

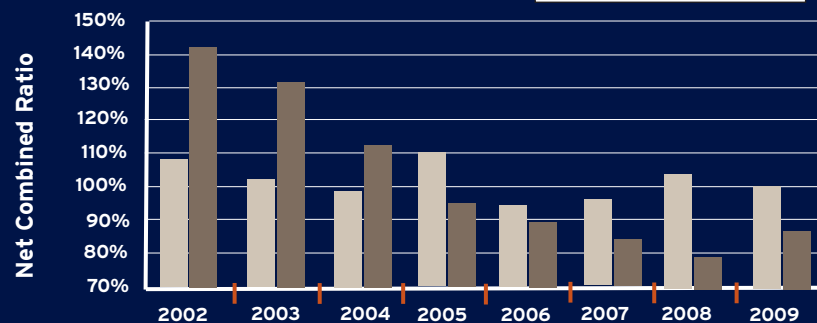
MARKETPLACE REALITIES & RISK MANAGEMENT SOLUTIONS

- 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.

PRICE PREDICTIONS

Flat to -5%

P&C INDUSTRY VS. MPL NET COMBINED RATIO (2002-2009)



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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