requirement required the inclusion of 27 insurers, with three of the insurers being domiciled in Florida. This differs slightly from the number of companies required in prior annual reports:

- 27 insurers for the 2015 report (three were domiciled in Florida);
- 26 insurers for the 2014 report (four were domiciled in Florida);
- 26 insurers for the 2013 report (four were domiciled in Florida);
- 25 insurers for the 2012 report (four remained domiciled in Florida after the Doctors Company merger);
- 24 insurers for the 2011 report (five were domiciled in Florida);
- 22 insurers for the 2010 report (five were domiciled in Florida);
- 22 insurers for the 2009 report (five were domiciled in Florida);
- 22 insurers for the 2008 report (six were domiciled in Florida);
- 17 insurers for the 2007 report (six were domiciled in Florida);
- 15 insurers for the 2006 report (three were domiciled in Florida);
- 12 insurers for the 2005 report (two were domiciled in Florida); and
- 11 insurers for the 2004 report (two were domiciled in Florida).

Another finding is that the total medical malpractice insurance written premium for the state of Florida as reported above remained almost the same at \$534 million in 2015. The total gross Florida medical malpractice insurance premiums for prior reports are:

- 2004 - \$860 million;
- 2005 - \$850 million;
- 2006 - \$847 million;
- 2007 - \$663 million;
- 2008 - \$596 million;
- 2009 - \$550 million;
- 2010 - \$559 million;
- 2011 - \$546 million;
- 2012 - \$533 million<sup>2</sup>;
- 2013 - \$544 million; and
- 2014 - \$534 million.

Over the long term, this represents a substantial decrease (38%) in the overall medical malpractice premium reported in Florida since 2004. This could be partially attributable to the lowering of rates, however, it may also be due to new arrangements by physicians including the use of individual bonding, purchasing malpractice insurance through hospitals/employers as well as utilization of self-insurance funds, or other non-traditional insurance mechanisms.

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<sup>2</sup> Special adjustment made by Continental Casualty removed. See 2014 report on 2013 for more information.



The loss experience of those leading carriers in Florida is relevant as well. It is shown in the table below.

### 2015 Florida Earned Premium, Loss, and Loss & DCC Experience for the Top Total Malpractice Carriers

Premium Rank	Company	Direct Premium Earned	Loss Ratio	Loss&DCC Ratio
1	Doctors Company, An Interinsurance Exchange	\$120,470,353	58.4%	98.9%
2	MAG Mutual Insurance Company	\$54,695,181	43.2%	74.0%
3	Medical Protective Company	\$45,113,616	14.1%	34.9%
4	FD Insurance Company	\$25,827,606	59.4%	72.2%
5	ProAssurance Casualty Company	\$17,481,692	9.4%	7.7%
6	Lexington Insurance Company	\$15,433,275	99.7%	122.7%
7	MedMal Direct Insurance Company	\$10,188,734	40.7%	60.0%
8	American Casualty Company of Reading, PA	\$11,877,288	56.9%	71.3%
9	Evanston Insurance Company	\$13,628,664	61.1%	57.0%
10	National Fire & Marine Insurance Company	\$7,209,974	84.5%	107.7%
11	Samaritan RRG, Inc.	\$8,811,154	44.4%	78.0%
12	Continental Casualty Company	\$7,942,226	81.2%	99.2%
13	Medicus Insurance Company	\$7,080,781	113.8%	140.9%
14	Lancet Indemnity RRG Inc	\$6,281,740	81.7%	115.9%
15	Columbia Casualty Company	\$5,948,396	-18.7%	-6.2%
16	MCIC Vermont (A Reciprocal RRG)	\$6,150,127	10.4%	13.0%
17	Ophthalmic Mutual Insurance Company (A RRG)	\$5,903,142	23.9%	36.5%
18	Podiatry Insurance Company of America	\$6,062,327	54.2%	74.6%
19	Physicians Casualty RRG, Inc.	\$4,889,274	34.3%	35.9%
20	OMS National Insurance Company, RRG	\$5,483,086	34.2%	57.6%
21	Healthcare Underwriters Group, Inc.	\$5,512,091	23.9%	67.9%
22	Torus Specialty Insurance Company	\$4,539,595	68.1%	76.1%
23	Landmark American Insurance Company	\$5,484,313	2.9%	12.9%
24	Admiral Insurance Company	\$4,611,893	18.8%	27.9%
25	Physicians Insurance Company	\$5,327,982	38.4%	54.2%
26	Health Care Casualty RRG. Inc.	\$3,945,373	45.2%	64.9%
27	Arch Specialty Insurance Company	\$5,064,187	2.1%	8.5%
Top 80% Total		\$420,964,070	47.2%	72.1%
Total Florida Market		\$655,245,865		

As some of the very low loss ratios show, even carriers with as much as \$20 million in annual earned premium in a single state may exhibit significant fluctuations in loss ratios within the state. However, noting that in 2014 the Florida all companies loss ratio was 45%, and the 2014 Florida loss and DCC ratio was 55%, one may see that the overall state results are more stable than those of individual companies, but still subject to substantial changes from year to year.

The ratios above are “calendar year” values. As such, they represent all the loss (or loss and DCC) amounts recorded during 2015. The actual claims reported in 2015 under claims made policies (so-called “report year”) are a portion of the calendar year result. Those represent the true costs associated with the policies earning in 2015. However, “development,” or increases and decreases in the insurers’ cost estimates for claims from older report years, is also included in the calendar year results. Because of those distortions, actuaries typically perform a detailed analysis of supplemental data and prepare report year projected losses and DCC. Simplified estimates of the effects of changes in prior year costs for just Florida medical malpractice may be made using the “One-Year Development Percentage” data for all lines and states that is shown in the annual statement. In the following chart, the development is allocated to just the Florida medical malpractice segment according to the reserves held for loss and DCC at the beginning of the year.

#### **Estimates of Report Year 2015 Loss and DCC Ratios of Top Four Malpractice Writers Using All-Lines Countrywide Correction Factor**

<b>Company</b>	<b>One-Year Reserve Development as % of 2014 Reserves</b>	<b>Estimated Florida Reserve Development</b>	<b>Adjusted Florida Loss &amp; DCC Ratio</b>
<b>Doctors Company, An Interinsurance Exchange</b>	-5.4%	\$ (10,689,639)	107.8%
<b>MAG Mutual Insurance Company</b>	-9.4%	\$ (9,582,101)	91.6%
<b>Medical Protective Company</b>	-8.3%	\$ (8,661,620)	54.1%
<b>FD Insurance Company</b>	<b>-0.4%</b>	<b>\$ (168,301)</b>	<b>72.9%</b>

MAG Mutual had the largest percentage impact from prior year development. However, the Doctors Company had a larger dollar impact. The Doctors Company had a modest change in their loss ratio, and MAG Mutual had roughly a 20% change in their loss ratio when this reserve correction was used. This year, the correction generally produces somewhat higher loss ratios than the calendar year loss ratios.

#### **Expense Information for Leading Medical Malpractice Carriers in Florida**

The language of Section 627.912, Florida Statutes, clearly suggests that information on the profitability of medical malpractice companies doing business in Florida is desired. Specific information on the profitability of just medical malpractice, strictly within the state of Florida

would be desirable. However, certain expense information (AOE, general expense, and other acquisition expense) is only routinely reported on a countrywide basis. While only reported on a countrywide basis, countrywide expense data for the medical malpractice line is reported in the NAIC financial database. For other key financial information (committed/invested surplus and federal taxes paid), only an all-lines all-states summary for each company is reported in the NAIC database. Therefore, the profitability of medical malpractice within Florida for each of the top companies has been determined by using Florida-specific medical malpractice information wherever possible, and appropriate allocations were made for the other items.

The table on the following page contains the Florida-specific medical malpractice commission and tax ratios for the top 80% of the Florida market.

## 2015 Direct Florida Medical Malpractice Commission and Premium Tax Ratios for the Top Total Malpractice Carriers

Premium Rank	Company	Commission to Direct Written Premium	Tax to Direct Written Premium
1	Doctors Company, An Interinsurance Exchange	9.7%	3.7%
2	MAG Mutual Insurance Company	6.1%	3.9%
3	Medical Protective Company	11.4%	0.8%
4	FD Insurance Company	10.8%	0.8%
5	ProAssurance Casualty Company	0.1%	2.8%
6	Lexington Insurance Company	9.1%	0.0%
7	MedMal Direct Insurance Company	0.0%	1.8%
8	American Casualty Company of Reading, PA	39.1%	1.5%
9	Evanston Insurance Company	8.5%	0.2%
10	National Fire & Marine Insurance Company	40.4%	0.0%
11	Samaritan RRG, Inc.	7.9%	0.0%
12	Continental Casualty Company	16.0%	2.1%
13	Medicus Insurance Company	11.2%	1.8%
14	Lancet Indemnity RRG Inc	13.8%	0.1%
15	Columbia Casualty Company	11.4%	0.0%
16	MCIC Vermont (A Reciprocal RRG)	0.1%	5.1%
17	Ophthalmic Mutual Insurance Company (A RRG)	0.0%	0.0%
18	Podiatry Insurance Company of America	0.0%	0.1%
19	Physicians Casualty RRG, Inc.	0.0%	0.1%
20	OMS National Insurance Company, RRG	5.7%	0.0%
21	Healthcare Underwriters Group, Inc.	8.4%	0.8%
22	Torus Specialty Insurance Company	20.6%	0.0%
23	Landmark American Insurance Company	21.8%	0.0%
24	Admiral Insurance Company	14.4%	0.0%
25	Physicians Insurance Company	10.1%	1.8%
26	Health Care Casualty RRG. Inc.	0.0%	6.3%
27	Arch Specialty Insurance Company	14.4%	0.0%

The ratios fluctuate widely, due in part to differences in sales strategies. The tax ratios also show significant fluctuations between companies, possibly due to differences in the types of tax that companies categorize as premium tax within the annual statement. Further, the presence of reciprocal taxes affects non-domestic insurer tax rates.

For the other categories of expense, it is necessary to use companies' countrywide ratios to direct earned premium (as contained in the NAIC database).

## 2015 Direct Countrywide Medical Malpractice AOE, General, and Other Acquisition Ratios for the Top Total Malpractice Carriers

Premium Rank	Company	AOE To Direct Earned Premium	General Exp Ratio	Other Acq Exp Ratio
1	Doctors Company, An Interinsurance Exchange	6.6%	10.6%	2.3%
2	MAG Mutual Insurance Company	3.3%	11.8%	4.1%
3	Medical Protective Company	3.3%	9.2%	5.9%
4	FD Insurance Company	1.7%	17.7%	0.0%
5	ProAssurance Casualty Company	7.9%	5.3%	5.9%
6	Lexington Insurance Company	5.9%	2.1%	9.3%
7	MedMal Direct Insurance Company	0.0%	32.3%	4.0%
8	American Casualty Company of Reading, PA	4.0%	2.3%	2.7%
9	Evanston Insurance Company	12.8%	15.0%	0.3%
10	National Fire & Marine Insurance Company	7.7%	3.7%	1.4%
11	Samaritan RRG, Inc.	0.0%	3.9%	0.8%
12	Continental Casualty Company	9.4%	4.9%	5.3%
13	Medicus Insurance Company	33.3%	4.2%	6.4%
14	Lancet Indemnity RRG Inc	0.5%	14.6%	3.2%
15	Columbia Casualty Company	3.4%	8.1%	8.8%
16	MCIC Vermont (A Reciprocal RRG)	0.0%	0.0%	0.0%
17	Ophthalmic Mutual Insurance Company (A RRG)	4.6%	13.2%	10.2%
18	Podiatry Insurance Company of America	5.2%	0.0%	21.0%
19	Physicians Casualty RRG, Inc.	0.0%	2.8%	25.0%
20	OMS National Insurance Company, RRG	5.1%	15.1%	5.1%
21	Healthcare Underwriters Group, Inc.	6.0%	22.5%	8.0%
22	Torus Specialty Insurance Company	11.7%	3.5%	8.4%
23	Landmark American Insurance Company	0.7%	0.3%	0.3%
24	Admiral Insurance Company	3.8%	14.1%	22.5%
25	Physicians Insurance Company	3.4%	9.4%	16.2%
26	Health Care Casualty RRG, Inc.	0.0%	0.0%	0.0%
27	Arch Specialty Insurance Company	3.9%	4.4%	5.2%

There are also wide fluctuations in these expense ratios from carrier to carrier, some stemming from operational efficiencies, or from assignment of other acquisition expense to the general expense category. Further, some carriers with very low ratios in this chart have very high commissions in the previous chart. Those issues illustrate the need to show the total expense ratios by state.

To provide a more complete comparison, the total non-loss related direct expense ratios (using the mixed Florida and countrywide data presented earlier) of the top medical malpractice carriers in Florida are shown below.

### 2015 Direct Estimated Overall Non-AOE Expense Ratios for the Top Total Malpractice Carriers

Premium Rank	Company	Non-AOE Expense Ratio	Expense Rank
1	Doctors Company, An Interinsurance Exchange	26.3%	14
2	MAG Mutual Insurance Company	25.9%	15
3	Medical Protective Company	27.3%	13
4	FD Insurance Company	29.3%	9
5	ProAssurance Casualty Company	14.1%	24
6	Lexington Insurance Company	20.5%	23
7	MedMal Direct Insurance Company	38.1%	5
8	American Casualty Company of Reading, PA	45.6%	2
9	Evanston Insurance Company	24.0%	17
10	National Fire & Marine Insurance Company	45.5%	3
11	Samaritan RRG, Inc.	12.7%	25
12	Continental Casualty Company	28.3%	11
13	Medicus Insurance Company	23.6%	19
14	Lancet Indemnity RRG Inc	31.8%	8
15	Columbia Casualty Company	28.4%	10
16	MCIC Vermont (A Reciprocal RRG)	5.2%	27
17	Ophthalmic Mutual Insurance Company (A RRG)	23.5%	20
18	Podiatry Insurance Company of America	21.2%	22
19	Physicians Casualty RRG, Inc.	27.9%	12
20	OMS National Insurance Company, RRG	25.9%	16
21	Healthcare Underwriters Group, Inc.	39.8%	4
22	Torus Specialty Insurance Company	32.6%	7
23	Landmark American Insurance Company	22.4%	21
24	Admiral Insurance Company	51.0%	1
25	Physicians Insurance Company	37.4%	6
26	Health Care Casualty RRG. Inc.	6.3%	26
27	Arch Specialty Insurance Company	23.9%	18

While the differences are not as pronounced as in some of the individual expense component analyses, these ratios still range from as low<sup>3</sup> as 5% to a high of 51%. Among the top five

<sup>3</sup> An expense ratio of 5% is very unusual, since some expenses are needed to administer policies. What entity pays those costs for MCIC Vermont (A Reciprocal RRG) and how the costs are funded is unknown.

carriers, one has an expense ratio of 14%, while the remaining four all have ratios in a range between 26% and 29%.

### **Profitability of Leading Medical Malpractice Carriers in Florida**

As with the analysis of the medical malpractice line across different states, this report (consistent with the general guidance provided in the law) includes estimates of the profitability of medical malpractice in Florida. The Florida-specific data on loss costs in the NAIC database is limited to “calendar year” information. That data includes a mix of 2015 losses and changes in the 2014 and prior years. So, one should recognize that data over several years may be more meaningful than one year of data. So, a single year’s profit or loss may not be a reliable indicator of the strength of the market. In this section, the 2015 Florida profitability of each of the carriers making up the top 80% of the Florida market is estimated. Exact information on the profitability of medical malpractice in Florida is not included in the NAIC financial database. Further, the calendar year loss ratios may be distorted by volatility in the loss reserves. However, the loss, DCC, commission, and tax information included in the NAIC database may be combined with reasonable allocations of the remaining quantities. As a first step, the Florida loss and DCC ratios may be added with the AOE and expense ratios shown in the previous table to produce estimated combined ratios. The results are shown in the table on the following page.

## 2015 Direct Estimated Florida Malpractice Combined Ratios for the Top Total Florida Malpractice Carriers

Premium Rank	Company	Combined Ratio
1	Doctors Company, An Interinsurance Exchange	131.7%
2	MAG Mutual Insurance Company	103.2%
3	Medical Protective Company	65.5%
4	FD Insurance Company	103.3%
5	ProAssurance Casualty Company	29.7%
6	Lexington Insurance Company	149.2%
7	MedMal Direct Insurance Company	98.1%
8	American Casualty Company of Reading, PA	120.9%
9	Evanston Insurance Company	93.7%
10	National Fire & Marine Insurance Company	160.9%
11	Samaritan RRG, Inc.	90.7%
12	Continental Casualty Company	137.0%
13	Medicus Insurance Company	197.8%
14	Lancet Indemnity RRG Inc	148.3%
15	Columbia Casualty Company	25.5%
16	MCIC Vermont (A Reciprocal RRG)	18.2%
17	Ophthalmic Mutual Insurance Company (A RRG)	64.5%
18	Podiatry Insurance Company of America	100.9%
19	Physicians Casualty RRG, Inc.	63.7%
20	OMS National Insurance Company, RRG	88.6%
21	Healthcare Underwriters Group, Inc.	113.8%
22	Torus Specialty Insurance Company	120.3%
23	Landmark American Insurance Company	35.9%
24	Admiral Insurance Company	82.7%
25	Physicians Insurance Company	95.0%
26	Health Care Casualty RRG. Inc.	71.2%
27	Arch Specialty Insurance Company	36.4%

There is a broad range of different combined ratios among the top Florida malpractice carriers. 12 show combined ratios over 100%, with eight showing combined ratios over 115%. Reserving complications could exacerbate the values, but the 2014 year generated 10 companies with combined ratios over 100%, four of which had loss ratios over 115%.

As with the loss and DCC ratios, these ratios are subject to potential distortions due to development on older years. Adding the expense estimates from this section to the loss and DCC ratios that were indirectly adjusted to remove development on prior years yields the table on the next page.



## Estimates of 2015 Florida Malpractice Combined Ratios of Top Four Malpractice Writers Using All-Lines Countrywide Correction Factor for Development on Older Years

Company	Combined Ratio
Doctors Company, An Interinsurance Exchange	140.6%
MAG Mutual Insurance Company	120.8%
Medical Protective Company	84.7%
FD Insurance Company	103.9%

These ratios show mixed results from carrier to carrier. The results of the Doctors Company have worsened by about 20% from 2014; MAG Mutual results have worsened by about 8%; whereas Medical Protective has improved from a 218.5% ratio in 2014; FD Insurance's results are comparable to their 2014 results with an improvement of about 3%. It is quite possible, though, that an analysis with more data than could be gleaned from the NAIC database could change the results considerably.

Subtracting each insurer's combined ratio from one will produce its underwriting profit ratio for Florida medical malpractice. Multiplying that underwriting profit ratio by the Florida medical malpractice earned premium produces the insurer's Florida medical malpractice underwriting profit. To arrive at the overall post-tax<sup>4</sup> profit, one must add investment income and deduct federal taxes. Further, one must relate that income to a measure of the capital investment made in the company.

A commonly used measure (since it is an estimate of what would remain if the company were liquidated) of the capital deployed in an insurance company is its policyholders surplus. However, the policyholders surplus of a company is there to secure its promises to insureds against any unanticipated increase in loss costs, regardless of what line of business and state it arises in. Consequently, the financial data in the NAIC database only includes a single countrywide all-lines surplus value for each company. However, to perform a direct return on surplus calculation for Florida medical malpractice, it is necessary to allocate surplus to strictly Florida medical malpractice. There are many ways in use to allocate surplus to line and state. In the interest of simplicity, a very simple approach of allocating surplus according to direct<sup>5</sup> written premium was used. The results are shown in the chart on the following page.

<sup>4</sup> Computing the post-tax profit is the key whenever investment income is considered, as many carriers choose lower-yielding state and local government bonds due to the lower or foregone federal income taxes on the income they generate.

<sup>5</sup> The resulting calculations are slightly distorted in that the surplus must only defend against unanticipated costs in losses after (net of) reinsurance. The degree to which reinsurance defends against unanticipated costs depends on the amount and type of reinsurance purchased, as well as the key coverage features of each reinsurance contract. However, considering that the typical malpractice insurer does not cede an overly high amount of reinsurance, the results may be taken as a crude bellwether.

## 2015 Surplus Allocated to Florida Medical Malpractice for the Top Total Malpractice Carriers

Premium Rank	Company	Allocated Surplus in 1,000,000's
1	Doctors Company, An Interinsurance Exchange	\$333.25
2	MAG Mutual Insurance Company	\$211.94
3	Medical Protective Company	\$131.19
4	FD Insurance Company	<b>\$18.77</b>
5	ProAssurance Casualty Company	\$49.51
6	Lexington Insurance Company	\$25.80
7	MedMal Direct Insurance Company	<b>\$17.36</b>
8	American Casualty Company of Reading, PA	\$3.36
9	Evanston Insurance Company	\$11.40
10	National Fire & Marine Insurance Company	\$72.80
11	Samaritan RRG, Inc.	\$17.27
12	Continental Casualty Company	\$14.00
13	Medicus Insurance Company	\$6.24
14	Lancet Indemnity RRG Inc	\$2.68
15	Columbia Casualty Company	\$2.29
16	MCIC Vermont (A Reciprocal RRG)	\$12.77
17	Ophthalmic Mutual Insurance Company (A RRG)	\$26.09
18	Podiatry Insurance Company of America	\$10.30
19	Physicians Casualty RRG, Inc.	\$1.62
20	OMS National Insurance Company, RRG	\$17.78
21	Healthcare Underwriters Group, Inc.	\$18.64
22	Torus Specialty Insurance Company	\$7.51
23	Landmark American Insurance Company	\$2.53
24	Admiral Insurance Company	\$6.82
25	Physicians Insurance Company	<b>\$7.33</b>
26	Health Care Casualty RRG. Inc.	\$1.29
27	Arch Specialty Insurance Company	\$2.88

The next step involves estimating the total profit that each company earned in Florida during 2015. First, the underwriting profit was computed by multiplying the difference of the combined ratio from 100% times the earned premium. Next, the policyholder dividends paid or declared in 2015 were subtracted from the underwriting profit, so the results would be comparable to the way insurers report their overall profit. As a next step, the investment income and underwriting profit were added together. As with the surplus, the investment income must be allocated to Florida. Many methods may be used to perform the allocation. As before, this report uses a simplified approach. Investment was allocated to the Florida medical malpractice by computing the sum of the Florida loss and DCC reserve for medical malpractice, the Florida unearned

premium reserve for medical malpractice, and the surplus allocated to Florida medical malpractice for each company. The ratio of that sum to the sum of the corresponding countrywide all-lines values for each company was used to prorate each company's investment income. The resulting pre-tax operating income estimates for Florida medical malpractice follow.

**Components of 2015 Estimates (in Millions) of Pre-Tax Florida  
Medical Malpractice Profit for the Top Total Malpractice Carriers**

<b>Premium Rank</b>	<b>Company</b>	<b>Post-Dividend Underwriting Profit/Loss</b>	<b>Allocated Investment Income</b>	<b>Florida Pre-Tax Profit</b>
1	Doctors Company, An Interinsurance Exchange	-\$41.95	-\$13.21	-\$55.16
2	MAG Mutual Insurance Company	-\$5.35	\$10.51	\$5.16
3	Medical Protective Company	\$15.55	\$10.46	\$26.01
4	FD Insurance Company	<b>-\$0.85</b>	<b>\$1.73</b>	<b>\$0.88</b>
5	ProAssurance Casualty Company	\$12.30	\$3.34	\$15.64
6	Lexington Insurance Company	-\$7.59	\$2.87	-\$4.72
7	MedMal Direct Insurance Company	<b>\$0.20</b>	<b>\$0.27</b>	<b>\$0.47</b>
8	American Casualty Company of Reading, PA	-\$2.48	\$0.43	-\$2.05
9	Evanston Insurance Company	\$0.86	\$1.06	\$1.92
10	National Fire & Marine Insurance Company	-\$4.39	\$3.82	-\$0.57
11	Samaritan RRG, Inc.	\$0.82	-\$0.18	\$0.64
12	Continental Casualty Company	-\$2.93	\$2.07	-\$0.87
13	Medicus Insurance Company	-\$6.93	\$0.59	-\$6.33
14	Lancet Indemnity RRG Inc	-\$3.03	\$0.08	-\$2.95
15	Columbia Casualty Company	\$4.43	\$0.83	\$5.26
16	MCIC Vermont (A Reciprocal RRG)	\$5.03	\$0.97	\$6.00
17	Ophthalmic Mutual Insurance Company (A RRG)	\$1.03	\$1.13	\$2.15
18	Podiatry Insurance Company of America	-\$0.05	\$0.57	\$0.51
19	Physicians Casualty RRG, Inc.	\$1.77	\$0.05	\$1.82
20	OMS National Insurance Company, RRG	\$0.63	\$0.60	\$1.23
21	Healthcare Underwriters Group, Inc.	-\$0.76	\$0.78	\$0.02
22	Torus Specialty Insurance Company	-\$0.92	\$0.06	-\$0.86
23	Landmark American Insurance Company	\$3.51	\$0.43	\$3.95
24	Admiral Insurance Company	\$0.80	\$0.28	\$1.08
25	Physicians Insurance Company	<b>\$0.26</b>	<b>\$0.16</b>	<b>\$0.42</b>
26	Health Care Casualty RRG. Inc.	\$0.00	\$0.00	\$0.00
27	Arch Specialty Insurance Company	\$3.22	\$0.33	\$3.55

Using that, and the tax rate each company paid on total income in 2015 (capped between 0% and 35%), one may compute the estimate direct post-tax income and return on surplus. The results are shown in the table below.

**Estimated 2015 Post-Tax Florida Medical Malpractice Profit (in Millions) and  
Return on Surplus for the Top Total Malpractice Carriers**

<b>Premium Rank</b>	<b>Company</b>	<b>Capped Tax Rate</b>	<b>Post-Tax Income</b>	<b>Return on Surplus</b>
1	Doctors Company, An Interinsurance Exchange	13.5%	-\$47.70	-14.3%
2	MAG Mutual Insurance Company	0.0%	\$5.16	2.4%
3	Medical Protective Company	16.6%	\$21.70	16.5%
4	FD Insurance Company	35.0%	\$0.57	3.1%
5	ProAssurance Casualty Company	14.6%	\$13.36	27.0%
6	Lexington Insurance Company	35.0%	-\$3.07	-11.9%
7	MedMal Direct Insurance Company	5.3%	\$0.44	2.6%
8	American Casualty Company of Reading, PA	0.0%	-\$2.05	-61.0%
9	Evanston Insurance Company	22.7%	\$1.49	13.1%
10	National Fire & Marine Insurance Company	25.7%	-\$0.43	-0.6%
11	Samaritan RRG, Inc.	35.0%	\$0.42	2.4%
12	Continental Casualty Company	8.0%	-\$0.80	-5.7%
13	Medicus Insurance Company	21.2%	-\$4.99	-80.0%
14	Lancet Indemnity RRG Inc	35.0%	-\$1.92	-71.6%
15	Columbia Casualty Company	35.0%	\$3.42	149.4%
16	MCIC Vermont (A Reciprocal RRG)	0.0%	\$6.00	47.0%
17	Ophthalmic Mutual Insurance Company (A RRG)	24.0%	\$1.64	6.3%
18	Podiatry Insurance Company of America	34.4%	\$0.34	3.3%
19	Physicians Casualty RRG, Inc.	31.1%	\$1.26	77.7%
20	OMS National Insurance Company, RRG	16.7%	\$1.03	5.8%
21	Healthcare Underwriters Group, Inc.	0.0%	\$0.02	0.1%
22	Torus Specialty Insurance Company	1.3%	-\$0.85	-11.3%
23	Landmark American Insurance Company	27.3%	\$2.87	113.3%
24	Admiral Insurance Company	14.2%	\$0.93	13.6%
25	Physicians Insurance Company	0.0%	\$0.42	5.7%
26	Health Care Casualty RRG. Inc.	24.4%	\$0.00	0.0%
27	Arch Specialty Insurance Company	11.2%	\$3.15	109.6%

The leading Florida medical malpractice carrier, the Doctors Company, generated an estimated 14.3% loss on surplus in 2015. The carrier showing the highest estimated return on surplus (#15 Columbia Casualty) is part of a large insurer group and might have inter-company pooling agreements that would allow them to hold lesser amounts of surplus in subsidiaries. For example,

Columbia Casualty's ratio of written premium to allocated Florida surplus is 273%, but the Doctors Company's ratio is 36%. That low ratio of premium to surplus also explains why the Doctors Company, which had a significant underwriting profit on premium in prior years, had a fairly typical return on surplus in those years.

The Florida values are compared to the countrywide returns on surplus posted by those carriers in the upcoming chart. To make the results more comparable, Florida returns with uncapped tax rates are computed and used in the comparison. Further, since the countrywide values reported to shareholders or other parties interested in financial performance are reported on a net (i.e. after deducting the premiums paid for reinsurance and adding in the loss reimbursements and other anticipated payments from reinsurers) of reinsurance basis, the countrywide results on a net of reinsurance basis are reported as well.

**Comparison of Estimated 2015 Post-Tax Florida Medical Malpractice  
Direct Return on Surplus to All Lines Companywide Net Return on Surplus for  
the Top Total Malpractice Carriers**

Premium Rank	Company	Florida Direct		
		Post-Capped Tax Return on Surplus	Post- Uncapped Tax Return on Surplus	Countrywide Net Post-Tax Return on Surplus
1	Doctors Company, An Interinsurance Exchange	-14.3%	-14.3%	-4.0%
2	MAG Mutual Insurance Company	2.4%	2.7%	4.6%
3	Medical Protective Company	16.5%	16.5%	8.3%
4	FD Insurance Company	3.1%	2.0%	-3.6%
5	ProAssurance Casualty Company	27.0%	27.0%	11.6%
6	Lexington Insurance Company	-11.9%	0.7%	0.1%
7	MedMal Direct Insurance Company	2.6%	2.6%	1.6%
8	American Casualty Company of Reading, PA	-61.0%	-61.0%	1.5%
9	Evanston Insurance Company	13.1%	13.1%	19.6%
10	National Fire & Marine Insurance Company	-0.6%	-0.6%	5.7%
11	Samaritan RRG, Inc.	2.4%	2.0%	1.9%
12	Continental Casualty Company	-5.7%	-5.7%	10.1%
13	Medicus Insurance Company	-80.0%	-80.0%	2.5%
14	Lancet Indemnity RRG Inc	-71.6%	-2.7%	-0.5%
15	Columbia Casualty Company	149.4%	139.1%	2.1%
16	MCIC Vermont (A Reciprocal RRG)	47.0%	48.5%	7.7%
17	Ophthalmic Mutual Insurance Company (A RRG)	6.3%	6.3%	5.6%
18	Podiatry Insurance Company of America	3.3%	3.3%	6.4%
19	Physicians Casualty RRG, Inc.	77.7%	77.7%	30.7%
20	OMS National Insurance Company, RRG	5.8%	5.8%	4.1%
21	Healthcare Underwriters Group, Inc.	0.1%	0.1%	5.7%
22	Torus Specialty Insurance Company	-11.3%	-11.3%	2.8%
23	Landmark American Insurance Company	113.3%	113.3%	8.6%
24	Admiral Insurance Company	13.6%	13.6%	1.3%
25	Physicians Insurance Company	5.7%	5.7%	2.7%

Premium Rank	Company	Florida Direct	Florida Direct	Countrywide
		Post-Capped Tax	Post-Uncapped Tax	Net Post-Tax
		Return on	Return on	Return on
		Surplus	Surplus	Surplus
26	Health Care Casualty RRG. Inc.	0.0%	0.0%	7.7%
27	Arch Specialty Insurance Company	109.6%	109.6%	7.6%
Totals for Overall Florida Malpractice Market		-5.3%	-2.8%	2.6%

The data above suggest that in 2015, Florida medical malpractice policies generated lower returns (in fact, overall negative returns) than the carriers' other policies. However, it is possible that a significant portion of the difference may be generated by volatility in claims costs (as discussed on pages 14 and 26).

While the Florida returns have been negative overall, 18 carriers posted positive operating returns under the capped tax approach, and eight carriers posted negative returns on surplus from Florida policy earnings using the capped tax rates. Should this situation worsen, it is possible that the direct return on surplus in Florida may be stressed at some future time.

### ***Overall Financial Strength Measures for Leading Medical Malpractice Carriers in Florida***

Insurers do not set up a special, segregated surplus account for Florida medical malpractice. Rather, the total surplus funds of an insurer are available to meet all premium shortfalls from all sources. Should insurers suffer adverse results in other areas, it could affect their ability to sell medical malpractice policies in Florida. This report provides some metrics of the overall financial solidity of the top Florida medical malpractice carriers.

One key metric from the last chart of the previous section, the overall countrywide return on surplus, relates to the overall financial strength of the Florida malpractice carriers. Specifically, the average post-tax net of reinsurance return was 2.6%. Considering that in 2015, the Dow Jones industrial stocks<sup>6</sup> lost 4.1%, and the Standard and Poor's index lost 2.8%, the direct Florida return of the carriers appears to be acceptable in light of the overall stock market. This generally supports the viability of the leading Florida malpractice carriers in the medium term. Three of the carriers had negative overall countrywide returns.

The reported income of an insurance company is heavily impacted by any volatility in the loss reserves booked by the company. Further, any increase in the loss reserves would tend to create a corresponding reduction in the amount of surplus that is available to fund any premium shortfall. It is helpful to review whether or not the top Florida medical malpractice carriers have had to increase the costs of claims that were reserved in prior years. The upcoming table shows the

<sup>6</sup> All items were computed using the Finance section in [Yahoo.com](http://Yahoo.com).

percentage change during 2015 in the cost of claims underlying the 2014 reserves and the percentage change during the 2014-2015 period in the cost of claims held in the 2013 reserves. It only reflects the changes that emerged over the period in question and the cost of claims might continue to change until the last claim is paid. Ratios of the change in accrued costs to the prior booked reserve (a measure of loss reserving accuracy) and ratios of the change in accrued costs to policyholder's surplus (a measure of the threat to solvency) are included below. A positive measure represents an increase in costs and a negative value a reduction in costs.

### One Year Development on Countrywide All Lines 2014 Loss and Loss Adjustment Expense Reserves and Two Year Development on 2013 Reserves

Florida Written Premium Rank	Company	<u>All Lines One-Year Reserve Development</u>		<u>All Lines Two-Year Reserve Development</u>	
		As Percentage of 2014 Reserves	As Percentage of 2014 Surplus	As Percentage of 2013 Reserves	As Percentage of 2013 Surplus
1	Doctors Company, An Interinsurance Exchange	-5.4%	-4.1%	-10.9%	-7.4%
2	MAG Mutual Insurance Company	-9.4%	-6.1%	-17.5%	-12.6%
3	Medical Protective Company	-8.3%	-4.0%	-58.4%	-63.7%
4	FD Insurance Company	-0.4%	-0.6%	-7.2%	-13.8%
5	ProAssurance Casualty Company	-8.3%	-9.3%	-18.6%	-23.7%
6	Lexington Insurance Company	6.8%	13.9%	9.0%	13.9%
7	MedMal Direct Insurance Company	0.5%	0.5%	-4.1%	-3.0%
8	American Casualty Company of Reading, PA	0.0%	0.0%	0.0%	0.0%
9	Evanston Insurance Company	-8.2%	-17.1%	-11.4%	-22.0%
10	National Fire & Marine Insurance Company	-8.1%	-1.3%	-8.9%	-1.4%
11	Samaritan RRG, Inc.	16.3%	4.8%	-18.5%	-6.7%
12	Continental Casualty Company	-1.1%	-1.8%	-0.7%	-1.2%
13	Medicus Insurance Company	0.0%	0.0%	0.0%	0.0%
14	Lancet Indemnity RRG Inc	14.3%	24.1%	-11.0%	-18.5%
15	Columbia Casualty Company	0.0%	0.0%	0.0%	0.0%
16	MCIC Vermont (A Reciprocal RRG) <sup>7</sup>	-4.8%	-7.9%	5745.1%	8874.6%
17	Ophthalmic Mutual Insurance Company (A RRG)	-9.9%	-2.2%	-34.4%	-10.8%

<sup>7</sup> The impact of the very substantial increase in the 2013 reserves of this company was muted by a very significant growth in assets.



Florida Written Premium Rank	Company	<u>All Lines One-Year Reserve</u>		<u>All Lines Two-Year Reserve</u>	
		<u>Development</u>		<u>Development</u>	
		As Percentage	As Percentage	As Percentage	As Percentage
		of 2014 Reserves	of 2014 Surplus	of 2013 Reserves	of 2013 Surplus
18	Podiatry Insurance Company of America	-5.5%	-6.1%	-8.7%	-12.6%
19	Physicians Casualty RRG, Inc.	-16.9%	-28.8%	-73.6%	-47.4%
20	OMS National Insurance Company, RRG	-4.0%	-2.0%	-2.4%	-1.2%
21	Healthcare Underwriters Group, Inc.	-13.6%	-10.1%	-9.7%	-7.9%
22	Torus Specialty Insurance Company	15.8%	12.8%	75.8%	29.0%
23	Landmark American Insurance Company	-5.9%	-1.8%	-9.5%	-3.2%
24	Admiral Insurance Company <sup>8</sup>	0.0%	0.0%	0.0%	0.0%
25	Physicians Insurance Company	-22.6%	-6.7%	27.8%	14.0%
26	Health Care Casualty RRG, Inc.	-5.9%	-20.3%	-14.9%	-53.2%
27	Arch Specialty Insurance Company	1.9%	0.3%	3.7%	0.6%

A review of the table will show that, as in the last year's report, the booked costs of claims occurring through 2013 and 2014 have generally been reduced in the last two years. This could be a result of a systematic weakening of reserves in recent years, or, considering the profitability of recent years and the consistency of the negative development with prior versions of this report, the most likely scenario is that 2013 and 2014 reserves were set conservatively. The latter scenario would suggest significant financial strength among medical malpractice carriers.

Another approach to solvency is to relate the premium sold or "written" by a company to its surplus. This relates the degree of risk in the form of the risk of a premium shortfall associated with the premium to the company's resources for funding a shortfall should it emerge. Ratios of both direct and "net" (after "ceding" premium to reinsurers) premium to surplus are shown on the following page.

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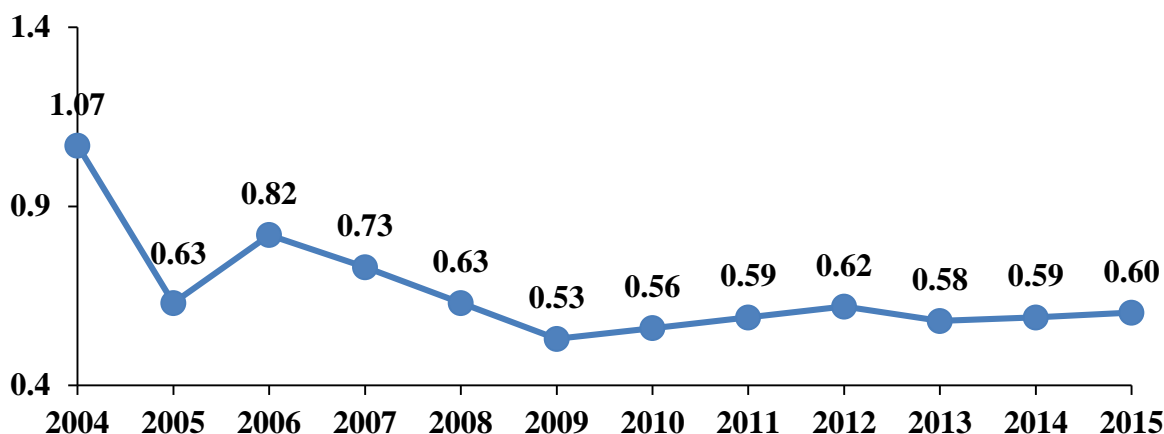
<sup>8</sup> This company has zero net loss development because all of its business is ceded to another carrier.

## 2015 Ratios of Premium to Surplus for the Top Total Malpractice Carriers

<b>Florida Written Premium Rank</b>	<b>Company</b>	<b>All Lines Direct Premiums to Surplus Ratio</b>	<b>All Lines Net Premiums to Surplus Ratio</b>
1	Doctors Company, An Interinsurance Exchange	36.2%	34.4%
2	MAG Mutual Insurance Company	26.2%	22.7%
3	Medical Protective Company	36.6%	14.4%
4	FD Insurance Company	134.2%	116.9%
5	ProAssurance Casualty Company	34.2%	34.1%
6	Lexington Insurance Company	57.4%	84.4%
7	MedMal Direct Insurance Company	76.4%	53.7%
8	American Casualty Company of Reading, PA	353.1%	0.0%
9	Evanston Insurance Company	95.1%	116.5%
10	National Fire & Marine Insurance Company	12.7%	14.4%
11	Samaritan RRG, Inc.	51.5%	51.5%
12	Continental Casualty Company	59.5%	56.3%
13	Medicus Insurance Company	125.6%	0.0%
14	Lancet Indemnity RRG Inc	242.1%	166.2%
15	Columbia Casualty Company	273.4%	0.0%
16	MCIC Vermont (A Reciprocal RRG)	48.2%	46.1%
17	Ophthalmic Mutual Insurance Company (A RRG)	23.1%	20.7%
18	Podiatry Insurance Company of America	57.0%	37.5%
19	Physicians Casualty RRG, Inc.	355.3%	212.9%
20	OMS National Insurance Company, RRG	31.5%	29.4%
21	Healthcare Underwriters Group, Inc.	29.7%	36.7%
22	Torus Specialty Insurance Company	73.5%	21.3%
23	Landmark American Insurance Company	213.1%	18.7%
24	Admiral Insurance Company	78.6%	0.0%
25	Physicians Insurance Company	72.2%	58.1%
26	Arch Specialty Insurance Company	174.2%	0.1%
27	Darwin Select Insurance Company	236.9%	49.3%

It is generally thought to be highly desirable for the net written premium to surplus ratio to be under 300%. All the carriers easily met that standard for net premiums. That suggests that the medical malpractice industry as a whole is financially strong. The overall average net written premium to surplus ratio (weighting the ratio of each company writing in Florida by its 2015 Florida medical malpractice written premium) was 0.60. As the graph on the following page shows, it is only slightly higher than the ratio developed in 2014.

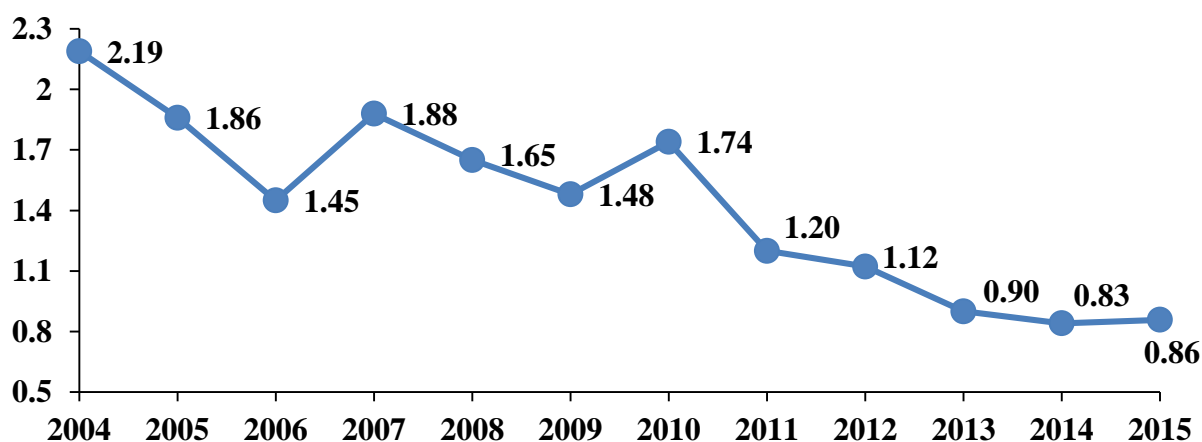
### Historical Average Ratio of Net Written Premium to Surplus



The ratio of premiums written to surplus has generally remained low throughout the post-2004 period. The lower values generally fall in the 2008-present period.

While the net premiums written to surplus ratio relates the new risks taken on to the surplus funds, it is also helpful to relate the remaining liabilities on policies previously sold (loss and loss adjustment expense reserves and unearned premium reserves) to surplus. That measure compares the risk of underestimation of the liabilities to the surplus that must fund any underestimation. Historical ratios of the net liability to surplus of the top companies are shown in the following graph.

### Historical Average Ratios of Net Liabilities to Surplus for the Top Total Malpractice Carriers

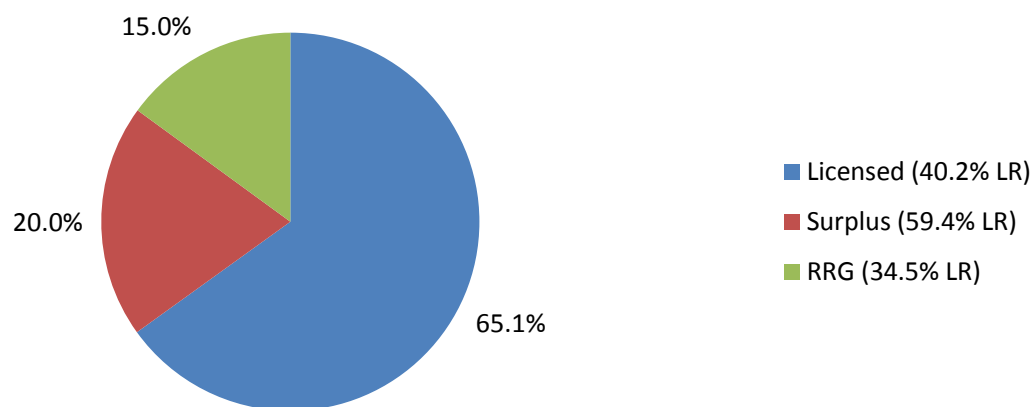


There is no precise statutory requirement for the net liabilities to surplus ratio, although the more recent ratios certainly suggest enhanced financial strength.

### ***Composition of the Total Florida Medical Malpractice Market by Type of Insurer***

There are different types of companies that may sell medical malpractice in Florida. The most common are admitted property/casualty companies that offer protection from the Florida Insurance Guaranty Association in the event the companies fail. Admitted companies must also file rates and policy contract language with the Office. There are surplus lines companies that do not offer guaranty fund protection and do not file rates or contract terms (to purchase such a policy, unavailability of the coverage in the “admitted” market must be shown). Lastly, there are risk retention groups that need only file rates in their home state to use the rates in any state. A breakdown of the entire Florida written premium by entity type is shown below, along with the overall loss ratio for each entity type.

#### **Composition of Overall 2015 Florida Medical Malpractice Insurance Market (Written Premium) by Insurer Type-Including Loss Ratios for Each Type of Insurer**



The vast majority of Florida medical malpractice is sold by admitted property/casualty insurance companies. It is important to consider that these results include facilities (including hospitals) and other healthcare professionals along with physicians. Charts later in this report will show that the breakdown among carrier types differs radically across the different types of insureds.

### ***Florida Marketplace Dynamics for the Total Medical Malpractice Line – Activity in the Admissions Unit***

The dynamics of the medical malpractice market in Florida vary from subline to subline and, hence, each subline should be measured separately. However, when a company is admitted to sell medical malpractice in Florida, its license generally allows it to sell all types of medical malpractice. Information from the company admissions unit of the Office is presented here.

Aside from the analysis of the 80% market share sample companies, another indication of the health and perceived profitability of the Florida medical malpractice insurance market is the activity in the admissions unit of the Office. During 2015, the advisory organization, insurance companies, and risk retention groups shown below entered the medical malpractice insurance market in Florida.

### Carriers Entering the Florida Medical Malpractice Market in 2015

Company	Type of Entity	Domiciliary State
<b>Berkshire Hathaway Direct Insurance Company</b>	Property/Casualty Insurer	NE
<b>Berkshire Hathaway Specialty Insurance Company</b>	Property/Casualty Insurer	NE
<b>Great Midwest Insurance Company</b>	Property/Casualty Insurer	TX
<b>ProSelect Insurance Company</b>	Property/Casualty Insurer	MA
<b>Academic Medical Professionals Insurance Risk Retention Group, LLC</b>	Risk Retention Group	VT
<b>ProAssurance American Mutual a Risk Retention Group</b>	Risk Retention Group	DC

In 2015, six insurance carriers entered the Florida market. Only two of the new entrants are risk retention groups. The growing number of risk retention groups is a trend seen nationally as well as in Florida. In prior years, larger numbers of risk retention groups have sought registration in Florida.

Of the six new carriers, four<sup>9</sup> are admitted insurers. This is comparable to the three new insurers that were admitted into the Florida medical malpractice market in 2014. As noted in the last year's report, it may be premature to draw broad conclusions about the Florida market from this data.

As the following table shows, no new risk purchasing groups were registered in Florida during 2015. Risk purchasing groups do not provide insurance. They pool insureds into groups to make them more attractive to insurers already admitted to the Florida medical malpractice marketplace.

### Risk Purchasing Groups Entering the Florida Medical Malpractice Market in 2015

Company	Type of Entity	Domiciliary State
<b>None</b>	Risk Purchasing Group	

<sup>9</sup> An additional property/casualty insurer, Vantapro Specialty Insurance Company, did not complete the entire application process during 2015.

One advisory organization, Alternative Risk Transfer Statistical Solutions, Inc., entered the market.

One insurance company, Healthcare Underwriters Group of Florida, Inc., went inactive (rather than withdrawing) during 2015 as a result of consolidating business into its parent company. One risk retention group, Southwest Physicians RRG, Inc., withdrew its Florida registration during 2015. One risk purchasing group, Florida Obstetric and Gynecologic Society RPG, Inc., withdrew its Florida registration during 2015.

FD Insurance, a Florida domiciled medical malpractice carrier, was acquired by Norcal, a leading California medical malpractice carrier. Although it did not involve our admissions unit, a leading malpractice writer domiciled in another state, Medicus Insurance Company, was also acquired by Norcal in 2015.

### ***Recent Medical Malpractice Legislation***

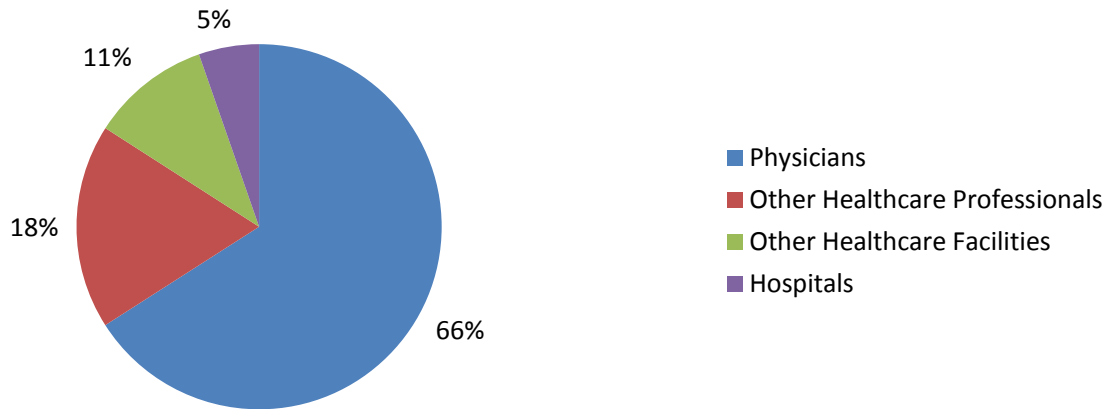
There was no legislation affecting the medical malpractice environment that was passed during the 2016 legislative session. No court decisions with a significant effect on the medical malpractice environment have occurred since the previous report. However, the Florida Supreme Court is presently considering the *Kalitan v. North Broward Hospital* case, which could eliminate the caps on non-economic damages contained in the 2003 reforms.

## **Analysis of the Physicians and Surgeons Subline**

The general medical malpractice line of business covers a diverse mix of insureds, and the different insureds have substantially different risk characteristics. For example, physicians and surgeons, for the most part, purchase statutorily required \$250,000 limits of insurance or somewhat higher limits of \$500,000 and \$1 million, and either do not purchase deductibles or purchase deductibles of \$25,000 or less. Large hospitals, however, may purchase policies with a \$2 million deductibles, and much higher limits of coverage. Smaller hospitals would be expected to purchase smaller deductibles and limits. Other medical professionals such as dentists and nurses tend to pay much lower premiums than physicians and surgeons. Lastly, a broad range of other medical facilities (including nursing homes but also including facilities such as blood banks and MRI centers) are also covered under the medical malpractice line of insurance.

As the chart on the next page shows, the physicians and surgeons category represents 66% of the 2015 medical malpractice premium, and is by far the most prevalent.

### 2015 Written Premium by Type of Insured



The next portion of this report analyzes the information in the NAIC database, rate filing data, and comparative premium rates among the top 10 states. It will focus on comparisons among the top 10 physicians and surgeons malpractice states (by written premium) in the United States, the leading physicians and surgeons malpractice carriers in Florida, the types of insurers selling physicians malpractice in Florida, marketplace dynamics for the physicians insurance subline in Florida, and information on rate filings made in the physicians subline during 2015.

#### ***Comparisons to Other Leading States***

As with the total malpractice market, the top 10 states by physicians malpractice written premium were determined and are shown on the following page.

## 2015 Top 10 States by Physicians Malpractice Direct Written Premium

State	2015 Physicians Written Premium	Physicians Written Premium Rank	All Medical Malpractice Written Premium Rank
New York	\$1,090,571,360	1	1
California	\$450,288,810	2	2
Illinois	\$356,259,514	3	5
<b>Florida</b>	<b>\$352,587,604</b>	<b>4</b>	<b>4</b>
New Jersey	\$291,367,516	5	6
Pennsylvania	\$262,361,485	6	3
Ohio	\$176,019,341	7	10
Georgia	\$174,611,154	8	11
Arizona	\$161,451,314	9	13
Maryland	\$157,544,983	10	9

These closely mirror the all malpractice rankings. Only two of the top 10 states for all medical malpractice (#7 Massachusetts and #8 Texas) are not on this list. Pennsylvania, Ohio, Georgia, and Arizona have noticeably different rankings for physicians malpractice than for all medical malpractice. The precise reason is not known, but it is possible that in Massachusetts, Pennsylvania, and Texas physicians may be much more prone to obtain coverage as part of their association with a hospital.

While DCC information and expense information by subline is not included in the NAIC database, incurred loss and earned premium information is included. The 2015 loss ratios of strictly physicians malpractice for the top 10 states follow.

## 2015 Direct Loss Ratios of Top 10 Physicians Malpractice States

Premium Rank	State	2015 Physicians Direct Loss Ratio
1	New York	54.5%
5	New Jersey	52.5%
8	Georgia	45.1%
<b>4</b>	<b>Florida</b>	<b>39.9%</b>
2	California	38.2%
9	Arizona	38.2%
6	Pennsylvania	37.2%
10	Maryland	35.5%
3	Illinois	33.1%
7	Ohio	11.3%



Florida ranks fourth in this list (seventh lowest), up from fifth in 2014, and its rank is similar to its rank (fifth highest) in the total malpractice review. Further, only New York, New Jersey, and Georgia had loss ratios of over 40%.

Since physicians malpractice is such a large part of the total malpractice market, it is reasonable<sup>10</sup> to extrapolate that its DCC costs bear approximately the same ratio to loss costs as exists for the entire medical malpractice line in Florida. Similarly, the expense ratios by state from the total malpractice analysis may be added in to produce a fairly high quality estimate of the combined ratios of the top 10 physicians malpractice states.

### **Estimated 2015 Direct Combined Ratios of Top 10 Physicians Malpractice States**

<b>Premium Rank</b>	<b>State</b>	<b>2015 Physicians Direct Combined Ratio</b>
<b>1</b>	New York	120.3%
<b>5</b>	New Jersey	120.1%
<b>8</b>	Georgia	105.8%
<b>4</b>	<b>Florida</b>	<b>100.0%</b>
<b>2</b>	California	94.7%
<b>9</b>	Arizona	86.6%
<b>3</b>	Illinois	85.9%
<b>6</b>	Pennsylvania	81.1%
<b>10</b>	Maryland	74.3%
<b>7</b>	Ohio	43.5%

By this reckoning, Florida ranks fourth in physicians combined ratios, the same as it was in the previous study. As with the analysis of total medical malpractice, this suggests most states are generating acceptable profitability in physicians malpractice insurance. However, the top two states, possibly even New Jersey, may be generating more underwriting loss than their carriers' investment income will offset.

### ***Leading Physicians Carriers in Florida***

As with the total malpractice market, it is helpful to identify the leading carriers for physicians malpractice in Florida (defined as in statute, as those constituting 80% of the physicians malpractice market). As the table on the following page shows, it only requires 10 (the same as last year) carriers to constitute 80% of the physicians malpractice market in Florida.

<sup>10</sup> The expense characteristics of the other sublines (which are smaller portions of the total malpractice market) may be significantly different than that of the total malpractice market. Therefore, the analysis of combined ratios presented here would not be a reliable estimate of the profitability of the other sublines.

## Key 2015 Financial Information for Top Physicians Malpractice Carriers in Florida

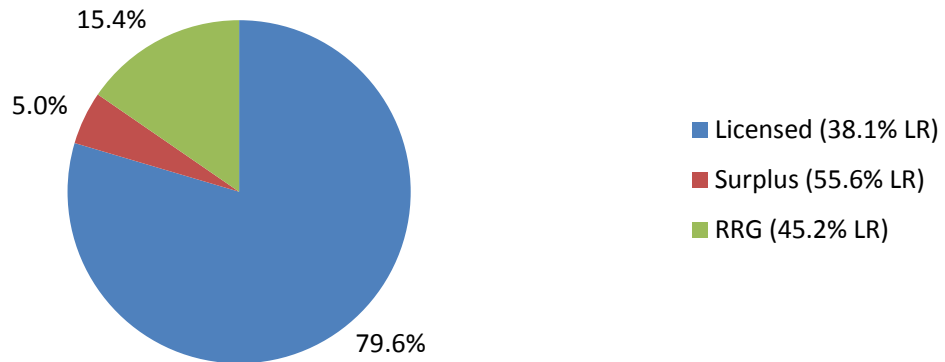
Company	Direct Florida Physician Written Premium	Written Premium Rank	Market Share	Cumulative Market Share	Direct Florida Physician Earned Premium	Direct Loss Ratio
Doctors Company, An Interinsurance Exchange	\$108,988,238	1	30.9%	30.9%	\$109,137,852	53.7%
MAG Mutual Insurance Company	\$54,515,040	2	15.5%	46.4%	\$53,743,918	44.1%
Medical Protective Company	\$35,348,269	3	10.0%	56.4%	\$33,551,500	20.6%
FD Insurance Company	<b>\$24,999,047</b>	<b>4</b>	<b>7.1%</b>	<b>63.5%</b>	<b>\$25,627,150</b>	<b>59.5%</b>
ProAssurance Casualty Company	\$16,489,922	5	4.7%	68.2%	\$17,079,216	9.4%
MedMal Direct Insurance Company	<b>\$13,266,621</b>	<b>6</b>	<b>3.8%</b>	<b>71.9%</b>	<b>\$10,188,734</b>	<b>40.7%</b>
Samaritan RRG, Inc.	\$8,897,271	7	2.5%	74.5%	\$8,811,154	44.4%
Medicus Insurance Company	\$7,834,711	8	2.2%	76.7%	\$7,080,781	113.8%
Lancet Indemnity RRG Inc	\$6,483,146	9	1.8%	78.5%	\$6,281,740	81.7%
Ophthalmic Mutual Insurance Company (A RRG)	\$6,035,911	10	1.7%	80.2%	\$5,903,142	23.9%

The loss ratios are around 20-60% for many insurers, but the #5 carrier has a very unusual loss ratio (as it did in both 2013 and 2014). The #8 carrier, Medicus, has an unusual loss ratio as well. For the smaller companies, any volatility is likely dominated by random fluctuation in the costs of individual claims. For the larger companies, systemic changes such as reserve volatility changes may be key drivers of the loss ratio results. As shown above, the top 10 physicians insurers comprise 80% of the physicians malpractice market, whereas the top 27 comprise 80% of the overall medical malpractice market.

### *Composition of Florida Physicians Malpractice Market by Type of Insurer*

To provide clarity on the markets most often served by surplus lines companies and risk retention groups, this report provides breakdowns of the direct written premium of the four sublines of medical malpractice contained in the NAIC by the type of carrier generating the premium. The breakdown for physicians malpractice market is shown on the next page.

**Composition of 2015 Florida Physicians Medical Malpractice Insurance Market  
(Written Premium) by Insurer Type-Including Loss Ratios for  
Each Type of Insurer**



The market is dominated by licensed property/casualty insurers. The loss ratios do differ between the various company types, but none of them appear to be inconsistent with the range of results among companies.

The dominance of licensed insurers in the physicians market is likely very different than the situation for hospitals, nursing homes, and other facilities. For those categories of medical malpractice insurance, very few companies file rates, suggesting that most carriers are surplus lines carriers or risk retention groups, neither of which must file rates. Based on the number of filings, it is likely that the other healthcare professionals, just like the physicians and surgeons, are primarily served by licensed insurers. That is confirmed in charts later in the report.

It is also helpful to analyze which of the leading carriers are physicians insurance specialists, and which are more narrowly specialists in the Florida physicians malpractice market. First, data on the percentage of each carrier's total premium from all lines of business that is for physicians malpractice follows on the following page.

**2015 Percentage of Leading Carriers' All Lines Countrywide  
Direct Written Premium that is from Physicians Malpractice (All States)**

<b>Florida Physicians Premium Rank</b>	<b>Company</b>	<b>Total Physicians Written Premium to Total Written Premium Ratio</b>
1	Doctors Company, An Interinsurance Exchange	94.7%
2	MAG Mutual Insurance Company	94.0%
3	Medical Protective Company	73.9%
4	FD Insurance Company	99.2%
5	ProAssurance Casualty Company	80.4%
6	MedMal Direct Insurance Company	100.0%
7	Samaritan RRG, Inc.	100.0%
8	Medicus Insurance Company	100.0%
9	Lancet Indemnity RRG Inc	100.0%
10	Ophthalmic Mutual Insurance Company (A RRG)	100.0%

All the top 10 carriers could be described as physicians malpractice specialists.

The table below analyzes the ratio of each carrier's Florida physicians malpractice premiums to its total premium for all lines and states. This illustrates the degree to which each carrier is a specialist in Florida physicians malpractice insurance.

**2015 Percentage of Leading Carriers' All Lines Countrywide  
Direct Written Premium that is from Strictly Florida Physicians Malpractice**

<b>Florida Physicians Premium Rank</b>	<b>Company</b>	<b>Florida Physicians Written Premium to Total Written Premium Ratio</b>
1	Doctors Company, An Interinsurance Exchange	16.6%
2	MAG Mutual Insurance Company	23.7%
3	Medical Protective Company	6.1%
4	FD Insurance Company	99.2%
5	ProAssurance Casualty Company	10.9%
6	MedMal Direct Insurance Company	81.4%
7	Samaritan RRG, Inc.	100.0%
8	Medicus Insurance Company	18.2%
9	Lancet Indemnity RRG Inc	52.9%
10	Ophthalmic Mutual Insurance Company (A RRG)	13.5%

Three may be regarded as Florida physicians malpractice specialists.

## ***Florida Marketplace Dynamics for the Physicians Malpractice Subline***

Since the physicians malpractice subline is fairly homogeneous, the degree of competition and the degree of exposure to consequent coverage availability problems are susceptible to analysis. The analysis in this section focuses on those goals.

As a first step, the quality of the competition, at least to the extent that it is determinable from NAIC data, is evaluated. The most relevant measure that can be computed from NAIC physicians market data is the Herfindahl index. This is a measure of the extent to which market share (and presumably market clout) is concentrated in a few companies. The theory of economic competition is based on an assumption that there are a large number of sellers of a commodity (in this case, physicians malpractice insurance), that act independently, and that each seller is a “price taker” that must accept a market price. Therefore, the potential for the market to optimize pricing to benefit insureds is affected by the degree of concentration in the market. The United States Justice Department uses the Herfindahl index to measure concentration within a market. It is computed by taking the squares of the market shares of the competitors in a market (squaring, for example, 10 to 100 for a company with a 10% market share) and summing the results across all the competitors in the market segment. The position posted on the Department of Justice website<sup>11</sup> is that markets with Herfindahl indices between 1,500 and 2,500 are moderately concentrated and markets with Herfindahl indices over 2,500 are highly concentrated. Thus, computing the Herfindahl index is key to analyzing market concentration. The calculation<sup>12</sup> of the Herfindahl index is shown on the following page. As one may see, the index is somewhat below the threshold for moderate concentration.

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<sup>11</sup> <http://www.justice.gov/atr/public/guidelines/hhi.html>

<sup>12</sup> Different treatments of the very small market share companies have been used by different analysts. In our analysis, all small companies are treated individually in the calculation.

## Herfindahl Index for Florida Physicians Malpractice Market

Company	Florida Physicians Market Share	Squared Market Share
Doctors Company, An Interinsurance Exchange	30	929
MAG Mutual Insurance Company	15	232
Medical Protective Company	10	98
FD Insurance Company	7	49
ProAssurance Casualty Company	5	21
MedMal Direct Insurance Company	4	14
Samaritan RRG, Inc.	2	6
Medicus Insurance Company	2	5
Lancet Indemnity RRG Inc	2	3
Ophthalmic Mutual Insurance Company (A RRG)	2	3
All Other Groups & Companies	21	16
<b>Herfindahl-Hirschman Index</b>		<b>1,376</b>

Another way to look at the Florida medical malpractice is its resiliency, or ability to withstand a major or minor marketplace event related to a single carrier. In the analysis, two scenarios are considered. One is a major coverage, pricing, etc. decision by company or group of companies under common control that is unpopular enough with the physicians and/or physician practice groups to cause an extra 25% of the group's insureds to choose to switch insurance providers. The other is the more catastrophic event of an insolvency or retrenchment that would result in an insurance company or insurance group electing to no longer sell malpractice policies in Florida.

Such events may cause dramatic market dislocations should the other carriers be reluctant to immediately increase their policies sold in order to fill any consequent gap in the market. It is fairly well known that new business to an insurance company is generally riskier than renewal business. That is because the insurance company has the benefit of insuring the renewal policies for a few years and, consequently, has a better understanding of the losses they might bring. It would not be unusual for an insurance company to place some limit on the total policies it sells, even in the presence of a market opportunity generated by a withdrawal or misstep of another carrier. Hence, it is appropriate to consider how large of an increase in policies the remaining carriers must accept in order to fill the void left by a departing or suddenly undesirable carrier.

The tables on the following pages show whether or not an average 10%, 15%, or 25% increase in sales by all the remaining carriers (in aggregate) would restore the supply and demand balance to the physicians medical malpractice market in Florida.

## Ability of Physicians Malpractice Market to Absorb 25% of the Business of Each of Leading Company Groups

Company	Florida Physicians Market Share	<u>Is 25% of Cos. Business Replaceable by</u>		
		10% Growth by Competitors	15% Growth by Competitors	25% Growth by Competitors
Doctors Company, An Interinsurance Exchange	30%	No	Yes	Yes
MAG Mutual Insurance Company	15%	Yes	Yes	Yes
Medical Protective Company	10%	Yes	Yes	Yes
FD Insurance Company	7%	Yes	Yes	Yes
ProAssurance Casualty Company	5%	Yes	Yes	Yes
MedMal Direct Insurance Company	4%	Yes	Yes	Yes
Samaritan RRG, Inc.	2%	Yes	Yes	Yes
Medicus Insurance Company	2%	Yes	Yes	Yes
Lancet Indemnity RRG Inc	2%	Yes	Yes	Yes
Ophthalmic Mutual Insurance Company (A RRG)	2%	Yes	Yes	Yes

The Florida physicians malpractice market appears to be reasonably capable of offering alternatives to adverse activity by any company or group except the Doctors Company. Further, if the other carriers perceive that the market opportunity is strong enough to risk additional new business in the amount of 15-25% of their current business, the market could conceivably offer alternatives to the Doctors Company that supply the necessary insurance capacity.

## Ability of Physicians Malpractice Market to Absorb Withdrawal of Each of Leading Company Groups

Company	Florida Physicians Market Share	<u>Is Withdrawal of Co. Replaceable by</u>		
		10% Growth by Competitors	15% Growth by Competitors	25% Growth by Competitors
Doctors Company, An Interinsurance Exchange	30%	No	No	No
MAG Mutual Insurance Company	15%	No	No	Yes
Medical Protective Company	10%	No	Yes	Yes
FD Insurance Company	7%	Yes	Yes	Yes
ProAssurance Casualty Company	5%	Yes	Yes	Yes
MedMal Direct Insurance Company	4%	Yes	Yes	Yes
Samaritan RRG, Inc.	2%	Yes	Yes	Yes
Medicus Insurance Company	2%	Yes	Yes	Yes
Lancet Indemnity RRG Inc	2%	Yes	Yes	Yes
Ophthalmic Mutual Insurance Company (A RRG)	2%	Yes	Yes	Yes

In the event of an outright withdrawal from Florida, the physicians malpractice market is at risk of unavailability problems in three situations (the same as with the 2014 data). Should the #1 group leave Florida, the remaining carriers would have to increase their writings by more than 25% (actually, by approximately 50%) for all Florida physician policyholders to be served. Should the #2 carrier exit the market, a substantial, but more modest, writing increase of slightly over 17% would be required of the remaining groups. Should the #3 carrier exit the market, a writing increase of slightly over 10% would be needed of the remaining groups.

### *Comparison of Florida Physicians Rates to Those of Other States*

This report contains example premiums for carriers in the top 10 states in Appendix A. To prepare that exhibit, the Office obtained the rating manuals of the top three carriers (by 2015 physicians malpractice volume) within each of the top 10 states for physicians malpractice from the insurance regulatory bodies of the various states. In Arizona and Pennsylvania, only the rates of two of the top three carriers were in the insurance department's public files. That is because one of the top three carriers in Arizona was a risk retention group, and so was not required to file its rates with the insurance department. Further, the third largest carrier in Pennsylvania, TriCentury, is primarily a captive of a large university hospital, so its rates are not publicly available. Lastly, the Office was unable to rate the examples for the number one carrier in Maryland, Medical Mutual Liability Insurance Society of Maryland, from the manual pages contained in the rate filings they made with the Maryland Insurance Administration. However,



the Office was able to validate and use a comparison guide containing the needed information for the Medical Mutual Liability Insurance Society of Maryland and use it to complete the examples. So, meaningful information for all 10 states (including Florida) was used in the comparison.

Within Appendix A, unless noted otherwise, premiums were computed at the \$1 million coverage limit that, although higher than the minimum limit in Florida, is at or above the minimum financial limits of all 10 states. Therefore, all the premiums are stated on a comparable basis (unless shown otherwise). Four key classes were chosen (family practice, emergency room medicine, orthopedics, and obstetrics) to represent a variety of rates, yet still focus on the classes for which malpractice premiums are most often discussed. Territories present an issue because different states and different companies within each state have different territory structures. Premiums from the territory with the highest rates and the territory with the lowest rates are presented in Appendix A. That way, the premiums in the highest rated territories of all the states may be compared to one another, and similarly the premiums in the lowest rated territories may be compared as well.

There is possibly more than one way to summarize the information in Appendix A. Considering that Florida has some of the higher premiums in the sampled states, the chart on the following page begins with the premiums of the carrier with the highest rates in each type of territory (highest rated or lowest rated). Within that approach, the premiums of the various states were ranked from highest to lowest. Information on the carrier with the highest premium, the carrier with the lowest premium, and where Florida ranks among the 10 states sampled is shown in the chart on the next two pages.

## Summary of Results of Premium Comparisons between Leading States

Physician Class	State Rank	State	Company	Territory	Premium
<b>Results for Territories with Highest Rates:</b>					
<b>Family Practice</b>	<b>Highest (1)</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Dade</b>	<b>\$ 42,772</b>
	<b>1</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Dade</b>	<b>\$ 42,772</b>
	Lowest (10)	California	Doctors Company	Riverside, San Bernardino	\$ 11,009
<b>Emergency Room Drs.</b>	<b>Highest (1)</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Dade</b>	<b>\$ 90,479</b>
	<b>1</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Dade</b>	<b>\$ 90,479</b>
	Lowest (10)	Ohio	ProAssurance	Cuyahoga, Lorain	\$ 12,241
<b>Orthopedists</b>	<b>Highest (1)</b>	<b>New York</b>	<b>Medical Liability Mutual</b>	<b>Nassau, Suffolk</b>	<b>\$ 140,199</b>
	<b>2</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Dade</b>	<b>\$ 115,155</b>
	Lowest (10)	Arizona	Medical Protective	Entire State	\$ 33,279
<b>Obstetrician</b>	<b>Highest (1)</b>	<b>New York</b>	<b>Physicians' Reciprocal Insurers</b>	<b>Nassau, Suffolk</b>	<b>\$ 214,461</b>
	<b>2</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Dade</b>	<b>\$ 190,829</b>
	Lowest (10)	Arizona	Mutual Ins. Co. of AZ	Entire State	\$ 50,263
<b>Results for Territories with Lowest Rates:</b>					
<b>Family Practice</b>	<b>Highest (1)</b>	<b>Arizona</b>	<b>Medical Protective</b>	<b>Entire State</b>	<b>\$ 22,501</b>
	<b>2</b>	<b>Florida</b>	<b>Doctors Company</b>	<b>Remainder of State</b>	<b>\$ 21,934</b>

Physician Class	State Rank	State	Company	Territory	Premium
	Lowest (10)	New York	Hospitals Insurance Company	Livingston, Monroe, Ontario, Seneca, Wayne, Yates	\$ 4,192
Emergency Room Drs.	Highest (1)	Maryland	Doctors Company	Remainder of State	\$ 49,320
	2	Florida	Doctors Company	Remainder of State	\$ 46,399
	Lowest (10)	Ohio	ProAssurance	Adams, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Greene, Hamilton, Highland, Jackson, Lawrence, Miami, Montgomery, Pike, Preble, Ross, Scioto, Vinton, Warren	\$ 7,311
Orthopedists	Highest (1)	Florida	Doctors Company	Remainder of State	\$ 59,054
	1	Florida	Doctors Company	Remainder of State	\$ 59,054
	Lowest (10)	California	Doctors Company	Alameda, Contra Costa, Madera, Mariposa, Merced, Monterey, San Benito, San Francisco, San Luis Obispo, San Mateo, Santa Clara, Santa Cruz	\$ 17,120
Obstetrician	Highest (1)	Maryland	ProAssurance	Remainder of State	\$ 127,126
	3	Florida	Doctors Company	Remainder of State	\$ 97,861
	Lowest (10)	California	Doctors Company	Alameda, Contra Costa, Madera, Mariposa, Merced, Monterey, San Benito, San Francisco, San Luis Obispo, San Mateo, Santa Clara, Santa Cruz	\$ 25,190

Florida is the highest (of the 10 states) in three of eight examples and the second highest or the third highest state as far as premiums go in the other five scenarios. That includes both the higher rated territories and lower rated territories.

## ***Physicians Malpractice Rate Filings in 2015***

A modest overall premium level increase was effected by the overall market in their 2015 filings. So, on the average, overall rates for the admitted market companies (the only companies required to file their rates) decreased by 1.7%. That represents an average 1.9% increase contained in the typical rate filing, with about 12% of the admitted market not having a rate filing resolved during 2015.

Calendar year 2015 featured 90 filings<sup>13</sup> that were either approved or processed as informational (77 rate filings, 13 not involving rate changes) of all types of medical malpractice, and 22 that were withdrawn by the carriers before a resolution was made. Two malpractice filings were disapproved. Of those filings within the medical malpractice line overall, 38 physicians malpractice filings were resolved by the Office. During 2015, 21 filings were approved by the Office regarding physicians malpractice rate changes, new company initial rates, or mathematically affirming rate levels. 11 physicians filings were withdrawn by the carriers before a decision was made. One physicians filing was disapproved, and five physicians malpractice filings that did not involve rate changes were approved or processed as informational by the Office during 2015.

Of course, various types of insureds other than physicians are also included in the medical malpractice line of business. Details on the rate filings for specialized types of medical malpractice insurance including dentists, podiatrists, optometrists, chiropractors, hospitals, and other distinct types of insureds are included elsewhere in this report.

In reviewing the chart on the following page, the data shows that the final rate changes varied somewhat. 12 filings effected rate changes ranging from a 65.3% decrease to a 3% increase. Some of those were changed, by as much as 9%, from the amount initially requested by the companies.

There are other aspects of the impact of insurance on physicians that are not shown in the chart. First, although the figure involves some estimation, it appears that 12% (up from 2% in 2014) of the admitted market (by premium) either did not have rate changes resolved during calendar year 2015 or withdrew their filings before they were resolved with the Office. The impact of the rate changes experienced by the average physician is slightly diluted for the calendar year (as shown in the 'Average Rate Change for Doctors in Florida' row).

The specific set of physicians malpractice filings resolved in 2015 is shown on the following two pages.

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<sup>13</sup> All references to filings in this report exclude special filings in connection with passing guaranty association costs to insureds as those are handled on a perfunctory basis.

## 2015 Rate Filings for Physicians Market Segment

<b>Company</b>	<b>Policy Count</b>	<b>Reported Earned Premium (000's)</b>	<b>Rate Change Indicated</b>	<b>Rate Change Proposed</b>	<b>Rate Change Approved</b>	<b>Resolution Date</b>
Doctors Company, An Interinsurance Exchange	3,259	\$128,956	10.4%	0.0%	0.0%	4/21/2015
MAG Mutual Insurance Company	1,400	\$51,964	2.1%	0.0%	-3.5%	3/17/2015
Medical Protective Company	2,804	\$32,640	0.0%	0.0%	0.0%	10/12/2015
<b>FD Insurance Company</b>	<b>1,132</b>	<b>\$26,368</b>	<b>8.9%</b>	<b>-1.7%</b>	<b>-1.7%</b>	<b>4/2/2015</b>
Medical Protective Company	2,705	\$26,133	5.2%	-0.3%	-4.0%	6/12/2014
<b>Healthcare Underwriters Group of Florida</b>	<b>480</b>	<b>\$6,937</b>	<b>-1.0%</b>	<b>-1.0%</b>	<b>-1.0%</b>	<b>3/20/2014</b>
<b>Healthcare Underwriters Group of Florida</b>	<b>480</b>	<b>\$6,937</b>	<b>16.9%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>2/25/2015</b>
Medicus Insurance Company	389	\$6,435	1.1%	0.0%	0.0%	10/16/2015
<b>Physicians Insurance Company</b>	<b>667</b>	<b>\$5,869</b>	<b>-1.0%</b>	<b>-10.4%</b>	<b>-10.4%</b>	<b>7/29/2015</b>
Fair American Insurance and Reinsurance Company	296	\$2,917	-5.9%	-3.3%	-6.9%	2/25/2015
Fair American Insurance and Reinsurance Company	300	\$2,690	0.0%	0.0%	0.0%	10/26/2015
Allied World Insurance Company	327	\$2,153	-1.4%	0.0%	-3.2%	1/23/2015
<b>Florida Medical Malpractice JUA</b>	<b>128</b>	<b>\$1,592</b>	<b>-14.3%</b>	<b>-5.0%</b>	<b>-5.0%</b>	<b>3/11/2015</b>
Health Care Indemnity Inc.	1	\$666	-8.0%	-8.0%	-8.4%	2/27/2015
Preferred Professional Insurance Company	22	\$512	0.0%	0.0%	-9.3%	9/3/2015
Cincinnati Indemnity Company	1	\$2	-65.3%	-65.3%	-65.3%	2/11/2015
American Casualty Company of Reading, PA	0	\$0	0.0%	0.0%	0.0%	3/19/2015
Aspen American Insurance Company	0	\$0	0.0%	0.0%	0.0%	1/26/2015
Galen Insurance Company	0	\$0	0.0%	0.0%	0.0%	9/15/2015
Great Divide Insurance Company	0	\$0	0.0%	0.0%	0.0%	1/26/2015

<b>Company</b>	<b>Policy Count</b>	<b>Reported Earned Premium (000's)</b>	<b>Rate Change Indicated</b>	<b>Rate Change Proposed</b>	<b>Rate Change Approved</b>	<b>Resolution Date</b>
Healthcare Underwriters Group, Inc.	0	\$0	0.0%	0.0%	0.0%	1/6/2015
Liberty Insurance Underwriters Inc.	0	\$0	0.0%	0.0%	0.0%	6/29/2015
<b>Average Rate Change for Doctors Insured by Above Companies:</b>			<b>4.5%</b>	<b>-0.7%</b>	<b>-1.9%</b>	
<b>Market Share (%) of Admitted Insurance Companies Not Making Rate Changes:</b>			<b>11.9%</b>			
<b>Average Rate Change for Doctors in Florida (Insured by Admitted Companies):</b>			<b>3.9%</b>	<b>-0.6%</b>	<b>-1.7%</b>	

It is also instructive to look beyond just a single calendar year. There have been a certain number of rate filings so far in 2016. The table on the following pages shows the latest effective rate change for each admitted carrier writing physicians medical malpractice. As with the table of rate filings resolved in 2015, only filings involving a definitive action by the Office, either an approval or disapproval, are included. Filings withdrawn by carriers are not. A small number of carriers received approval for rate increases, but overall, rates have most recently decreased by 0.1%.

### Physicians Carriers and Last Base Rate Filing Made by Each

Company	Rate Change Effective Date	Reported Earned Premium (000's)	Cumulative Market Share	Policy Count	Proposed Rate Change	Final Rate Change
Doctors Company, An Interinsurance Exchange	7/1/2016	\$115,824	39%	2,977	0.0%	0.0%
MAG Mutual Insurance Company	6/1/2016	\$50,479	56%	1,291	3.6%	3.6%
Medical Protective Company	6/1/2016	\$33,807	68%	2,634	0.0%	0.0%
<b>FD Insurance Company</b>	<b>6/1/2015</b>	<b>\$26,368</b>	<b>77%</b>	<b>1,132</b>	<b>-1.7%</b>	<b>-1.7%</b>
ProAssurance Casualty Company	8/1/2016	\$18,937	83%	651	-6.7%	-6.8%
<b>MedMal Direct Insurance Company</b>	<b>6/1/2016</b>	<b>\$12,469</b>	<b>88%</b>	<b>671</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Healthcare Underwriters Group of Florida</b>	<b>3/1/2015</b>	<b>\$6,937</b>	<b>90%</b>	<b>480</b>	<b>3.0%</b>	<b>3.0%</b>
Medicus Insurance Company	2/28/2016	\$6,435	92%	389	0.0%	0.0%
Healthcare Underwriters Group, Inc.	5/1/2016	\$5,754	94%	504	0.0%	0.0%
<b>Physicians Insurance Company</b>	<b>9/1/2016</b>	<b>\$5,328</b>	<b>96%</b>	<b>698</b>	<b>0.0%</b>	<b>0.0%</b>
Allied World Insurance Company	7/13/2016	\$2,758	97%	412	0.0%	0.0%
Fair American Insurance and Reinsurance Company	1/1/2016	\$2,690	98%	300	0.0%	0.0%
Allied World Specialty Insurance Company	7/1/2014	\$2,089	98%	353	0.0%	0.0%
<b>Florida Medical Malpractice JUA</b>	<b>7/1/2016</b>	<b>\$1,228</b>	<b>99%</b>	<b>112</b>	<b>-2.1%</b>	<b>-2.1%</b>
ProAssurance Indemnity Company, Inc.	8/1/2016	\$1,225	99%	20	-6.8%	-6.8%
Health Care Indemnity Inc.	1/1/2016	\$628	99%	1	0.0%	0.0%
American Casualty Company of Reading, PA	5/15/2016	\$608	100%	1	19.1%	20.0%
Preferred Professional Insurance Company	9/15/2015	\$512	100%	22	0.0%	-9.3%
Aspen American Insurance Company	7/1/2016	\$406	100%	63	0.0%	0.0%
National Union Fire Insurance Company of Pittsburgh, PA	7/15/2016	\$87	100%	27	0.0%	0.0%
ProAssurance Indemnity Company, Inc.	8/1/2016	\$25	100%	2	-20.5%	-20.5%

<b>Company</b>	<b>Rate Change Effective Date</b>	<b>Reported Earned Premium (000's)</b>	<b>Cumulative Market Share</b>	<b>Policy Count</b>	<b>Proposed Rate Change</b>	<b>Final Rate Change</b>
Galen Insurance Company	9/29/2015	\$0	100%	0	0.0%	0.0%
Liberty Insurance Underwriters Inc.	9/1/2015	\$0	100%	0	0.0%	0.0%
<b>Totals</b>						
<b>Item Counts:</b>		<b>\$294,594</b>		<b>12,740</b>		
<b>Premium Weighted Average Rate Change:</b>						<b>0.08%</b>
<b>Policy Count Weighted Average Rate Change:</b>						<b>-0.07%</b>

When the latest approved rates are taken together, as in the table above, the overall physicians medical malpractice rates have decreased by roughly 0.1%.

A portion of the physicians insured in Florida (20%) are insured by either ‘surplus lines’ carriers or risk retention groups, neither of which are required to file rates in Florida. Further, physicians operating within a large hospital or chain of hospitals often effectively receive coverage through the hospital’s insurance program or policy. Physicians also have the option of posting collateral with the Department of Business and Professional Regulation in lieu of purchasing insurance. So, there are portions of the impact on the average physician that could not be quantified.

Four companies made changes that did not actually change their existing rates. Details of the 2015 non-rate change filing activity for physicians insurers is shown below.

### **Non-Rate Change Physicians Filings Resolved in 2015**

<b>Company</b>	<b>Impact of Filing</b>	<b>Resolution Date</b>
Doctors Company, An Interinsurance Exchange	Addition of Cyber Guard coverage at no cost	10/1/2015
Fair American Insurance and Reinsurance Company	Conversion from writing policies through RPG to writing same policies on a direct basis and associated end of use of RPG notice.	4/24/2015
National Union Fire Insurance Company of Pittsburgh, PA	Program withdrawal – Neurologists Professional Liability	2/27/2015
United States Fire Insurance Company	Program withdrawal	1/15/2015
United States Fire Insurance Company	Program correction	1/15/2015



## Analysis of the Other Healthcare Professionals Subline

As with the physicians malpractice subline, data for the remaining healthcare professionals subline is analyzed in this report. The other healthcare professionals subline includes all policies sold to non-physician professionals that are not primarily designed to cover the malpractice exposure of a facility or agency (such as a hospital or nursing home).

### *Diversity of the Insureds in this Subline*

Insureds in this class range from dentists to nurses to chiropractors, even to physical therapists, with many other classes involved as well. Further, some insurers specialize in single segments such as chiropractors or podiatrists. Therefore, the market is highly fragmented and not susceptible to an analysis of marketplace dynamics. For reference, however, the analyses from the physicians malpractice section with the most relevance in this segment are included here.

### *Comparisons to Other Leading States*

With that caveat, the next step is to summarize the relevant information that could be obtained from the NAIC financial database. The following chart shows the top 10 states for this subline with respect to direct written premium.

#### **2015 Top 10 States by Other Healthcare Professionals Malpractice Direct Written Premium**

<b>State</b>	<b>2015 Other Healthcare Professionals Direct Written Premium</b>	<b>Other Healthcare Professionals Written Premium Rank</b>	<b>All Malpractice Written Premium Rank</b>
California	\$140,786,935	1	2
New York	\$135,461,364	2	1
<b>Florida</b>	<b>\$97,003,891</b>	<b>3</b>	<b>4</b>
Texas	\$78,672,755	4	8
Pennsylvania	\$62,510,464	5	3
New Jersey	\$53,939,756	6	6
Illinois	\$50,593,362	7	5
Maryland	\$38,223,735	8	9
Ohio	\$35,931,610	9	10
Massachusetts	\$34,022,944	10	7

As with physicians malpractice, the state rankings differ somewhat from those of the overall malpractice market, but are also very similar overall.

The direct loss ratios of those top 10 states are included below. The loss ratios range from a 16% loss ratio in Pennsylvania to 57.6% in Maryland. Unfortunately, due to the gap typically observed between physicians and other healthcare professionals expense levels, other healthcare professionals combined ratios cannot be reasonably estimated using the NAIC database. However, it is worth noting that Florida carriers in this segment could have expense and DCC ratios ranging up to 50% and still likely earn an underwriting profit.

### **2015 Direct Loss Ratios of Top 10 Other Healthcare Professionals Malpractice States**

		2015 Other Healthcare Professionals
Premium Rank	State	Direct Loss Ratio
8	Maryland	57.6%
2	New York	43.6%
6	New Jersey	39.4%
7	Illinois	36.2%
3	Florida	34.9%
4	Texas	27.4%
1	California	20.6%
10	Massachusetts	17.9%
9	Ohio	16.9%
5	Pennsylvania	16.0%

### ***Leading Other Healthcare Professionals Carriers in Florida***

Key information on the carriers comprising 80% (by direct written premium) of the Florida other healthcare professionals malpractice market is shown on the next page. A quick comparison to the carriers comprising the physicians malpractice market will show that many of the companies are different from those serving physicians. Some companies such as #4 Podiatry Insurance Company, #7 NCMIC RRG, and #13 Fortress specialize in certain professions such as podiatrists, chiropractors, or dentists. Other companies may specialize as well.

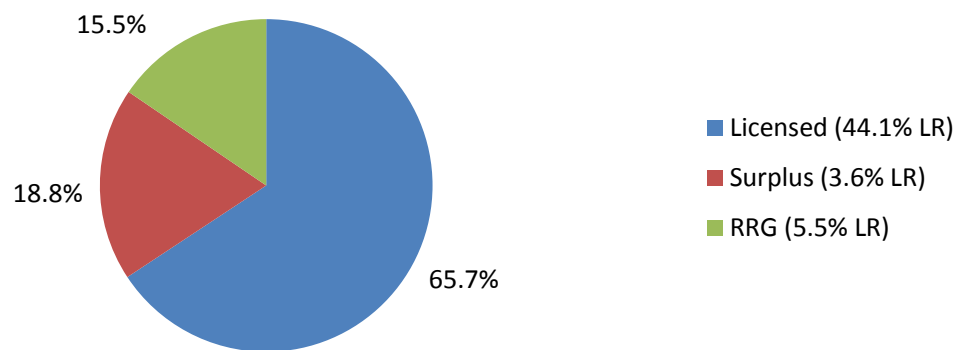
## Key 2015 Financial Information for Top Other Healthcare Professionals Malpractice Carriers in Florida

Company	Direct Florida Other Healthcare Written Premium	Written Premium Rank	Market Share	Cumulative Market Share	Direct Florida Other Healthcare Earned Premium	Direct Loss Ratio
Medical Protective Company	\$12,709,825	1	13.1%	13.1%	\$11,562,116	1.9%
American Casualty Company of Reading, PA	\$11,867,784	2	12.2%	25.3%	\$11,877,288	57.0%
Doctors Company, An Interinsurance Exchange	\$10,731,523	3	11.1%	36.4%	\$10,422,010	109.8%
Podiatry Insurance Company of America	\$5,870,812	4	6.1%	42.5%	\$6,062,327	54.2%
OMS National Insurance Company, RRG	\$5,599,187	5	5.8%	48.2%	\$5,483,086	34.2%
Landmark American Insurance Company	\$5,286,313	6	5.4%	53.7%	\$5,277,090	6.6%
NCMIC RRG Inc	\$4,592,479	7	4.7%	58.4%	\$4,564,303	17.1%
Continental Casualty Company	\$4,570,943	8	4.7%	63.1%	\$4,316,861	23.4%
Evanston Insurance Company	\$4,314,182	9	4.4%	67.6%	\$4,449,770	53.0%
Liberty Insurance Underwriters Inc.	\$3,812,265	10	3.9%	71.5%	\$3,617,340	30.7%
National Union Fire Insurance Company of Pittsburgh, PA	\$3,687,850	11	3.8%	75.3%	\$3,346,718	30.4%
Admiral Insurance Company	\$2,852,777	12	2.9%	78.2%	\$2,761,321	20.1%
Fortress Insurance Company	\$2,839,810	13	2.9%	81.2%	\$2,879,917	31.8%

### *Composition of the Florida Other Healthcare Professionals Malpractice Market by Type of Insurer*

As with the physicians malpractice segment, a breakdown of the direct written premium by the type of carrier generating the premium is provided on the following page. This is designed to provide clarity on the markets most often served by surplus lines companies and risk retention groups.

### Composition of 2015 Florida Other Healthcare Professionals Medical Malpractice Insurance Market (Written Premium) by Insurer Type-Including Loss Ratios for Each Type of Insurer



This segment has somewhat higher participation by surplus lines carriers, but is still dominated by licensed property/casualty insurance companies. The loss ratios do differ significantly between segments, the total premium volume in this segment, at \$97 million, is fairly low in comparison to the physicians segment.

### ***Other Healthcare Professionals Malpractice Rate Filing Data***

Information on rate filings for other healthcare professionals in the Office's I-File Forms & Rates Search System (I-File) may be broken down between dentists, nurses, and what the I-File system considers to be other healthcare professionals. Since that breakdown is available, rate filing information for those major segments within the NAIC other healthcare professionals subline are presented separately.

### **Dentists Malpractice Rate Filing Data**

Details of the dentists malpractice filings with rate impacts carried to completion are shown in the table on the next page. Overall, 13 dentists malpractice rate change filings were approved by the Office during 2015 (two filings were withdrawn). One dentists malpractice filing not involving a rate change was approved during 2015, for a total of 16 dentists filings resolved during 2015. In accordance with prior reports, the affected portion of the market is reflected in policy counts (as reported in the filings) rather than premium.

## 2015 Rate Filings for Dentists Market Segment

Company	Policy Count	Rate Change Indicated	Rate Change Approved	Resolution Date
Doctors Company, An Interinsurance Exchange	3752	7.3%	0.0%	3/10/2015
Doctors Company, An Interinsurance Exchange	3752	0.0%	-0.3%	4/3/2015
Continental Casualty Company	1225	4.5%	0.4%	3/10/2015
Fortress Insurance Company	858	6.0%	2.8%	2/2/2015
National Union Fire Insurance Company of Pittsburgh, PA	702	0.0%	-0.3%	5/15/2015
Medical Protective Company	622	7.8%	0.0%	3/20/2015
Medical Protective Company	602	-0.1%	0.0%	7/28/2015
Cincinnati Indemnity Company	272	135.5%	34.3%	2/11/2015
NCMIC Insurance Company	107	0.0%	0.0%	1/26/2015
Ace American Insurance Company	55	28.8%	15.0%	8/4/2015
<b>Florida Medical Malpractice JUA</b>	<b>54</b>	<b>31.9%</b>	<b>-0.4%</b>	<b>3/11/2015</b>
Liberty Insurance Underwriters Inc.	19	4.6%	0.0%	12/16/2015
Liberty Insurance Underwriters Inc.	14	0.0%	0.0%	3/20/2015
<b>Average Approved Rate Change:</b>			<b>1.0%</b>	

The companies carrying filings to completion during 2015 showed a 1% increase, below the average 3.4% increase in 2014. Details on the total size of the dentists malpractice market are not included in the NAIC database. It is possible that there are other carriers that met the 2014 filing requirement with a filing approved in 2014 and the 2015 requirement with a filing approved in 2016. So, it is possible that there are additional carriers in this segment. As the following chart shows, there was one dentists rate filing approved during 2015 that did not involve a rate change.

### Non-Rate Change Dentists Rate Filings Resolved in 2015

Company	Impact of Filing	Resolution Date
Cincinnati Indemnity Company	Extension of coverage to include patient information privacy	12/14/2015

### Nurses Malpractice Rate Filing Data

A small number of rate filings for nurses malpractice were processed by the Office during 2015. The disposition is shown in the table that follows. Two things about this segment are worth mentioning. First, this only includes the rates for nurses that are not covered as part of a physician's policy. Second, this segment includes situations where some companies have

different programs covering different types of nurses, so the program name is included in the table.

The nurses segment is different from the physicians and dentists segments in that the filing statute for nurses simply requires the companies to submit rate pages on an informational basis. No approval by the Office is required or authorized. Further, these new requirements do not require companies to provide the affected premium or policies produced by the new pages. Overall, five nurses malpractice rate change filings were processed as informational by the Office during 2015. One additional nurses malpractice filing not involving a rate change was processed during 2015, and no nurses filings were withdrawn. So, a total number of six nurses filings were processed as informational during 2015.

### 2015 Rate Filings for Nurses Market Segment

Company	Policy Count	Rate Change Indicated	Rate Change Approved	Resolution Date	Program
Liberty Insurance Underwriters Inc.	2,981	14.1%	6.0%	1/23/2015	Allied Health
Liberty Insurance Underwriters Inc.	2,981	14.1%	2.2%	2/24/2015	Allied Health
<b>Florida Medical Malpractice JUA</b>	<b>125</b>	<b>12.9%</b>	<b>0.0%</b>	<b>3/3/2015</b>	<b>Nurses</b>
Church Mutual Insurance Company	14	0.0%	0.0%	7/31/2015	Nurses
CampMed Casualty & Indemnity Company, Inc	0	0.0%	0.0%	4/29/2015	Nurses
<b>Average Approved Rate Change:</b>			<b>4.0%</b>		

The nurses malpractice carriers generally filed a wide range of rate changes—ranging from a 2.2% increase to a 6.0% increase. The single nurses malpractice filing without a rate impact is included in the table below.

### Non-Rate Change Nurses Rate Filings Resolved in 2015

Company	Impact of Filing	Resolution Date	Program
Cincinnati Indemnity Company	Manual revision to reflect form number change	12/14/2015	Nurses

### Miscellaneous Healthcare Professionals Malpractice Rate Filing Data

The remaining professionals covered by medical malpractice involve a very diverse group of professionals. Some carriers have programs specific to just one or two types of professionals. Some carriers in this segment cover a wide array of professionals. The chart on the following page shows the rate changes processed by the Office during 2015 for this segment. The program is included since it generally describes the scope of each filing.

As with the nurses segment, a portion of the filings in this segment (those not involving podiatrists, chiropractors, pharmacists, or pharmacy technicians) simply require informational filings. For such filings, approval by the Office is neither requested nor provided. During 2015, 35 miscellaneous healthcare professionals malpractice filings were resolved by the Office. 21 filings were approved or processed as informational by the Office regarding miscellaneous healthcare professionals malpractice rate changes. Eight filings were withdrawn by the carriers before resolution. One filing was disapproved, and five miscellaneous healthcare professionals malpractice filings that did not involve rate changes were approved by the Office during 2015. Details are shown in the table below.

### 2015 Rate Filings for Miscellaneous Healthcare Professionals Market Segment

Company	Policy Count	Rate Change Indicated	Rate Change Approved	Resolution Date	Program
Liberty Insurance Underwriters Inc.	8,645	7.1%	0.0%	1/23/2015	Healthcare Providers Professional Liability (Physician Assistant)
American Casualty Company of Reading, PA	6,330	85.7%	26.2%	12/17/2015	Healthcare Providers Service Organization (Pharmacists)
American Casualty Company of Reading, PA	5,995	47.1%	40.6%	2/4/2015	Healthcare Providers Service Organization (Pharmacists)
Doctors Company, An Interinsurance Exchange	1,576	0.0%	0.0%	10/2/2015	Ancillary Healthcare Professionals
PACO Assurance Company, Inc.	1,080	4.2%	0.0%	7/29/2015	OUM Chiropractor
Podiatry Insurance Company of America	844	0.5%	-2.3%	1/26/2015	Podiatrists
National Union Fire Insurance Company of Pittsburgh, PA	265	0.0%	0.0%	12/15/2015	Chiropractor Professional Liability Plus
National Union Fire Insurance Company of Pittsburgh, PA	260	3.4%	0.0%	3/26/2015	Chiropractors Professional Liability
Pharmacists Mutual Insurance Company	166	-1.6%	0.0%	12/16/2015	Pharmacists
Great Divide Insurance Company	110	12.4%	-2.3%	9/29/2015	Chiropractors
Great Divide Insurance Company	89	11.1%	-19.6%	2/25/2015	Chiropractors
CampMed Casualty & Indemnity Company, Inc	53	-1.3%	-2.0%	7/29/2015	Podiatrists
Doctors Company, An Interinsurance Exchange	20	10.4%	0.0%	4/21/2015	Chiropractors and Podiatrists
<b>Florida Medical Malpractice JUA</b>	<b>13</b>	<b>10.9%</b>	<b>-1.2%</b>	<b>3/11/2015</b>	<b>Other Healthcare Professionals</b>

<b>Company</b>	<b>Policy Count</b>	<b>Rate Change Indicated</b>	<b>Rate Change Approved</b>	<b>Resolution Date</b>	<b>Program</b>
Medical Protective Company	12	0.0%	0.0%	3/13/2015	Podiatrists
Doctors Company, An Interinsurance Exchange	8	7.3%	0.0%	3/11/2015	Dental Hygienists and Dental Certified Registered Nurse Anesthetists
Doctors Company, An Interinsurance Exchange	8	0.0%	0.0%	4/7/2015	Dental Hygienists and Dental Certified Registered Nurse Anesthetists Only
Philadelphia Indemnity Insurance Company	3	0.0%	0.0%	3/19/2015	Chiropractors
Cincinnati Indemnity Company	1	3.7%	3.7%	2/11/2015	Other Healthcare Professionals
Medical Protective Company	0	0.0%	0.0%	3/13/2015	Chiropractors
Medical Protective Company	0	0.0%	0.0%	4/9/2015	Multi-Specialty Healthcare Professionals
Medical Protective Company	0	0.0%	0.0%	4/24/2015	MPS Multi-Specialty Healthcare Professionals
<b>Average Approved Rate Change:</b>			<b>15.9%</b>		

Some carriers in this segment did not report rate changes, and some comparatively modest changes were approved or processed as informational during 2015. The rate change information provided shows changes ranging from -19.6% to +40.6%.

A table on the following page shows all the rule and related filings approved or processed as informational for other healthcare professionals (of all types except physicians, dentists, and nurses) in 2015, which did not involve rate changes. These five filings covered different classes and involved different aspects of the rating procedure.



## Non-Rate Change Other Healthcare Professionals Rate Filings Resolved in 2015

Company	Impact of Filing	Resolution Date	Program
CampMed Casualty & Indemnity Company, Inc	New payment plan pages	5/29/2015	Podiatry
Chicago Insurance Company	Program withdrawal	10/14/2015	Pharmacists and Pharmacy Technicians
Doctors Company, An Interinsurance Exchange	Addition of Cyber Guard coverage at no cost	10/1/2015	Chiropractors and Podiatrists
Medical Protective Company	Removal of shared limit vicarious liability charge in the manual and correction of page layout	6/1/2015	MPS Multi-Specialty Healthcare Professionals
Philadelphia Indemnity Insurance Company	Adoption of new installment plans	9/8/2015	Medical Professionals Liability

## Analysis of the Hospital Malpractice Subline

Data for the hospital malpractice subline is analyzed in this report as well. The hospital subline includes all policies where the primary named insured is a hospital, even if the doctors employed by the hospital or having staff privileges within it are covered as well.

### *Diversity of the Insureds in this Subline*

The class of primary named insureds in the class is fairly homogeneous, other than differences between large and small hospitals. But significant differences exist between hospitals that include coverage for staff of various types on the policy and those that do not. More importantly, it is common for larger hospitals to purchase coverage excess of a high deductible or self-insured retention, which make their loss exposure different from that of other hospitals. Therefore, this segment is viewed as being heterogeneous, and not susceptible to market share analysis.

### *Comparisons to Other Leading States*

With that above caveat, key information from NAIC financial database is summarized in this section. The chart on the next page shows the top 10 states for this subline with respect to direct written premium.

## 2015 Top 10 States by Hospital Malpractice Direct Written Premium

State	2015 Hospital Direct Written Premium	Hospital Written Premium Rank	All Malpractice Written Premium Rank
New York	\$338,645,404	1	1
Pennsylvania	\$269,767,264	2	3
Massachusetts	\$135,553,260	3	7
California	\$78,033,234	4	2
Maryland	\$65,555,668	5	9
Connecticut	\$50,799,756	6	19
New Jersey	\$49,237,789	7	6
Illinois	\$42,144,300	8	5
Indiana	\$31,706,642	9	22
Ohio	\$30,634,212	10	10

Florida is not represented in the top 10 states (it is twelfth in the nation at \$28,569,191 in 2015 direct hospital written premium). It suggests that either: there are fewer insured hospital beds per capita in Florida than in other states; Florida hospitals use higher retentions and other forms of self-insurance; fewer Florida physicians obtain insurance through a hospital; or Florida hospital premiums are lower than in other states. It would appear to be unlikely, given Florida's population demographic, that it has fewer hospital beds. Further, while the physician premium comparisons in this report are associated with a different segment than hospitals, they would suggest the Florida premiums for hospitals are average or higher. Precise information on this subject is unavailable within the NAIC financial database.

The direct loss ratios of those top 10 states are included in the table on the following page. They range widely, -20% in Ohio to 120% in Illinois. The volatility these show is typical of the hospital subline, due to the presence of large claims and large deductibles. Due to the gap typically observed between expense levels of insurance programs covering physicians and insurance programs covering other healthcare professionals, hospital malpractice combined ratios cannot be reasonably estimated using the NAIC database.

## 2015 Direct Loss Ratios of Top 10 Hospital Malpractice States

Premium Rank	State	2015 Hospital Direct Loss Ratio
8	Illinois	120.1%
7	New Jersey	90.6%
1	New York	79.0%
3	Massachusetts	76.4%
6	Connecticut	70.8%
2	Pennsylvania	59.1%
4	California	51.1%
9	Indiana	21.4%
5	Maryland	-10.4%
10	Ohio	-20.4%

Due to its status as the twelfth largest state, Florida is not in this chart. Its 2015 hospital malpractice loss ratio was 112.8%.

### *Leading Hospital Malpractice Carriers in Florida*

Key information on the carriers comprising 80% (by direct written premium) of the Florida hospital malpractice market is shown next. A quick comparison to the carriers comprising the physicians malpractice market will show that different companies serve the hospitals than serve the professionals. Although only nine companies comprise 80% of the market, various forms of self-insurance, such as deductibles and retentions, may result in the distributions of losses serviced by various companies being far different than the distribution of premium among them. The hospital malpractice market likely is not as concentrated as the table suggests. Certain segments, such as small hospitals, may have different concentration levels, but data for such an analysis is not present in the NAIC financial database.

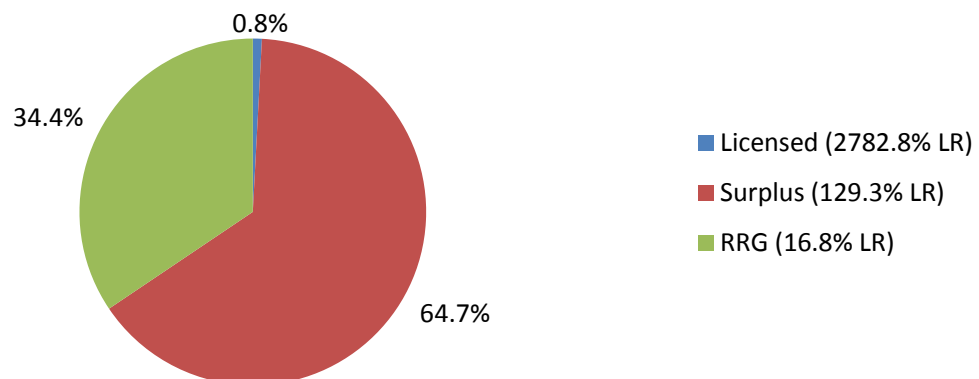
## Key 2015 Financial Information for Top Hospital Malpractice Carriers in Florida

Company	Direct Florida Hospital Written Premium	Written Premium Rank	Market Share	Cumulative Market Share	Direct Florida Hospital Earned Premium	Direct Loss Ratio
MCIC Vermont (A Reciprocal RRG)	\$6,150,127	1	21.5%	21.5%	\$6,150,127	10.4%
National Fire & Marine Insurance Company	\$4,323,937	2	15.1%	36.7%	\$2,461,248	53.8%
Steadfast Insurance Company	\$2,576,281	3	9.0%	45.7%	\$2,935,779	102.6%
Cruden Bay RRG, Inc.	\$2,077,378	4	7.3%	53.0%	\$2,077,378	20.9%
Health Care Casualty RRG. Inc.	\$2,017,525	5	7.1%	60.0%	\$832,367	54.7%
Nautilus Insurance Company	\$2,007,908	6	7.0%	67.0%	\$2,345,869	43.5%
Illinois Union Insurance Company	\$1,715,297	7	6.0%	73.0%	\$1,490,913	57.6%
Admiral Insurance Company	\$1,390,641	8	4.9%	77.9%	\$788,658	39.4%
Ironshore Specialty Insurance Company	\$1,212,245	9	4.2%	82.2%	\$1,573,598	11.6%

### *Composition of the Florida Hospital Malpractice Market by Type of Insurer*

A breakdown of the 2015 hospital malpractice direct written premium by the type of carrier generating the premium is provided below. This is, as with the other sublines, designed to provide clarity on the markets most often served by surplus lines companies and risk retention groups.

### **Composition of 2015 Florida Hospital Medical Malpractice Insurance Market (Written Premium) by Insurer Type-Including Loss Ratios for Each Type of Insurer**



This segment is dominated by surplus lines carriers, and only a small segment is covered by admitted property/casualty insurance companies. Further, the loss ratios are somewhat more volatile between groups. That might be due to a mixture of the potential for hospitals to encounter large claims and the relatively small hospital malpractice premium volume of the licensed and risk retention group segments.

### ***Hospital Malpractice Rate Filing Data***

As the next table shows, only two hospital malpractice rate change filings were processed during 2015. All companies using medical malpractice rates are required to make an annual base rate filing. However, it is possible that the licensed carriers covering hospital risks are only covering hospitals that are eligible for individual risk rating under Rule 69O-170.019, Florida Administrative Code, and that they believe no filing is required because they have no base rates.

#### **2015 Rate Filings for Hospital Market Segment**

<b>Company</b>	<b>Policy Count</b>	<b>Rate Change Indicated</b>	<b>Rate Change Approved</b>	<b>Resolution Date</b>
Continental Casualty Company	0	0.0%	0.0%	2/9/2015
<b>Florida Medical Malpractice JUA</b>	<b>0</b>	<b>2.3%</b>	<b>0.0%</b>	<b>3/11/2015</b>
<b>Average Approved Rate Change:</b>			<b>0.0%</b>	

As the table below shows, no hospital malpractice rules filings that did not involve rate changes were made in 2015. In total, two hospital filings were processed by the Office during 2015, all of which were approved.

#### **Non-Rate Change Hospital Rate Filings Resolved in 2015**

<b>Company</b>	<b>Impact of Filing</b>	<b>Resolution Date</b>
None		

### **Analysis of the Other Facilities Subline**

Data for the malpractice sold to medical facilities other than hospitals is analyzed in this section. This subline covers entities such as nursing homes, blood banks, and MRI facilities. Due to claims cost issues that have arisen in the past for nursing homes and other eldercare facilities and the large number of such facilities in Florida, there is some reason to suspect that a majority of

the other facilities premium might be for eldercare liability. There is, however, no data in the NAIC financial database to validate or invalidate that conjecture.

### ***Diversity of the Insureds in this Subline***

This subline is similar to the other healthcare professionals subline in that it conceivably involves a highly heterogeneous population of insureds. In accordance with that fact, this report contains limited information on this subline and does not deal with the marketplace dynamics within the subline.

### ***Comparisons to Other Leading States***

The following chart shows the top 10 states for the other facilities subline with respect to direct written premium.

#### **2015 Top 10 States by Other Facilities Malpractice Direct Written Premium**

<b>State</b>	<b>2015 Other Healthcare Facilities Direct Written Premium</b>	<b>Other Healthcare Facilities Written Premium Rank</b>	<b>All Malpractice Written Premium Rank</b>
New York	\$86,865,407	1	1
California	\$82,680,532	2	2
<b>Florida</b>	<b>\$56,556,685</b>	<b>3</b>	<b>4</b>
Illinois	\$50,524,200	4	5
Pennsylvania	\$48,768,673	5	3
Texas	\$40,008,132	6	8
New Jersey	\$28,856,928	7	6
Tennessee	\$28,373,757	8	12
Ohio	\$23,216,560	9	10
North Carolina	\$18,882,585	10	16

Florida has nearly the same rank (third) for other facilities as it does for all malpractice combined (fourth). In light of the large elderly population in Florida, that is somewhat surprising.

The direct loss ratios of those top 10 states are shown on the next page. The loss ratios vary widely, but not so widely as those of hospitals.

## 2015 Direct Loss Ratios of Top 10 Other Facilities Malpractice States

Premium Rank	State	2015 Other Healthcare Facilities Direct Loss Ratio
4	Illinois	77.2%
2	California	74.4%
8	Tennessee	70.0%
10	North Carolina	65.7%
5	Pennsylvania	63.1%
6	Texas	52.3%
1	New York	50.0%
3	Florida	47.1%
9	Ohio	44.2%
7	New Jersey	11.7%

### *Leading Other Facilities Malpractice Carriers in Florida*

Key information on the carriers comprising 80% (by direct written premium) of the Florida other facilities malpractice market is shown on the following page. The other facilities segment has, within this analysis, a midrange number of carriers comprising 80% of the market. However, some of these insurers may cover only certain portions of the other facilities segment.

### Key 2015 Financial Information for Top Other Facilities Malpractice Carriers in Florida

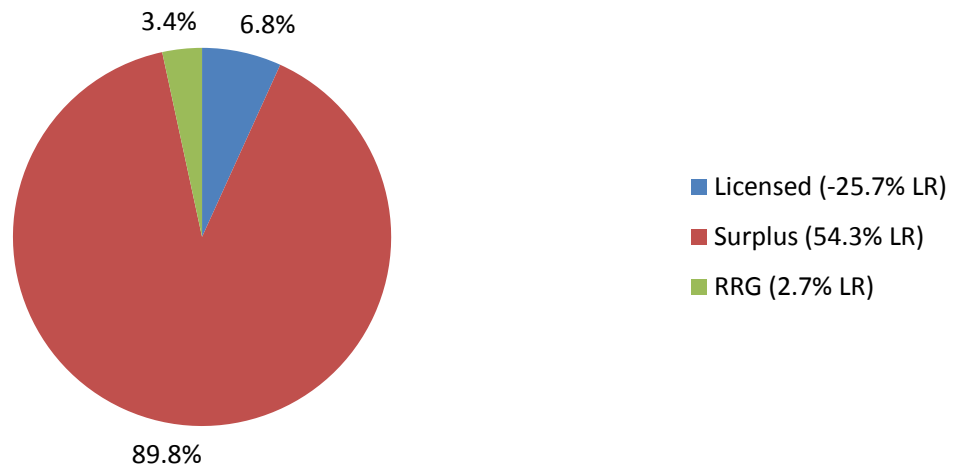
Company	Direct Florida Other Facilities Written Premium	Written Premium Rank	Market Share	Cumulative Market Share	Direct Florida Other Facilities Earned Premium	Direct Loss Ratio
Lexington Insurance Company	\$10,752,398	1	19.0%	19.0%	\$10,738,070	68.5%
Arch Specialty Insurance Company	\$5,009,392	2	8.9%	27.9%	\$5,064,186	13.6%
Darwin Select Insurance Company	\$4,670,637	3	8.3%	36.1%	\$5,664,819	23.5%
Evanston Insurance Company	\$4,643,106	4	8.2%	44.3%	\$6,992,979	65.8%
Homeland Insurance Company of NY	\$3,954,260	5	7.0%	51.3%	\$4,324,072	63.4%
Torus Specialty Insurance Company	\$3,849,063	6	6.8%	58.1%	\$3,122,458	74.9%
National Fire & Marine Insurance Company	\$3,658,361	7	6.5%	64.6%	\$3,295,899	134.0%
Columbia Casualty Company	\$3,345,334	8	5.9%	70.5%	\$3,073,638	24.5%
Capitol Specialty Insurance Corporation	\$2,701,647	9	4.8%	75.3%	\$2,374,670	42.9%
Ironshore Specialty Insurance Company	\$1,895,076	10	3.4%	78.6%	\$2,553,040	74.4%
American Alternative Insurance Corporation	\$1,766,782	11	3.1%	81.8%	\$1,894,421	-22.4%

### *Composition of the Florida Other Facilities Malpractice Market by Type of Insurer*

A breakdown of the 2015 other facilities malpractice direct written premium by the type of carrier generating the premium is provided on the next page. This last analysis of this nature is also designed to provide clarity on the markets most often served by surplus lines companies and risk retention groups.



**Composition of 2015 Florida Other Facilities Medical Malpractice Insurance Market (Written Premium) by Insurer Type-Including Loss Ratios for Each Type of Insurer**



This segment is also dominated by surplus lines carriers, and only a small segment (although not as small a segment as in the hospital malpractice chart) is covered by admitted property/casualty insurance companies. The loss ratios appear to be generally acceptable and reasonable considering the premium volume in the smaller company types and the potential riskiness of the possible eldercare exposures.

***Other Facilities Malpractice Rate Filing Data***

The other facilities rate filings processed by the Office during 2015 are listed in the following table. Also, one of the carriers making filings in this segment is Florida domestics (as shown by the shaded cells in the table). The program name is listed to provide information on the types of insureds affected by each filing. As with nurses and certain other healthcare professionals, rate filings for entities other than nursing homes, assisted living centers, and hospitals are filed on a strictly informational basis.

## 2015 Rate Filings for Other Facilities Market Segment

Company	Policy Count	Rate Change Indicated	Rate Change Approved	Resolution Date	Program
Ponce De Leon LTC RRG Inc	988	10.6%	0.0%	3/18/2015	Assisted Living Facilities
General Insurance Company of America	206	0.5%	0.0%	12/15/2015	Social Services Facilities
American Alternative Insurance Corporation	109	-20.7%	-9.8%	9/30/2015	Hospice, Home Health Care
MAG Mutual Insurance Company	75	-3.9%	0.0%	1/2/2015	Other Facilities
Ponce De Leon LTC RRG Inc	46	4.8%	4.8%	3/30/2015	Independent Living Facilities
Ponce De Leon LTC RRG Inc	46	4.8%	4.8%	3/30/2015	Home Health Care Agencies
Everest National Insurance Company	22	0.0%	0.0%	2/9/2015	Social Services Facilities
National Union Fire Insurance Company of Pittsburgh, PA	18	0.0%	0.0%	3/12/2015	Health Care Agencies
Church Mutual Insurance Company	16	-9.4%	29.5%	3/3/2015	Assisted Living Facilities
Church Mutual Insurance Company	16	-9.4%	29.5%	3/3/2015	Nursing Homes
Ponce De Leon LTC RRG Inc	2	10.6%	0.0%	3/18/2015	Nursing Homes
<b>Florida Medical Malpractice JUA</b>	<b>0</b>	<b>-10.2%</b>	<b>0.0%</b>	<b>3/3/2015</b>	<b>Other Facilities</b>
Great Divide Insurance Company	0	0.0%	0.0%	1/12/2015	Surgery Centers
Medical Protective Company	0	0.0%	0.0%	1/20/2015	Schools, Students, Universities
Pharmacists Mutual Insurance Company	0	0.0%	0.0%	10/2/2015	Pharmacy
<b>Average Approved Rate Change:</b>			<b>0.2%</b>		

As with the other sublines, some filings simply reaffirmed the rates presently in use. However, one filing involving a 9.8% decrease and four filings involving rate increases of 4.8% and 29.5% were processed as informational during 2015. The Office processed fewer other facilities malpractice rules (non-rate change) filings than rate filings during 2015. The rule filing processed in 2015 is shown next.

## Non-Rate Change Other Facilities Rate Filings Resolved in 2015

Company	Impact of Filing	Resolution	
		Date	Program
Everest National Insurance Company	Program withdrawal	3/5/2015	Social Services Facilities

## Data from the Professional Liability Claim Reporting System

The Office collects closed claim data reported by insurers and self-insured entities. For the purposes of the report, all claims closed during the period January 1, 2015 to December 31, 2015 were analyzed. The database contains other relevant dates including the occurrence date and the report date of each claim. Although this section covers claims resolved in 2015, it is most probable that the occurrence date and/or report date of a specific claim are from a previous year.

This is part of the nature of the medical malpractice insurance industry—there can be a considerable amount of time between when an accident occurs and when final payment is made. For the top 27 carrier claims closed in 2015, the average difference between occurrence and when the claim was filed was 477 days, and the average difference between when a claim was filed and when the claim was closed was 730 days.

This reported data is of limited use for evaluating the profitability, solvency, or the adequacy of rates of a specific company. The data does not include “open” claims or the entire universe of outstanding claims. As well, trend in either the amount of time to close a claim or in the amount of claim payments cannot be systematically evaluated.

To satisfy the statutory requirements of Section 627.912(6)(b)&(c), Florida Statutes, this portion of the report is divided into two sections: 1) the statewide data for all medical malpractice claims in Florida (the ‘Medical Malpractice Insurance Claims in Florida’ section); and 2) the data for the 27 companies that represent 80% of the Florida market (the ‘Closed Claims of Leading Carriers in Florida’ section). In the closed claim reports in the system, insurers are asked to fill out 72 different fields of data. Some of these fields are required fields (i.e. claim number) while some are not (i.e. institution code). This report focuses on roughly 25 fields and is not intended to represent the entirety of information reported to the Office.

### *Medical Malpractice Insurance Claims in Florida*

In 2015, the Florida medical malpractice insurance companies reported 2,766 closed claims in Florida. Of those 2,766 claims closed in 2015, 1,476 claims were filed by females and 1,290 claims were filed by males.

### **Injury Location**

One of the data elements reported is the injury location, which has been divided into 10 different categories. The injury location for claims closed in 2015 is distributed as shown in the following table.

**Location of Injury for Claims Closed in 2015**

<b>Location</b>	<b>Number of Claims</b>
Hospital Inpatient Facility	1,266
Physician's Office	415
Emergency Room	353
Other Outpatient Facility	234
Hospital Outpatient Facility	167
Other Location	147
Other Hospital/Institution	101
Patient's Home	43
Nursing Home	27
Prison	13
<b>Total</b>	<b>2,766</b>

The data show that the largest number of claims came from hospital inpatient facilities, which together with physicians' offices and emergency rooms generated roughly 74% of all claims closed in 2015 (down from roughly 79% in 2014, and comparably lower than in 2013, 2012, and 2011).

### **Severity**

The reporting data also contains a field to populate a "severity" field, which ranks the types of injuries/medical problems into nine different categories ranging from "1" being the most minor physical ailments to "9" indicating death of the insured. A brief summary of these categories follows:

- 1 – Emotional Only: fright, no physical damage
- 2 – Temporary: slight lacerations
- 3 – Temporary: minor infections, missed fracture, fall in hospital
- 4 – Temporary: major burns, drug reaction
- 5 – Permanent: minor – loss of finger, damage to organs
- 6 – Permanent: significant – deafness, loss of limb, loss of eye
- 7 – Permanent: grave – paraplegia, blindness, loss of limbs
- 8 – Permanent: grave – quadriplegia, brain damage
- 9 – Permanent: death

The chart below tabulates the frequencies of the various claims severities for claims resolved in Florida in 2015.

### Severity Codes for Claims Closed in 2015

Severity Class	Number of Claims
1 - Emotional only	169
2 - Slight lacerations	73
3 - Minor infections, missed fracture, etc.	468
4 - Major burns, drug reaction	366
5 - Loss of finger, damage to organs	325
6 - Deafness, loss of limb, loss of eye	241
7 - Paraplegia, blindness, loss of limbs	186
8 - Quadriplegia, brain damage	104
9 - Death	834
<b>Total</b>	<b>2,766</b>

Category “9,” meaning death, is the leading category for medical malpractice claims settled and accounted for 30% of all of the claims closed in 2015 (for 2014, it represented 32% of the total).

### Geographic Distribution

Among the other data submitted is the insured’s residence including county, address, and zip code information. Not surprisingly, the largest percentage of closed claims arises from areas with the highest populations. The 10 counties with the most closed medical malpractice claims in 2015 are shown below.

### 2015 Closed Claims in Top 10 Counties

Rank	County	Number of Claims	2014 County this Rank
1	Dade	429	Dade
2	Broward	335	Palm Beach
3	Hillsborough	266	Broward
4	Pinellas	218	Hillsborough
5	Palm Beach	184	Pinellas
6	Orange	130	Duval
7	Duval	108	Orange
8	Lee	87	Pasco
9	St. Lucie	69	Polk
10	Alachua	61	Lee

The top five counties are the same as the 2014 top five counties (this was also true when 2014 was compared to 2013), although some are in a different order. 13 Florida counties had no closed claims reported through the closed claim reporting system during 2015.

### **Entities with the Most Closed Claims**

In 2015, 146 entities reported closed medical malpractice claims. Of those reporting, 61 only closed either one or two claims. Conversely, 46 reported 10 or more claims. They are:

### **Entities Reporting 10 or More Closed Claims in 2015 (27 Leading Carriers Listed in Bold)**

<b>Entity</b>	<b>Number of Claims</b>
Health Care Indemnity Inc.	438
<b>Doctors Company, An Interinsurance Exchange</b>	<b>271</b>
<b>MAG Mutual Insurance Company</b>	<b>179</b>
First Professionals Insurance Company	168
<b>Medical Protective Company</b>	<b>106</b>
<b>Continental Casualty Company</b>	<b>103</b>
North Broward Hospital District, Hospital	99
<b>FD Insurance Company</b>	<b>95</b>
<b>Lexington Insurance Company</b>	<b>87</b>
Lexington insurance Company, Hospital	78
<b>Columbia Casualty Company</b>	<b>58</b>
<b>ProAssurance Casualty Company</b>	<b>52</b>
Baptist Health South Florida, Hospital	48
EmCare Holdings, Inc., Medical Practitioner	47
Team Health, Inc., Medical Practitioner	35
<b>MedMal Direct Insurance Company</b>	<b>35</b>
<b>Podiatry Insurance Company of America</b>	<b>34</b>
Florida Hospital East Orlando, Hospital	32
<b>Samaritan RRG, Inc.</b>	<b>30</b>
<b>Evanston Insurance Company</b>	<b>26</b>
Martin Memorial Medical Center, Inc., Hospital	26
<b>Lancet Indemnity RRG Inc</b>	<b>26</b>
Holy Cross Hospital, Hospital	24
Granite State Insurance Company	24
Applied Medico-Legal Solutions RRG, Inc.	23
Homeland Insurance Company of NY	23
<b>Healthcare Underwriters Group, Inc.</b>	<b>23</b>
Florida Health Sciences Center, Inc., Hospital	22

Entity	Number of Claims
<b>National Fire &amp; Marine Insurance Company</b>	<b>22</b>
<b>Medicus Insurance Company</b>	<b>21</b>
Darwin Select Insurance Company	18
Physicians Professional Liability RRG, Inc.	18
Lee Memorial Health System, Hospital	17
National Union Fire Insurance Company of Pittsburgh, PA	16
University of South Florida Health Sciences Center, Medical Practitioner	16
<b>Physicians Insurance Company</b>	<b>15</b>
Univ of FL JHMHC Self-Insurance Program, Medical Practitioner	15
Fortress Insurance Company	15
<b>Torus Specialty Insurance Company</b>	<b>14</b>
<b>FLORIDA MEDICAL MALPRACTICE JUA</b>	<b>13</b>
MOUNT SINAI MEDICAL CENTER, Hospital	12
Florida Physicians Medical Group, Medical Practitioner	12
Physicians Indemnity RRG, Inc.	11
H. Lee Moffitt Cancer Center & Research Institute, Inc., Hospital	11
NOT PROVIDED, Medical Practitioner	10
Baptist Medical Center, Hospital	10

The companies in bold type are among the 27 companies comprising 80% of the 2015 direct written premium in Florida. As the data shows, although these companies are in the top 27 of direct written premium calculations, they are not all necessarily the ones with the most closed claims in 2015. This could be due in part to the long-tailed nature of the business, or due to the prevalence of large deductible insurance plans in hospital insurance policies and policies covering some large physician groups. It should be noted, however, that 18 of the 46 entities with the most closed claims in 2015 are in the sample of 27 companies with the most premium volume. Also, 10 of the claims reported did not identify the entity.

### **Financial Data**

Perhaps the most important information contained in the report is the financial data related to insurance company claims. The amount paid by the insured is reported in three broad categories: 1) the indemnity amount paid to the plaintiff; 2) the amount of loss adjustment expenses; and 3) economic and non-economic losses. The data elements for all claims closed in 2015 combined were as shown in the table on the following page.

## Financial Data from Closed Claim System - Aggregation of All Claims Closed in 2015

Category of Payment	Amount
Indemnity Paid	\$639,680,762
LAE Paid to Defense Counsel	\$207,453,825
All Other LAE Paid	\$30,554,864
Non-Economic Loss	\$115,529,390
Economic Loss - Incurred to Date by Claimant	\$78,201,360
Economic Loss - Anticipated by Claimant	\$143,595,244

The total of the indemnity and loss adjustment expense (LAE) categories is \$877,689,451 (up 34% from 2014), which represents the total amount paid by insurance companies, self-insurance companies, and surplus lines companies for claims settled in 2015. In many instances (approximately 50% of the time) the claims closed showed indemnity payments of \$0 to the plaintiff. However, even in these instances, it is likely the carrier still incurred loss adjustment expense, and sometimes other expenses.

The other area of the financial data segregates the amount that the company paid for economic versus non-economic damages to plaintiffs. The data reported in the 2015 closed claims shows \$115,529,390 in non-economic loss (up approximately 38% from 2014, which in turn was down 59% from 2013) and combined incurred and anticipated economic loss of \$221,796,604 (down 2% from 2014).

The non-economic and economic fields are not submitted on all claims (witness that the total of economic and non-economic loss of \$337,325,994 represents only 53% of the total loss paid), so the year-to-year comparisons may be distorted by any increase or decrease in the percentage of claims for which data is recorded. There may also be other explanations. One possible reason for the discrepancy pertains to the forward looking estimates included in the economic damages. Differences in methodologies for equating current dollar losses to future losses for reporting purposes can easily skew the results to make them appear unequal.

Apart from the time-value of money and the effects of estimating future losses (and rate of inflation), there is some ambiguity in the estimate of the numbers themselves. Although claims can be closed for a variety of different reasons, like a court ruling or an outcome from an arbitration hearing, the majority of claims are settled out of court. Often, these settlements stipulate a flat payment to the plaintiff and do not distinguish what portion of the payment by the insurer is for economic versus non-economic damages. Therefore, companies may estimate these numbers to complete the report. Many reporting companies provided data with no estimates, leaving these fields blank. Assuming the numbers are accurate within the noted limitations, the amount paid in economic losses (\$222 million) is more than the amount of non-economic losses paid (\$116 million).



## ***Closed Claims of Leading Carriers in Florida***

Throughout much of this report, the legislative mandate has focused on the top 27 leading writers of medical malpractice in the state of Florida in 2015. This section provides an analysis of the timing sequence involved in reporting and closing a claim, as well as the paid amounts of closed claims to plaintiffs by these companies. Because not all the sample companies distinguished between economic versus non-economic claims, this data is not included. Legal settlements often state a specified amount, and do not apportion the final settlement amount based on economic versus non-economic damages.

### ***The Timing of the Claim***

There are two main time sequences important to the resolution of a claim: 1) the amount of time between the incident occurrence and the reporting of the claim to the insurance company; and 2) the amount of time between reporting the claim and the final disposition of the claim. For these two elements<sup>14</sup>, 24 of the 27 leading writers of medical malpractice insurance in Florida reported the average times shown in the table on the following page.

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<sup>14</sup> MCIC Vermont, Arch Specialty Insurance Company, and American Casualty Company of Reading, PA reported zero closed claims in 2015. This appears to be due to the nature of their businesses.

## Timing of Claims Closed by Leading Carriers in Florida During 2015

Company	Total Days	Report to Disposition	Occurrence to Report
Doctors Company, An Interinsurance Exchange	1,273	663	610
MAG Mutual Insurance Company	1,396	881	515
Medical Protective Company	1,329	761	569
<b>FD Insurance Company</b>	<b>1,301</b>	<b>750</b>	<b>551</b>
ProAssurance Casualty Company	1,504	909	596
Lexington Insurance Company	990	550	440
<b>MedMal Direct Insurance Company</b>	<b>1,069</b>	<b>595</b>	<b>474</b>
Evanston Insurance Company	1,121	728	393
National Fire & Marine Insurance Company	1,066	645	421
Samaritan RRG, Inc.	802	293	510
Continental Casualty Company	1,260	763	497
Medicus Insurance Company	988	498	490
Lancet Indemnity RRG Inc	1,159	711	448
Columbia Casualty Company	1,175	864	312
Ophthalmic Mutual Insurance Company (A RRG)	798	365	433
Podiatry Insurance Company of America	1,389	829	561
Physicians Casualty RRG, Inc.	902	401	501
OMS National Insurance Company, RRG	1,090	801	289
Healthcare Underwriters Group, Inc.	1,809	1,047	761
Torus Specialty Insurance Company	619	433	186
Landmark American Insurance Company	1,276	878	399
Admiral Insurance Company	1,579	1,149	430
<b>Physicians Insurance Company</b>	<b>1,382</b>	<b>733</b>	<b>649</b>
Health Care Casualty RRG. Inc.	1,691	1,281	410
<b>Average</b>	<b>1,207</b>	<b>730</b>	<b>477</b>

This table reinforces the “long-tail” aspect of medical malpractice insurance as it may take up to five years or longer between the occurrence of an accident and actual payment. For all claims (including those of other entities) closed in 2015, the total number of days between occurrence and final disposition averaged 1,173 days (3.2 years) with a range from 56 days disposition to a maximum of 3,262 days (8.9 years).

### *The Plaintiff Settlement*

Simply because a claim is “closed” does not mean that the plaintiff received payment. Whether due to an outcome of the courts, arbitration, or a plaintiff discontinuing pursuit of a claim, some claims are closed without any payment settlement. The data on the next chart shows differences

among the companies in terms of the percentage of closed claims that were settled, and the percentage of claims that resulted in the payment to the plaintiff.

### Breakdown of Claims Reported by Leading Carriers between Claims Closed With and Without Payments

Company	Claims With Indemnity Payments	Total Claims	Percentage With Indemnity Payments
Doctors Company, An Interinsurance Exchange	166	271	61.3%
MAG Mutual Insurance Company	85	179	47.5%
Medical Protective Company	52	106	49.1%
FD Insurance Company	66	95	69.5%
ProAssurance Casualty Company	25	52	48.1%
Lexington Insurance Company	35	87	40.2%
MedMal Direct Insurance Company	22	35	62.9%
Evanston Insurance Company	21	26	80.8%
National Fire & Marine Insurance Company	11	22	50.0%
Samaritan RRG, Inc.	11	30	36.7%
Continental Casualty Company	50	100	50.0%
Medicus Insurance Company	13	21	61.9%
Lancet Indemnity RRG Inc	26	26	100.0%
Columbia Casualty Company	36	56	64.3%
Ophthalmic Mutual Insurance Company (A RRG)	6	6	100.0%
Podiatry Insurance Company of America	14	34	41.2%
Physicians Casualty RRG, Inc.	3	4	75.0%
OMS National Insurance Company, RRG	4	7	57.1%
Healthcare Underwriters Group, Inc.	10	23	43.5%
Torus Specialty Insurance Company	13	14	92.9%
Landmark American Insurance Company	5	7	71.4%
Admiral Insurance Company	5	8	62.5%
Physicians Insurance Company	15	15	100.0%
Health Care Casualty RRG. Inc.	0	1	0.0%
<b>Total</b>	<b>528</b>	<b>954</b>	<b>55.3%</b>

#### Payment Amounts

Companies are also required to report payment amounts. Some companies did not segregate payments between economic and non-economic loss. Therefore, indemnity payments are not split between economic and non-economic loss in the upcoming table. The claims reported

closed by the 27 leading companies in 2015 contained the claim payments summarized in the following table.

**Breakdown of Loss and LAE Paid on 2015 Closed Claims by  
Leading Carriers in Florida**

<b>Company</b>	<b>Indemnity Payments</b>	<b>LAE Paid to Defense Counsel</b>	<b>All Other LAE Paid</b>
Doctors Company, An Interinsurance Exchange	\$49,531,193	\$14,793,374	\$1,138,659
MAG Mutual Insurance Company	\$26,192,089	\$7,584,225	\$2,883,302
Medical Protective Company	\$10,685,332	\$3,173,276	\$1,305,915
<b>FD Insurance Company</b>	<b>\$17,918,000</b>	<b>\$4,275,690</b>	<b>\$0</b>
ProAssurance Casualty Company	\$8,150,000	\$2,884,913	\$1,504,290
Lexington Insurance Company	\$13,748,921	\$1,983,816	\$144,025
<b>MedMal Direct Insurance Company</b>	<b>\$2,744,168</b>	<b>\$818,161</b>	<b>\$41,574</b>
Evanston Insurance Company	\$2,298,685	\$912,493	\$94,358
National Fire & Marine Insurance Company	\$2,503,333	\$588,395	\$26,429
Samaritan RRG, Inc.	\$2,625,000	\$615,399	\$331,382
Continental Casualty Company	\$8,509,499	\$2,340,618	\$477,843
Medicus Insurance Company	\$3,305,000	\$850,206	\$155,772
Lancet Indemnity RRG Inc	\$4,611,599	\$1,175,913	\$604,766
Columbia Casualty Company	\$7,542,072	\$1,756,390	\$303,840
Ophthalmic Mutual Insurance Company (A RRG)	\$2,000,395	\$0	\$0
Podiatry Insurance Company of America	\$2,776,937	\$1,128,141	\$179,063
Physicians Casualty RRG, Inc.	\$450,000	\$74,533	\$328,546
OMS National Insurance Company, RRG	\$797,000	\$267,841	\$143,381
Healthcare Underwriters Group, Inc.	\$1,831,650	\$1,432,197	\$0
Torus Specialty Insurance Company	\$715,318	\$263,587	\$31,020
Landmark American Insurance Company	\$1,440,000	\$645,687	\$124,978
Admiral Insurance Company	\$810,000	\$124,040	\$0
<b>Physicians Insurance Company</b>	<b>\$2,777,624</b>	<b>\$1,614,593</b>	<b>\$219,468</b>
Health Care Casualty RRG. Inc.	\$0	\$176,951	\$0

## Notes on Appendices

Included in the appendices are:

- Details of the various premiums priced as part of the state-to-state premium comparison in Appendix A;
- Written premium, earned premium, incurred loss and incurred DCC for the entire medical malpractice line of business, provided for all the U.S. states and territories (to facilitate any comparison across all 50 states) in Appendix B;
- A ranking of the states and territories by the loss and DCC ratio in Appendix C;
- Written premium, earned premium, incurred loss and loss ratios for just the physicians malpractice subline, provided for all the U.S. states and territories (also to facilitate any comparison across all 50 states) in Appendix D;
- The written premium by state for the top five (by premium) states for each of the companies comprising 80% of the overall medical malpractice market in Appendix E (in a convention designed to focus on the key data in Appendices E and F, the data for Florida is highlighted rather than bolded, and the names of Florida-domiciled carriers are highlighted as well); and
- Loss and DCC ratios for the top five states of each of the malpractice carriers comprising 80% of the market (to facilitate state-by-state comparisons within a company-subject to the reality that lower premium volume states' loss and DCC ratios are subject to considerable random fluctuation) in Appendix F.

## Summary

Section 627.912(6)(b)&(c), Florida Statutes, requires the Office to publish an annual report of the state of the medical malpractice insurance market in Florida. The legislation, codified in Section 627.912(6)(b)&(c), Florida Statutes, requires the Office to draw upon three data resources:

- 1) The NAIC annual financial statement filings;
- 2) The closed claims database maintained by the Office; and
- 3) The rate filings approved by the Office during the previous year.

This report satisfies the requirements codified in Section 627.912(6)(b)&(c), Florida Statutes.

## **Appendix A**

### **Detailed State-to-State Physicians Malpractice Premium Comparisons**

State	Company	Territory	Family	Emergency	Orthopedist	Obstetrician
			Practitioner	Room		
			1M/3M	1M/3M	1M/3M	1M/3M
			Rate	Rate	Rate	Rate
Arizona	Medical Protective	Entire State	\$22,501	\$31,004	\$33,279	\$62,006
Arizona	Mutual Ins. Co. of AZ	Entire State	\$13,080	\$27,977	\$39,433	\$50,263
California	Doctors Company	Riverside, San Bernardino	\$11,009	\$36,507	\$43,208	\$67,235
California	Doctors Company	Alameda, Contra Costa, Madera, Mariposa, Merced, Monterey, San Benito, San Francisco, San Luis Obispo, San Mateo, Santa Clara, Santa Cruz	\$4,735	\$11,257	\$17,120	\$25,190
California	Medical Insurance Exchange	Los Angeles, Kern, Orange, Riverside, San Bernardino	\$12,566	\$28,274	\$37,699	\$62,834
California	Medical Insurance Exchange	Remainder of State	\$7,392	\$16,632	\$22,176	\$36,961
California	Norcal Mutual	Riverside, San Bernardino	\$17,899	\$34,009	\$56,383	\$77,863
California	Norcal Mutual	Fresno, Madera, Monterey, San Mateo, Santa Clara, Santa Cruz	\$7,350	\$13,966	\$23,153	\$31,974
Florida	Doctors Company	Dade	\$42,772	\$90,479	\$115,155	\$190,829
Florida	Doctors Company	Remainder of State	\$21,934	\$46,399	\$59,054	\$97,861
Florida	MAG Mutual	Broward, Dade	\$32,157	\$63,802	\$108,548	\$185,780
Florida	MAG Mutual	Remainder of State	\$15,080	\$29,702	\$50,091	\$84,454
Florida	Medical Protective	Broward, Dade	\$30,038	\$76,357	\$92,157	\$144,817
Florida	Medical Protective	Remainder of State	\$17,568	\$44,656	\$53,895	\$84,692
Georgia	Doctors Company	Entire State	\$11,809	\$29,797	\$36,862	\$59,938
Georgia	MAG Mutual	Remainder of State	\$12,911	\$23,180	\$35,468	\$64,884
Georgia	MAG Mutual	Catoosa, Chatooga, Dade, Fannin, Floyd, Gilmer, Murray, Rabun, Towns, Union, Walker, Whitfield	\$7,747	\$13,908	\$21,281	\$38,930
Georgia	Medical Protective	Remainder of State	\$15,204	\$41,965	\$34,058	\$67,144
Georgia	Medical Protective	Catoosa, Chatooga, Dade, Fannin, Floyd, Gilmer, Murray, Rabun, Towns, Union, Walker, Whitfield	\$12,164	\$33,571	\$27,245	\$53,712



State	Company	Territory	Family	Emergency	Orthopedist	Obstetrician
			Practitioner	Room		
			1M/3M	1M/3M	1M/3M	1M/3M
			Rate	Rate	Rate	Rate
Illinois	Doctors Company	Cook, Madison, St. Clair	\$31,319	\$88,949	\$90,562	\$145,634
Illinois	Doctors Company	Adams, Knox, Peoria, Rock Island	\$14,720	\$41,806	\$42,565	\$68,448
Illinois	ISMIE Mutual	Madison	\$35,692	\$61,636	\$101,548	\$141,464
Illinois	ISMIE Mutual	Adams, Knox, Peoria, Rock Island	\$16,308	\$27,424	\$44,532	\$61,636
Illinois	Norcal Mutual	Cook, Jackson, Madison, St. Clair, Will	\$29,748	\$51,167	\$90,136	\$127,619
Illinois	Norcal Mutual	Adams, Knox, Peoria, Rock Island	\$14,249	\$24,508	\$43,175	\$61,128
Maryland	Doctors Company	Baltimore City, Baltimore	\$24,420	\$65,402	\$78,912	\$147,105
Maryland	Doctors Company	Remainder of State	\$17,764	\$49,320	\$58,395	\$109,607
Maryland	Medical Mutual Society of MD	Baltimore City, Baltimore	\$15,948	\$39,872	\$60,604	\$130,777
Maryland	Medical Mutual Society of MD	Remainder of State	\$12,759	\$31,897	\$48,483	\$104,622
Maryland	ProAssurance	Baltimore City, Baltimore	\$20,710	\$20,710	\$66,579	\$158,317
Maryland	ProAssurance	Remainder of State	\$17,040	\$17,040	\$53,735	\$127,126
New Jersey	MDAdvantage Ins. Co. of NJ	Entire State (used Preferred Plus rates)	\$11,515	\$26,297	\$37,420	\$80,992
New Jersey	Princeton Insurance Co.	Entire State	\$19,106	\$39,359	\$46,810	\$99,924
New Jersey	Proselect Ins. Co.	Entire State	\$12,240	\$28,948	\$56,732	\$108,410
New York	Hospitals Insurance Company	Nassau, Suffolk	\$22,549	\$57,825	\$113,185	\$151,947
New York	Hospitals Insurance Company	Livingston, Monroe, Ontario, Seneca, Wayne, Yates	\$4,192	\$10,749	\$21,041	\$28,246
New York	Medical Liability Mutual	Nassau, Suffolk	\$27,930	\$71,624	\$140,199	\$188,211
New York	Medical Liability Mutual	Livingston, Monroe, Ontario, Seneca, Wayne, Yates	\$5,192	\$13,315	\$26,063	\$34,988
New York	Physicians' Reciprocal Insurers	Nassau, Suffolk	\$42,055	\$58,949	\$134,586	\$214,461

State	Company	Territory	Family	Emergency	Orthopedist	Obstetrician
			Practitioner	Room		
			1M/3M	1M/3M	1M/3M	1M/3M
			Rate	Rate	Rate	Rate
New York	Physicians' Reciprocal Insurers	Livingston, Monroe, Ontario, Seneca, Wayne, Yates	\$12,281	\$17,214	\$39,306	\$62,634
Ohio	Doctors Company	Cuyahoga, Lorain, Mahoning, Portage, Trumbull	\$17,499	\$46,772	\$50,510	\$82,202
Ohio	Doctors Company	Brown, Butler, Clark, Clermont, Clinton, Darke, Greene, Hamilton, Miami, Montgomery, Preble, Warren	\$10,173	\$25,832	\$29,143	\$47,408
Ohio	Medical Protective	Ashtabula, Cuyahoga, Geauga, Lake, Lorain, Mahoning, Portage, Trumbull	\$22,678	\$52,357	\$62,118	\$97,614
Ohio	Medical Protective	Brown, Butler, Clark, Clermont, Clinton, Darke, Greene, Hamilton, etc.	\$11,661	\$26,924	\$31,942	\$50,198
Ohio	ProAssurance	Cuyahoga, Lorain	\$22,455	\$12,241	\$63,309	\$104,163
Ohio	ProAssurance	Adams, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Greene, Hamilton, Highland, Jackson, Lawrence, Miami, Montgomery, Pike, Preble, Ross, Scioto, Vinton, Warren	\$12,594	\$7,311	\$33,725	\$54,857
Pennsylvania	Medical Protective	Delaware, Philadelphia	\$21,131	\$65,155	\$76,602	\$123,267
Pennsylvania	Medical Protective	Remainder of State	\$13,633	\$42,035	\$49,421	\$79,528
Pennsylvania	Norcal Mutual	Delaware, Philadelphia	\$23,482	\$53,943	\$101,297	\$133,539
Pennsylvania	Norcal Mutual	Adams, Allegheny, Armstrong, Beaver, Bedford, Berks, Blair, Bradford, Butler, Cambria, Cameron, Centre, Clarion, Clearfield, Clinton, Elk, Fayette, Forest, Fulton, Greene, Huntingdon, Indiana, Jefferson, Juniata, Lancaster, Lebanon, Lycoming, McKean, Mifflin, Perry, Potter, Snyder, Somerset, Sullivan, Susquehanna, Tioga, Union, Venango, Warren, Washington, Westmoreland, York	\$15,023	\$31,697	\$57,268	\$74,678

**Appendix B**

**Total Medical Malpractice Data for States and U.S. Territories**

**2015**

2015 Rank	2014 Rank	State	Direct Written Premium	Direct Earned Premium	Incurred Losses	Incurred DCC
1	1	New York	\$1,651,459,849	\$1,709,928,580	\$1,007,608,324	\$440,024,848
2	2	California	\$751,349,106	\$764,176,810	\$309,311,196	\$220,498,033
3	3	Pennsylvania	\$644,302,990	\$655,245,865	\$297,237,709	\$140,569,881
4	4	Florida	\$534,435,338	\$530,624,555	\$230,625,942	\$129,055,720
5	5	Illinois	\$499,548,951	\$512,230,751	\$225,001,986	\$121,854,914
6	6	New Jersey	\$423,483,074	\$440,318,066	\$230,616,213	\$92,574,868
7	7	Massachusetts	\$300,740,128	\$303,809,781	\$124,412,731	\$38,171,529
8	8	Texas	\$290,816,309	\$289,480,664	\$74,127,280	\$59,573,264
9	10	Maryland	\$276,781,817	\$280,213,428	\$82,659,542	\$58,500,321
10	9	Ohio	\$265,800,662	\$278,482,757	\$29,554,319	\$17,743,206
11	11	Georgia	\$241,335,877	\$251,269,415	\$105,958,044	\$66,167,375
12	12	Tennessee	\$228,545,993	\$230,079,251	\$111,488,588	\$67,686,399
13	13	Arizona	\$220,314,481	\$222,013,125	\$78,230,545	\$38,996,890
14	14	Virginia	\$192,285,731	\$193,282,121	\$51,843,959	\$37,478,852
15	15	Michigan	\$190,341,721	\$191,257,363	\$52,731,161	\$19,794,490
16	16	North Carolina	\$180,665,475	\$177,187,238	\$38,881,769	\$32,637,035
17	17	Washington	\$160,752,756	\$164,616,659	\$71,518,739	\$37,194,177
18	19	Colorado	\$160,149,986	\$156,721,507	\$45,429,374	\$32,443,935
19	18	Connecticut	\$157,006,663	\$166,060,387	\$110,370,621	\$26,304,779
20	20	Missouri	\$140,309,010	\$142,011,468	\$26,643,364	\$32,335,429
21	22	Alabama	\$122,485,030	\$116,525,667	\$24,743,303	\$33,186,036
22	21	Indiana	\$115,625,383	\$116,937,709	\$35,126,881	\$26,740,442
23	23	Kentucky	\$106,186,482	\$105,507,460	\$46,682,029	\$8,534,931
24	24	Oklahoma	\$99,244,886	\$89,473,977	\$34,805,796	\$33,371,816
25	25	Oregon	\$93,173,708	\$91,776,340	\$58,765,071	\$22,900,108
26	26	Louisiana	\$91,562,638	\$90,846,057	\$10,876,668	\$32,235,153
27	28	Wisconsin	\$78,560,753	\$80,285,804	\$4,073,322	\$8,268,897
28	27	Minnesota	\$78,305,166	\$78,381,259	\$14,136,395	\$12,031,095
29	29	Nevada	\$70,801,753	\$70,113,111	\$29,555,606	\$34,152,111
30	31	Puerto Rico	\$66,843,739	\$68,165,226	\$23,432,469	\$14,690,978
31	32	Iowa	\$66,108,812	\$67,145,272	\$28,392,669	\$9,613,116
32	33	South Carolina	\$64,851,032	\$64,880,380	\$51,781,465	\$21,997,621
33	34	Arkansas	\$64,073,511	\$63,172,268	\$39,152,046	\$20,519,790
34	30	West Virginia	\$63,887,173	\$63,493,205	\$54,857,913	\$15,322,481
35	35	Utah	\$62,632,084	\$62,403,486	\$11,156,586	\$9,116,361
36	36	Kansas	\$57,458,140	\$57,189,615	\$17,805,922	\$11,280,643
37	37	New Mexico	\$51,208,463	\$52,821,051	\$42,247,053	\$14,602,458
38	38	Mississippi	\$48,288,806	\$49,694,701	\$14,994,898	\$8,978,349
39	39	Maine	\$46,581,154	\$42,663,895	\$18,400,386	\$4,722,730

<b>2015 Rank</b>	<b>2014 Rank</b>	<b>State</b>	<b>Direct Written Premium</b>	<b>Direct Earned Premium</b>	<b>Incurred Losses</b>	<b>Incurred DCC</b>
<b>40</b>	40	Montana	\$41,208,081	\$40,078,303	\$20,623,973	\$8,350,465
<b>41</b>	42	New Hampshire	\$37,676,553	\$37,662,747	\$18,487,523	\$9,810,498
<b>42</b>	44	Delaware	\$33,661,551	\$34,421,652	\$9,799,072	\$5,461,475
<b>43</b>	43	Nebraska	\$33,171,281	\$33,685,760	\$17,893,298	\$8,252,874
<b>44</b>	41	Rhode Island	\$31,129,493	\$34,357,407	\$38,904,582	\$4,450,830
<b>45</b>	45	Idaho	\$29,984,402	\$29,780,161	\$6,578,574	\$6,555,314
<b>46</b>	47	Hawaii	\$27,272,107	\$27,387,546	\$14,951,180	\$6,273,485
<b>47</b>	46	District of Columbia	\$26,458,504	\$27,552,458	\$1,592,220	(\$2,989,352)
<b>48</b>	48	Wyoming	\$23,776,798	\$23,759,563	\$1,252,518	\$5,623,274
<b>49</b>	49	Alaska	\$23,493,595	\$23,094,780	\$2,826,202	\$4,885,591
<b>50</b>	51	South Dakota	\$17,003,320	\$16,972,826	\$3,948,428	\$5,367,865
<b>51</b>	50	Vermont	\$16,305,186	\$17,198,024	(\$4,000,918)	\$125,662
<b>52</b>	52	North Dakota	\$9,753,915	\$10,117,537	\$8,660,000	\$1,687,708
<b>53</b>	55	Other Territories	\$2,691,529	\$1,146,846	(\$314,350)	\$705,321
<b>54</b>	53	Guam	\$938,930	\$877,865	(\$278,531)	(\$96,048)
<b>55</b>	54	U.S. Virgin Islands	\$255,156	\$243,203	\$16,550	\$2,642
<b>Grand Total:</b>			<b>\$9,313,085,031</b>	<b>\$9,448,822,952</b>	<b>\$4,006,178,205</b>	<b>\$2,116,338,665</b>

## **Appendix C**

### **Total Medical Malpractice Loss and DCC Ratios (Profitability) of States and U.S. Territories**

**2015**

2015 Rank	2014 Rank	State	Loss and DCC Ratio
1	55	Other Territories	-130.1%
2	30	Guam	-42.7%
3	14	Vermont	-22.5%
4	10	District of Columbia	-5.1%
5	54	U.S. Virgin Islands	7.9%
6	2	Wisconsin	15.4%
7	8	Ohio	17.0%
8	51	Wyoming	28.9%
9	29	Utah	32.5%
10	24	Minnesota	33.4%
11	22	Alaska	33.4%
12	32	Michigan	37.9%
13	18	North Carolina	40.4%
14	28	Missouri	41.5%
15	38	Idaho	44.1%
16	17	Delaware	44.3%
17	9	Texas	46.2%
18	5	Virginia	46.2%
19	6	Louisiana	47.5%
20	1	Mississippi	48.2%
21	20	Colorado	49.7%
22	7	Alabama	49.7%
23	31	Maryland	50.4%
24	27	Kansas	50.9%
25	47	Kentucky	52.3%
26	16	Arizona	52.8%
27	11	Indiana	52.9%
28	15	Massachusetts	53.5%
29	4	Maine	54.2%
30	21	South Dakota	54.9%
31	25	Puerto Rico	55.9%
32	3	Iowa	56.6%
33	50	Washington	66.0%
34	39	Pennsylvania	66.8%
35	26	Illinois	67.7%
36	34	Florida	67.8%
37	33	Georgia	68.5%
38	44	California	69.3%
39	23	Montana	72.3%

<b>2015 Rank</b>	<b>2014 Rank</b>	<b>State</b>	<b>Loss and DCC Ratio</b>
<b>40</b>	45	New Jersey	73.4%
<b>41</b>	49	New Hampshire	75.1%
<b>42</b>	37	Oklahoma	76.2%
<b>43</b>	53	Hawaii	77.5%
<b>44</b>	19	Nebraska	77.6%
<b>45</b>	36	Tennessee	77.9%
<b>46</b>	48	Connecticut	82.3%
<b>47</b>	43	New York	84.7%
<b>48</b>	41	Oregon	89.0%
<b>49</b>	40	Nevada	90.9%
<b>50</b>	12	Arkansas	94.5%
<b>51</b>	13	North Dakota	102.3%
<b>52</b>	46	New Mexico	107.6%
<b>53</b>	42	West Virginia	110.5%
<b>54</b>	52	South Carolina	113.7%
<b>55</b>	35	Rhode Island	126.2%
<b>National Average:</b>			<b>64.8%</b>



**Appendix D**

**Physicians Malpractice Data for States and U.S. Territories**

**2015**

<b>Written Premium Rank</b>	<b>State</b>	<b>Direct Physicians Written Premium</b>	<b>Direct Physicians Earned Premium</b>	<b>Direct Physicians Incurred Loss</b>	<b>Loss Ratio</b>
1	New York	\$1,090,571,360	\$1,115,512,605	\$607,829,060	54.5%
2	California	\$450,288,810	\$457,339,015	\$174,759,022	38.2%
3	Illinois	\$356,259,514	\$370,059,230	\$122,511,192	33.1%
4	<b>Florida</b>	<b>\$352,587,604</b>	<b>\$349,769,847</b>	<b>\$139,440,323</b>	<b>39.9%</b>
5	New Jersey	\$291,367,516	\$308,710,060	\$161,955,135	52.5%
6	Pennsylvania	\$262,361,485	\$277,872,335	\$103,468,616	37.2%
7	Ohio	\$176,019,341	\$181,793,479	\$20,576,088	11.3%
8	Georgia	\$174,611,154	\$181,079,351	\$81,722,701	45.1%
9	Arizona	\$161,451,314	\$162,192,969	\$61,963,718	38.2%
10	Maryland	\$157,544,983	\$159,092,876	\$56,509,457	35.5%
11	Tennessee	\$144,177,980	\$146,957,774	\$55,734,298	37.9%
12	Texas	\$143,515,005	\$142,456,806	\$30,489,114	21.4%
13	Virginia	\$139,268,462	\$141,261,109	\$38,770,841	27.4%
14	Michigan	\$125,322,289	\$124,699,860	\$22,058,775	17.7%
15	Massachusetts	\$114,393,009	\$117,093,918	\$16,142,206	13.8%
16	North Carolina	\$111,489,634	\$112,257,400	\$16,056,545	14.3%
17	Colorado	\$110,807,332	\$108,439,876	\$25,768,403	23.8%
18	Washington	\$95,797,871	\$96,115,482	\$18,511,593	19.3%
19	Missouri	\$84,667,945	\$86,454,934	\$12,276,746	14.2%
20	Connecticut	\$80,841,093	\$91,661,734	\$69,334,257	75.6%
21	Alabama	\$79,388,811	\$73,488,277	\$9,181,601	12.5%
22	Oklahoma	\$68,260,847	\$58,785,968	\$30,039,739	51.1%
23	Kentucky	\$66,018,703	\$66,461,992	\$32,519,934	48.9%
24	Indiana	\$63,312,464	\$64,886,338	\$13,680,145	21.1%
25	Oregon	\$60,543,596	\$59,457,071	\$46,052,638	77.5%
26	Nevada	\$53,301,313	\$52,586,856	\$19,739,045	37.5%
27	Louisiana	\$53,016,126	\$53,271,858	\$1,391,582	2.6%
28	Utah	\$46,533,149	\$46,405,780	\$4,720,913	10.2%
29	South Carolina	\$42,134,020	\$42,550,109	\$32,511,328	76.4%
30	Minnesota	\$39,988,142	\$40,158,821	\$1,970,850	4.9%
31	West Virginia	\$39,064,366	\$39,351,590	\$21,544,002	54.7%
32	Arkansas	\$38,360,287	\$38,740,436	\$28,829,340	74.4%
33	Wisconsin	\$35,969,408	\$35,727,177	\$4,287,688	12.0%
34	Iowa	\$34,026,574	\$34,630,495	\$14,609,055	42.2%
35	Kansas	\$32,703,557	\$30,004,280	\$10,053,085	33.5%
36	Puerto Rico	\$32,510,280	\$32,280,206	\$8,683,405	26.9%
37	Delaware	\$25,269,781	\$26,207,618	\$9,426,919	36.0%
38	New Mexico	\$25,178,807	\$26,713,381	\$7,893,539	29.5%

<b>Written Premium Rank</b>	<b>State</b>	<b>Direct Physicians Written Premium</b>	<b>Direct Physicians Earned Premium</b>	<b>Direct Physicians Incurred Loss</b>	<b>Loss Ratio</b>
39	New Hampshire	\$23,625,849	\$21,999,244	\$13,085,577	59.5%
40	Maine	\$22,938,503	\$23,143,886	\$12,642,586	54.6%
41	Montana	\$20,982,755	\$18,826,338	\$12,205,363	64.8%
42	Rhode Island	\$20,565,509	\$21,230,874	(\$3,580,216)	-16.9%
43	Mississippi	\$19,602,213	\$20,271,638	\$9,858,294	48.6%
44	Idaho	\$18,135,573	\$17,445,010	\$4,895,097	28.1%
45	District of Columbia	\$17,565,998	\$18,709,237	\$4,066,929	21.7%
46	Hawaii	\$16,612,394	\$16,446,832	\$8,970,703	54.5%
47	Alaska	\$15,595,390	\$15,223,849	\$1,707,309	11.2%
48	Nebraska	\$14,438,582	\$15,542,183	\$7,395,173	47.6%
49	Wyoming	\$14,334,659	\$14,162,899	(\$4,620,215)	-32.6%
50	South Dakota	\$10,409,453	\$10,391,809	\$2,600,646	25.0%
51	Vermont	\$9,041,111	\$8,705,456	(\$554,491)	-6.4%
52	North Dakota	\$4,341,621	\$3,908,562	\$1,736,686	44.4%
53	Other Territories	\$1,019,081	\$46,538	\$4,488	9.6%
54	Guam	\$660,928	\$629,338	(\$338,956)	-53.9%
55	U.S. Virgin Islands	\$5,130	\$5,130	\$1,107	21.6%
56	American Samoa	\$0	\$0	\$0	0.0%
57	Canada	\$0	\$0	\$0	0.0%
58	Northern Mariana Islands	\$0	\$0	\$0	0.0%
<b>Grand Total:</b>		<b>\$5,688,798,681</b>	<b>\$5,779,217,736</b>	<b>\$2,203,088,978</b>	<b>38.1%</b>

**Appendix E**

**Written Premium in Top 5 States of Leading Florida Malpractice Carriers**

**2015**

Company	State 1	State 2	State 3	State 4	State 5
Doctors Company, An Interinsurance Exchange	CA	FL	OH	VA	TX
	\$170,971,464	\$120,626,185	\$48,789,518	\$35,792,915	\$35,184,371
MAG Mutual Insurance Company	GA	FL	NC	SC	VA
	\$83,102,269	\$55,452,602	\$29,087,181	\$18,569,353	\$15,646,573
Medical Protective Company	PA	OH	FL	TX	IN
	\$64,573,367	\$60,087,029	\$48,058,094	\$44,815,250	\$29,281,751
FD Insurance Company	FL	GA	-	-	-
	\$25,188,701	\$21,489	-	-	-
ProAssurance Casualty Company	MI	WI	FL	IL	NV
	\$29,823,782	\$20,112,938	\$16,916,331	\$15,489,753	\$13,145,274
Lexington Insurance Company	CA	TN	NY	IL	FL
	\$47,182,890	\$37,759,450	\$24,769,728	\$21,005,325	\$14,811,208
MedMal Direct Insurance Company	FL	GA	IL	NC	TX
	\$13,266,621	\$1,946,436	\$702,213	\$250,316	\$119,707
American Casualty Company of Reading, PA	CA	NY	FL	TX	NJ
	\$18,834,431	\$14,635,454	\$11,867,784	\$11,046,098	\$10,779,804
Evanston Insurance Company	FL	NY	TX	CA	TN
	\$10,839,113	\$8,777,082	\$8,310,175	\$7,898,002	\$7,709,738
National Fire & Marine Insurance Company	FL	IL	GA	NJ	TX
	\$9,233,231	\$9,021,728	\$8,526,904	\$7,237,282	\$6,885,529
Samaritan RRG, Inc.	FL	-	-	-	-
	\$8,897,271	-	-	-	-
Continental Casualty Company	OR	WI	AR	FL	CT
	\$21,600,476	\$12,886,884	\$9,534,732	\$8,325,730	\$6,958,139
Medicus Insurance Company	FL	WV	GA	AZ	CA
	\$7,834,711	\$5,578,632	\$5,522,385	\$5,418,694	\$3,414,205
Lancet Indemnity RRG Inc	FL	CA	TX	MI	GA
	\$6,483,146	\$1,666,370	\$935,637	\$889,403	\$622,117
Columbia Casualty Company	TX	CA	NY	PA	TN
	\$13,431,459	\$11,541,669	\$8,092,486	\$6,890,054	\$6,273,577
MCIC Vermont (A Reciprocal RRG)	NY	MD	CT	FL	DC
	\$114,320,191	\$62,993,870	\$45,684,210	\$6,150,127	\$1,789,044
Ophthalmic Mutual Insurance Company (A RRG)	FL	IL	CA	TX	VA
	\$6,035,911	\$5,287,167	\$4,374,308	\$2,795,509	\$2,123,077
Podiatry Insurance Company of America	NY	CA	IL	FL	NJ
	\$9,873,479	\$6,353,262	\$6,111,762	\$5,870,812	\$4,831,495
Physicians Casualty RRG, Inc.	FL	CA	NV	AZ	MI
	\$5,741,094	\$2,262,543	\$266,317	\$235,516	\$225,122
OMS National Insurance Company, RRG	NY	CA	FL	NJ	PA
	\$10,945,883	\$5,997,237	\$5,599,187	\$3,795,493	\$3,774,568

Company	State 1	State 2	State 3	State 4	State 5
Healthcare Underwriters Group, Inc.	FL	OH	KY	FL	NC
	\$5,526,498	\$5,249,340	\$3,074,119	\$5,022,254	\$2,568,309
Torus Specialty Insurance Company	FL	NY	CA	NJ	TX
	\$5,518,704	\$5,052,332	\$3,850,798	\$2,174,512	\$2,136,887
Landmark American Insurance Company	CA	FL	NY	TX	IL
	\$6,460,109	\$5,394,894	\$3,511,186	\$2,337,641	\$1,909,854
Admiral Insurance Company	CA	NY	FL	TX	IL
	\$9,689,132	\$9,473,601	\$5,362,456	\$3,744,291	\$3,144,710
Physicians Insurance Company	FL	TX	-	-	-
	\$5,292,179	\$58,652	-	-	-
Health Care Casualty RRG. Inc.	FL	NC	NY	-	-
	\$5,022,254	\$2,568,309	\$139,067	-	-
Arch Specialty Insurance Company	CA	NY	FL	IL	TX
	\$5,337,191	\$5,237,490	\$5,009,394	\$4,040,498	\$3,930,744

## **Appendix F**

### **Loss and DCC Ratios of Leading Florida Malpractice Carriers in Their Top 5 States**

**2015**

Company	State 1	State 2	State 3	State 4	State 5
Doctors Company, An Interinsurance Exchange	CA	FL	OH	VA	TX
	76%	99%	-4%	82%	48%
MAG Mutual Insurance Company	GA	FL	NC	SC	VA
	65%	74%	13%	147%	43%
Medical Protective Company	PA	OH	FL	TX	IN
	32%	21%	35%	18%	49%
FD Insurance Company	FL	GA	-	-	-
	72%	68%	-	-	-
ProAssurance Casualty Company	MI	WI	FL	IL	NV
	-19%	8%	8%	84%	76%
Lexington Insurance Company	CA	TN	NY	IL	FL
	146%	112%	133%	213%	123%
MedMal Direct Insurance Company	FL	GA	IL	NC	TX
	60%	60%	60%	60%	60%
American Casualty Company of Reading, PA	CA	NY	FL	TX	NJ
	14%	54%	71%	29%	69%
Evanston Insurance Company	FL	NY	TX	CA	TN
	57%	45%	34%	68%	45%
National Fire & Marine Insurance Company	FL	IL	GA	NJ	TX
	108%	128%	84%	82%	86%
Samaritan RRG, Inc.	FL	-	-	-	-
	78%	-	-	-	-
Continental Casualty Company	OR	WI	AR	FL	CT
	64%	92%	50%	99%	55%
Medicus Insurance Company	FL	WV	GA	AZ	CA
	141%	169%	150%	81%	72%
Lancet Indemnity RRG Inc	FL	CA	TX	MI	GA
	116%	75%	61%	97%	64%
Columbia Casualty Company	TX	CA	NY	PA	TN
	-11%	116%	22%	81%	-40%
MCIC Vermont (A Reciprocal RRG)	NY	MD	CT	FL	DC
	172%	22%	94%	13%	-144%
Ophthalmic Mutual Insurance Company (A RRG)	FL	IL	CA	TX	VA
	36%	39%	48%	14%	13%
Podiatry Insurance Company of America	NY	CA	IL	FL	NJ
	63%	111%	78%	75%	58%
Physicians Casualty RRG, Inc.	FL	CA	NV	AZ	MI
	36%	46%	52%	0%	6%
OMS National Insurance Company, RRG	NY	CA	FL	NJ	PA
	58%	67%	58%	39%	27%



Company	State 1	State 2	State 3	State 4	State 5
Healthcare Underwriters Group, Inc.	FL	OH	KY	-	-
	68%	23%	11%	-	-
Torus Specialty Insurance Company	FL	NY	CA	NJ	TX
	76%	46%	-66%	27%	160%
Landmark American Insurance Company	CA	FL	NY	TX	IL
	-15%	13%	13%	12%	64%
Admiral Insurance Company	CA	NY	FL	TX	IL
	23%	45%	28%	17%	36%
Physicians Insurance Company	FL	TX	-	-	-
	54%	20%	-	-	-
Health Care Casualty RRG. Inc.	FL	NC	NY	-	-
	65%	65%	69%	-	-
Arch Specialty Insurance Company	CA	NY	FL	IL	TX
	64%	33%	8%	30%	48%



## **FLORIDA OFFICE OF INSURANCE REGULATION**

**David Altmaier, Insurance Commissioner**  
**200 E. Gaines Street – Tallahassee, Florida 32399**

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