The Health Care Professional Liability (HPL) market will likely remain soft through at least March 2011. Reductions will depend on such key factors as jurisdiction, loss experience and the particular layer of coverage, but rates will fall from 0-5% or more. Primary layers of coverage will see less pricing fluctuation than Excess layers. High Excess layer pricing is extremely competitive, particularly in the layers above $10 million. HPL has become one of the most profitable insurance lines and hence one of the most competitive, with excess capital chasing a shrinking pool of insureds, particularly hospitals and physicians, as health care industry consolidation accelerates and the larger health care organizations assume more risk. HPL pricing is competitive but not irresponsible, given favorable frequency and severity trends. Tort reform must be closely observed over the next few years as the trial bar has succeeded in overturning non-economic damage caps in states such as Illinois and Georgia. Consolidation of insurers in the HPL industry will continue. Recent examples include FPIC acquiring Advocate MD and The Doctors Company acquiring AP Capital. The impact of health care reform on HPL exposures is an enormous unknown. No meaningful federal tort reform was enacted as part of the legislation. Some worry that a rising volume of patients seeking primary care services will overburden the health care delivery system and compromise care. Accountable care organizations (ACOs) are new entities created under the reform law to provide high-quality, low-cost care for a defined patient population. ACOs are, in effect, a kind of integrated health care delivery system. New coverages may need to be crafted to respond to exposures related to ACOs.

**SECTOR HIGHLIGHTS**

- **Hospitals/Health Systems** — Carriers compete for lead excess layers.
- **Physicians & Surgeons** — The private practice model continues to be threatened by lower reimbursements, resulting in fewer buyers in this sector.
- **Long-Term Care** — Favorable pricing continues unabated.
- **Managed Care Organizations and Health Plans** — A growing number of participating insurers in recent years contributes to competitive pricing in this segment.
- **Miscellaneous Facilities** — This is the most competitive HPL sector due to favorable loss experience and more potential insureds.

**CONTACT**

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