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Medical Malpractice – Financial Update

Willis Healthcare Practice Annual Forum

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July 10, 2007

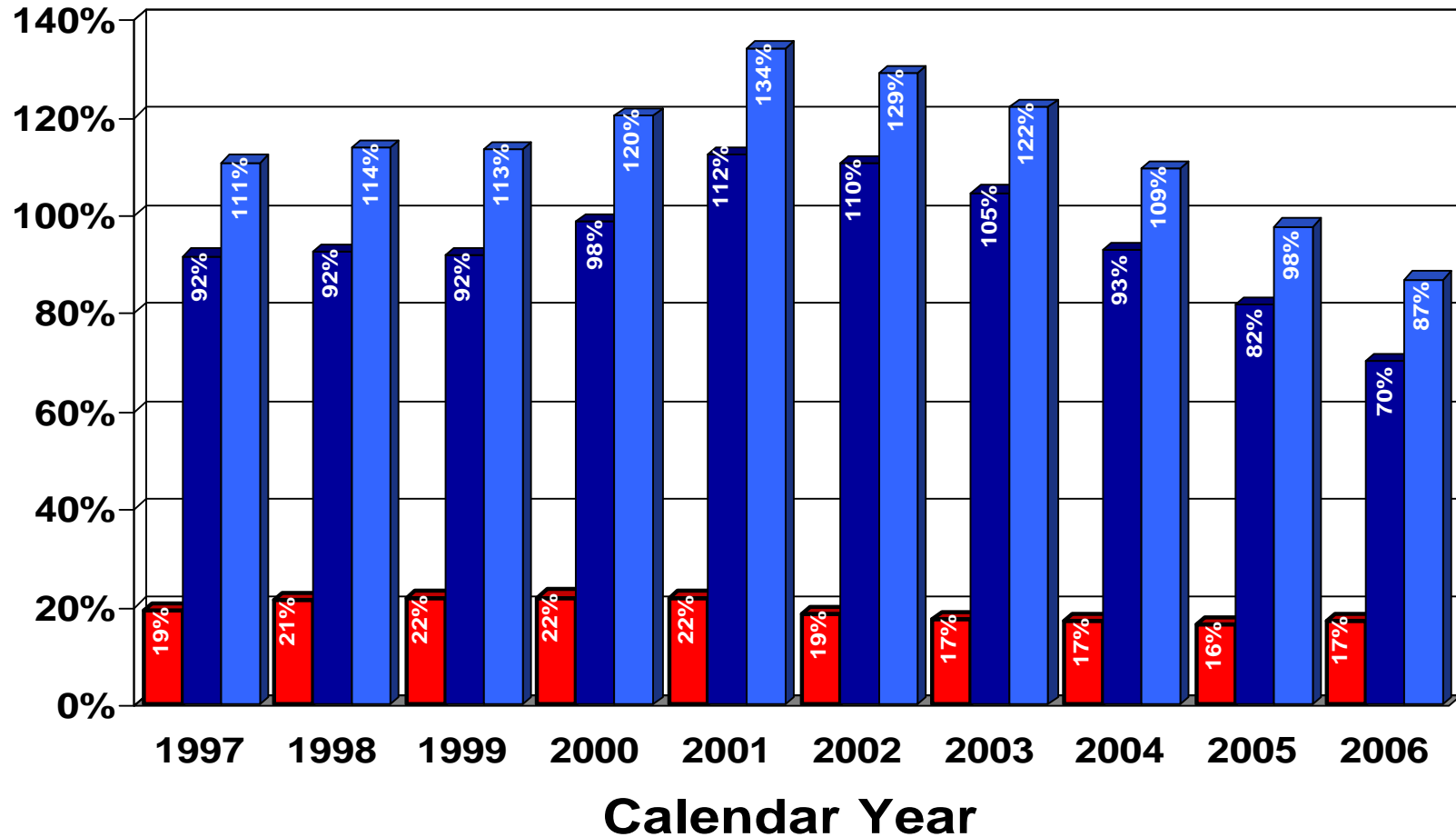
This document is incomplete without the accompanying discussion; it is confidential and intended solely for the information and benefit of the immediate recipient hereof.

Medical Malpractice – Financial Update

- n Survey Results - Key Indicators
 - n Balance sheet
 - n Income statement
 - n Schedule P

Medical Malpractice – Financial Update

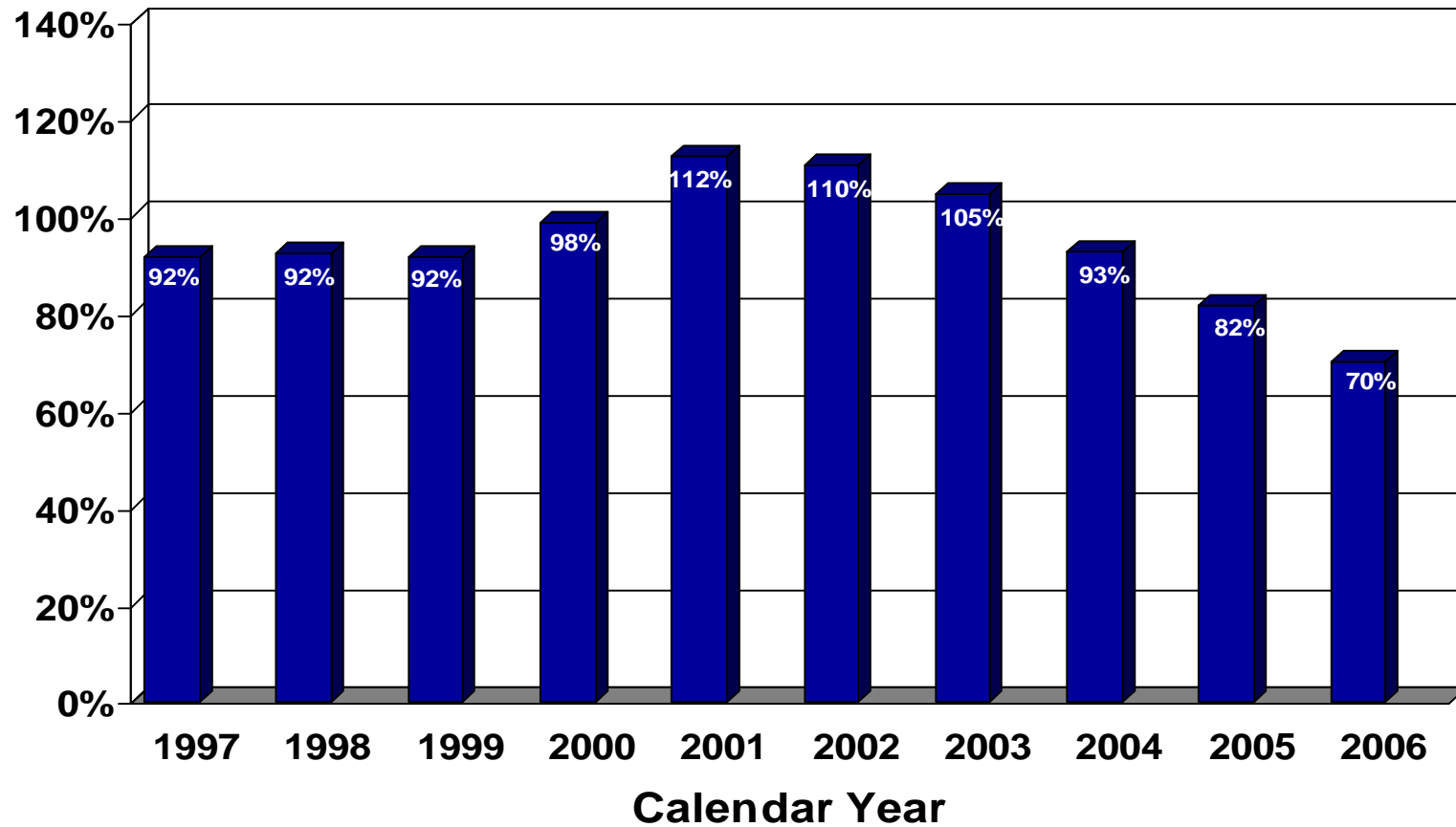
Comparison of Loss, Underwriting Expense & Combined Ratios



■ Underwriting Expense Ratio ■ Loss Ratio ■ Combined Ratio

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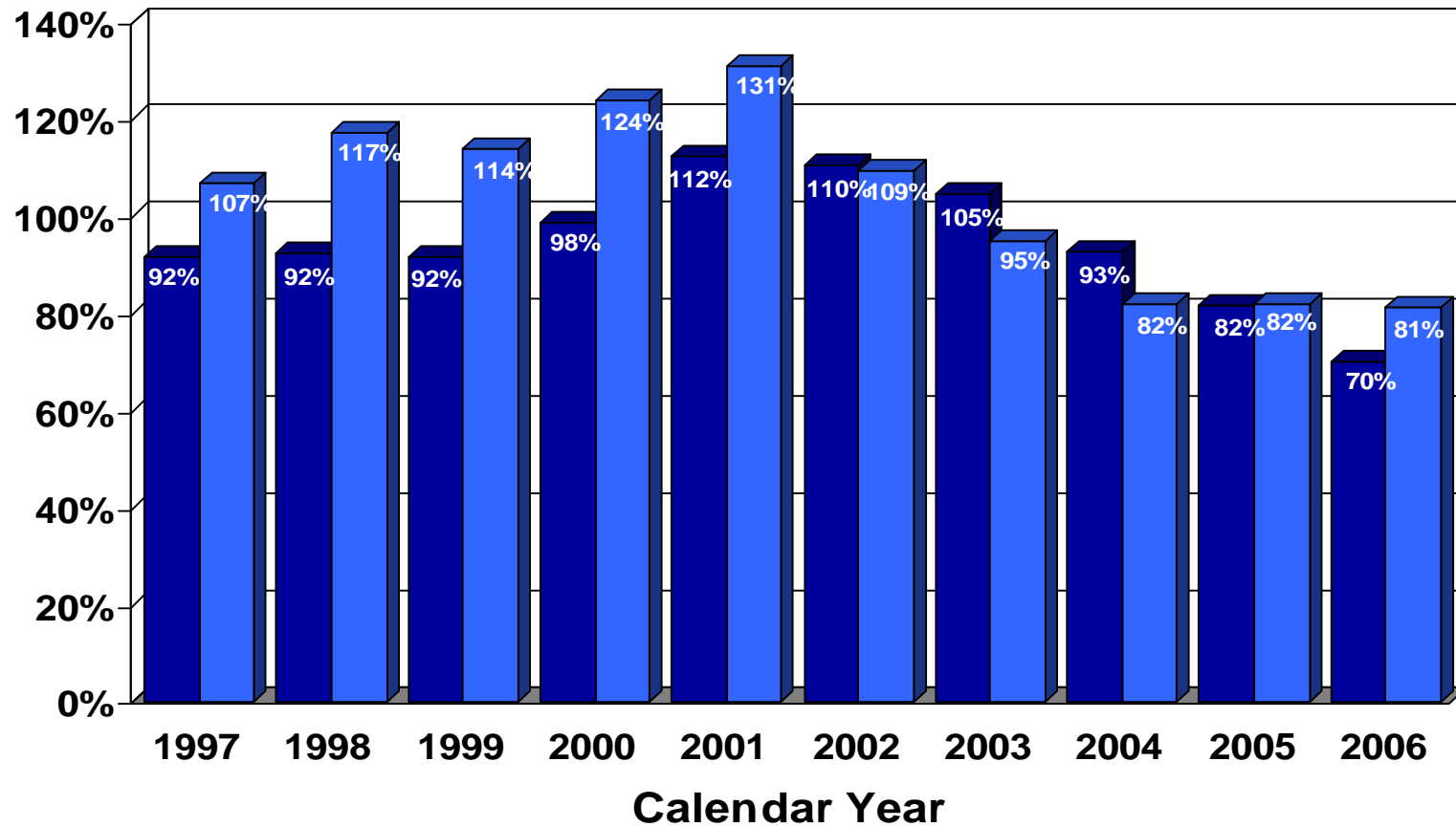
Net Loss & LAE Ratios



■ Calendar Year Coverage Year at 12/2006

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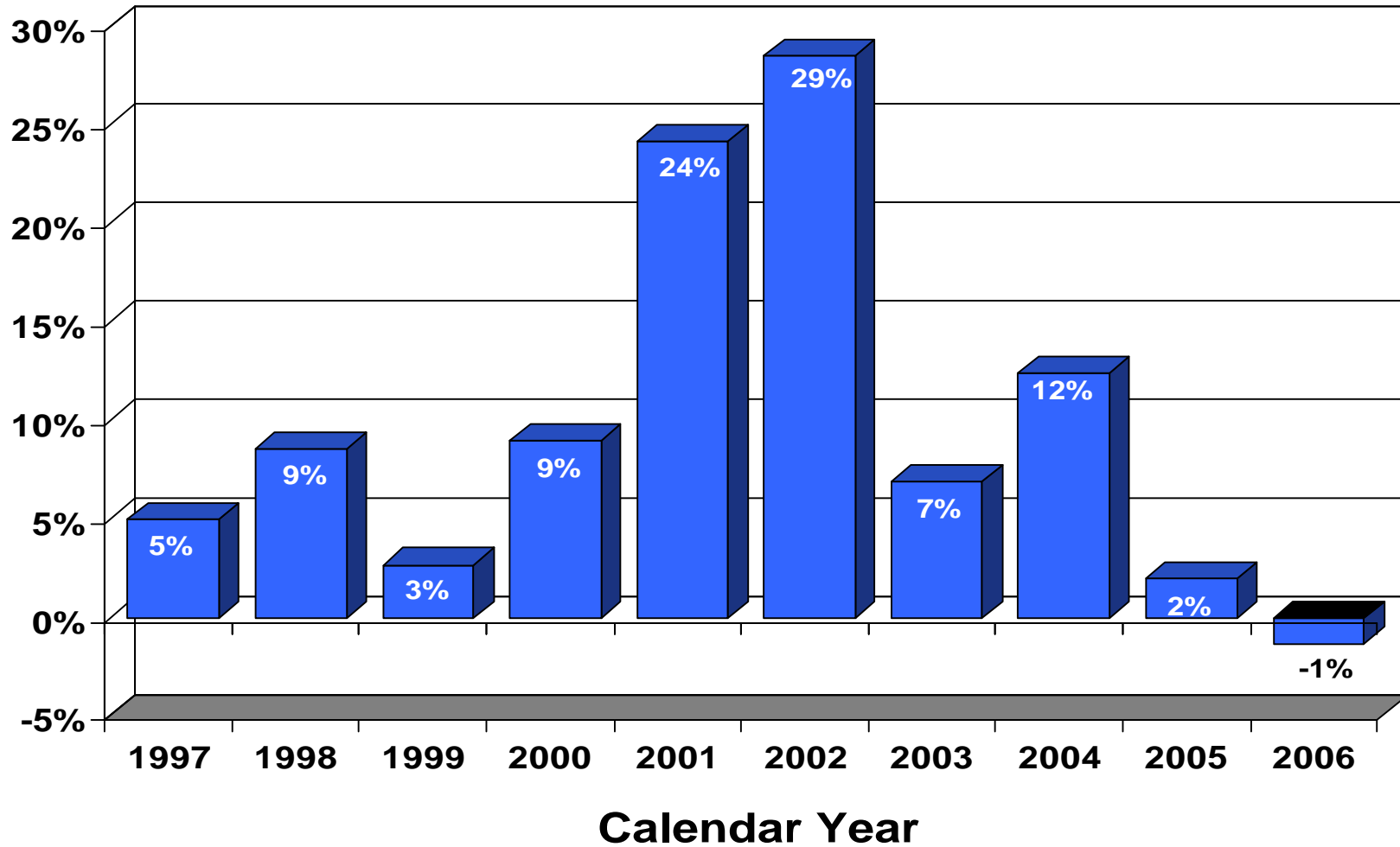
Net Loss & LAE Ratios



■ Calendar Year ■ Coverage Year at 12/2006

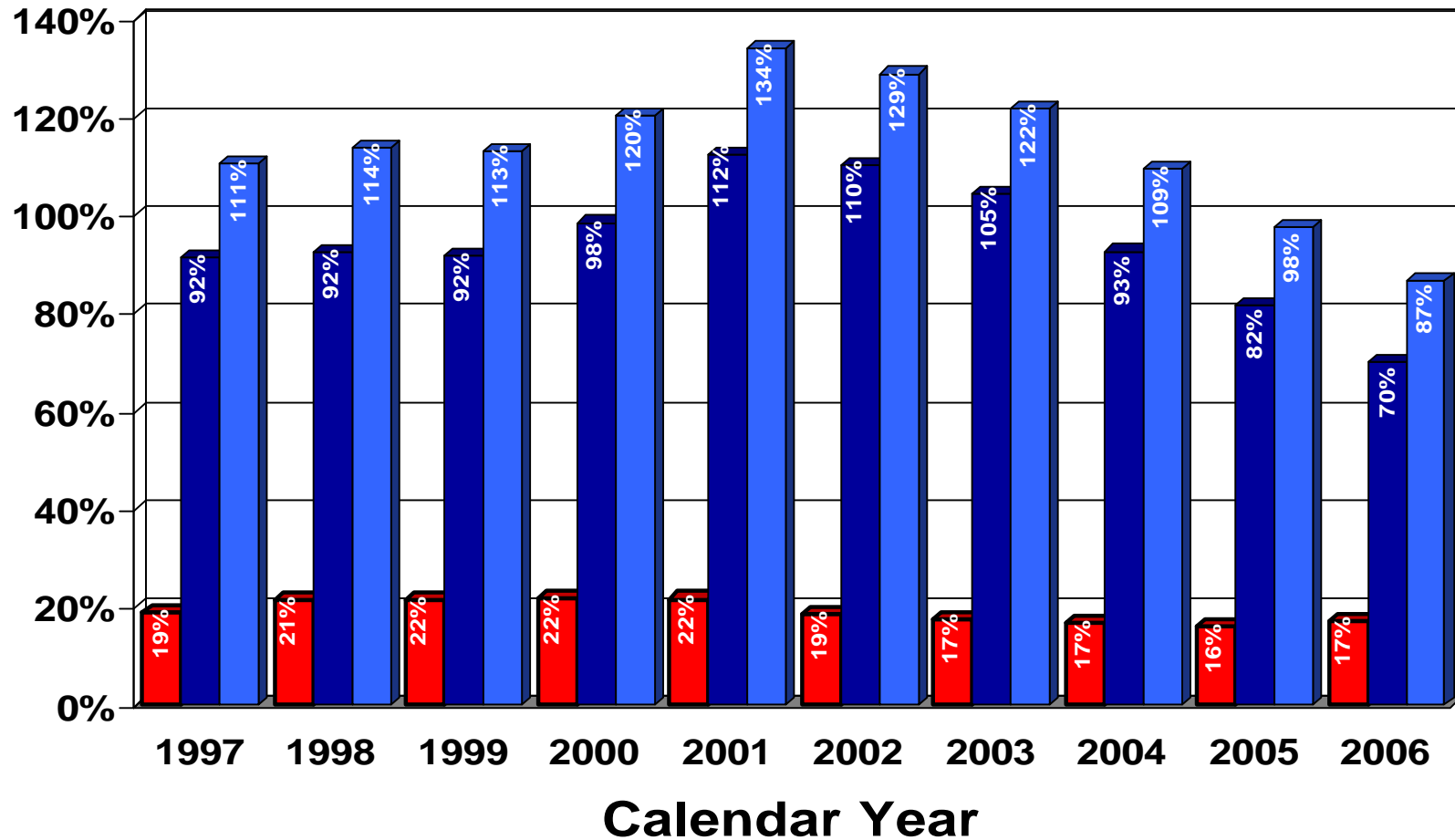
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Percentage Change in Direct Premiums Written



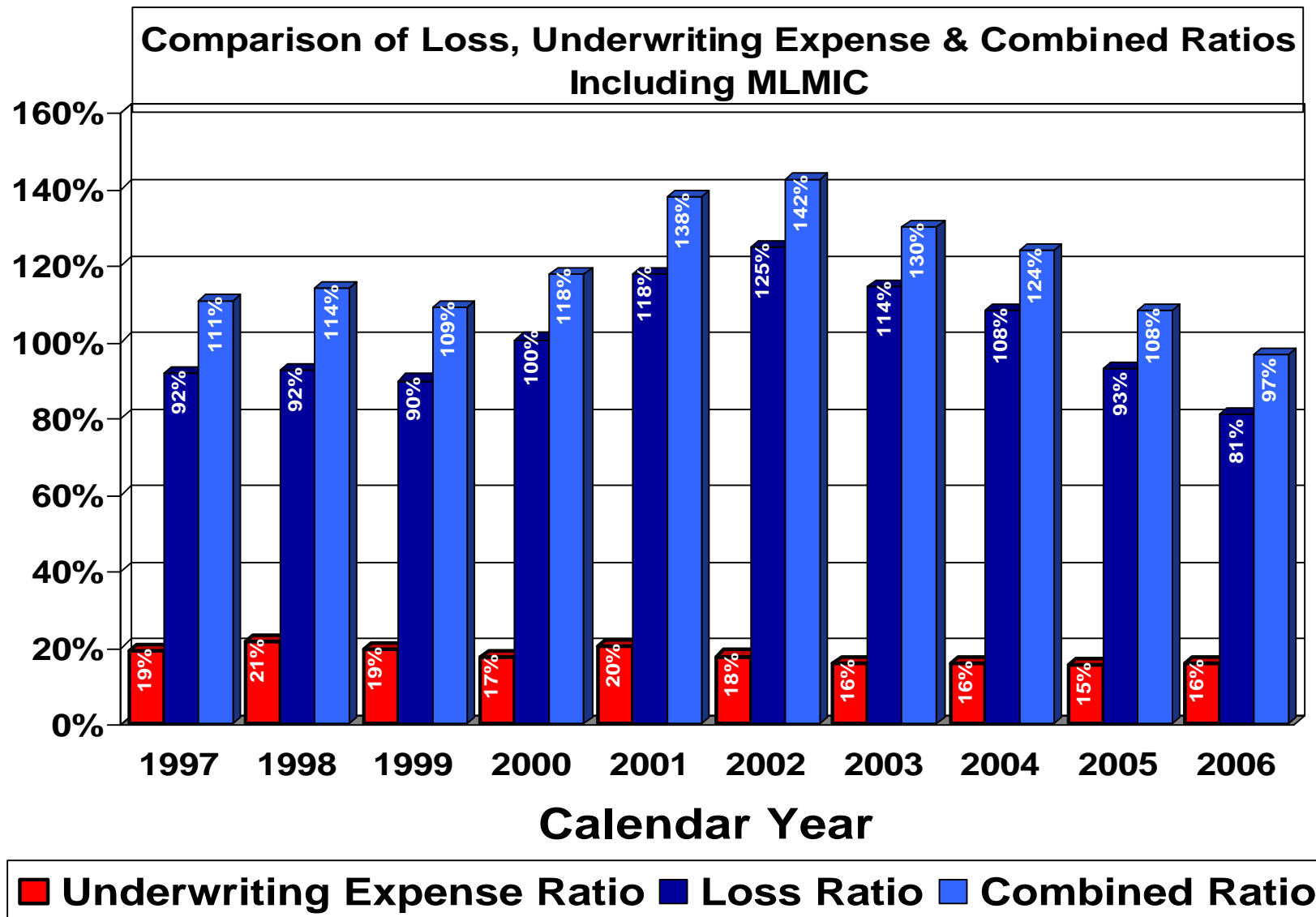
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Comparison of Loss, Underwriting Expense & Combined Ratios



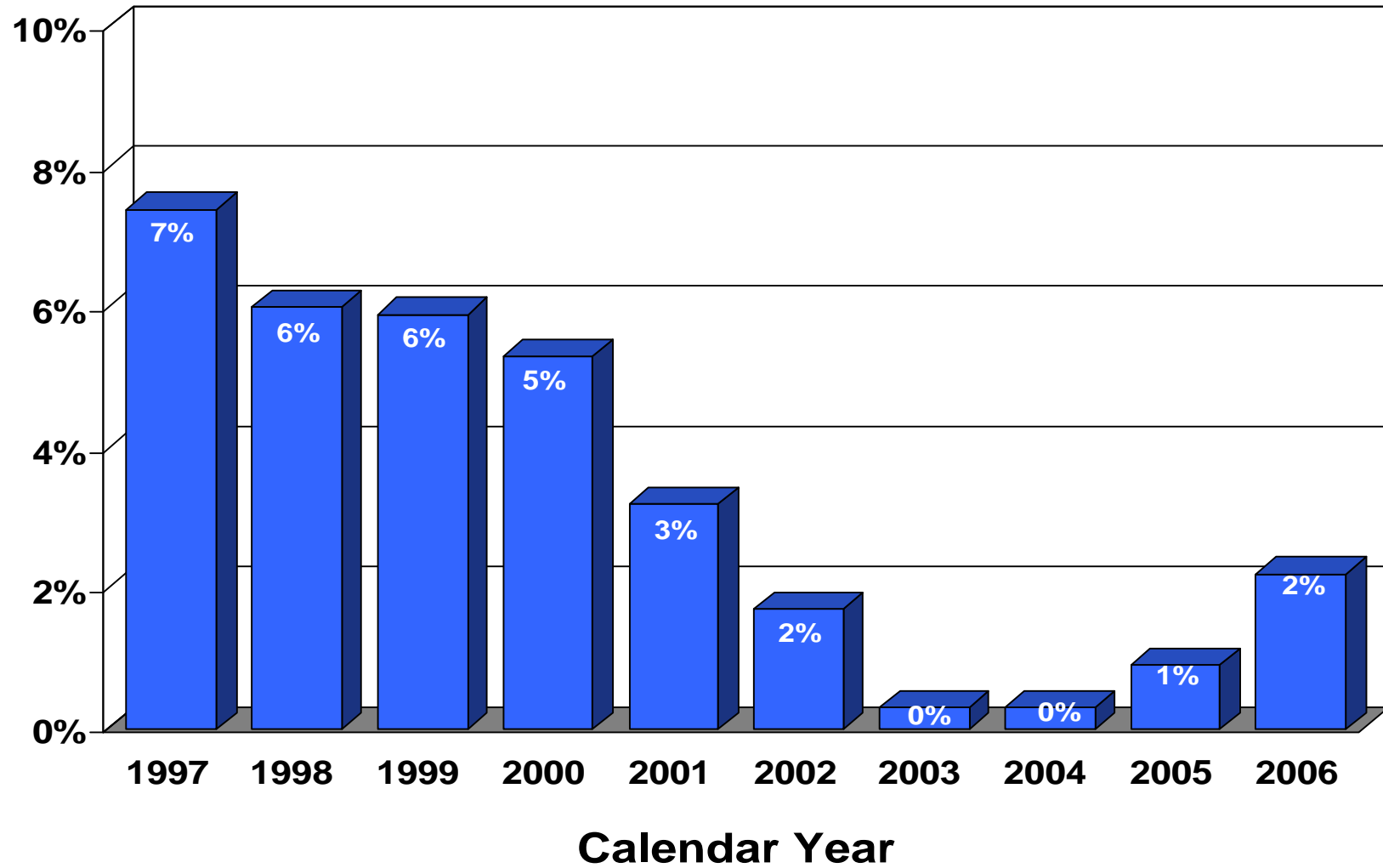
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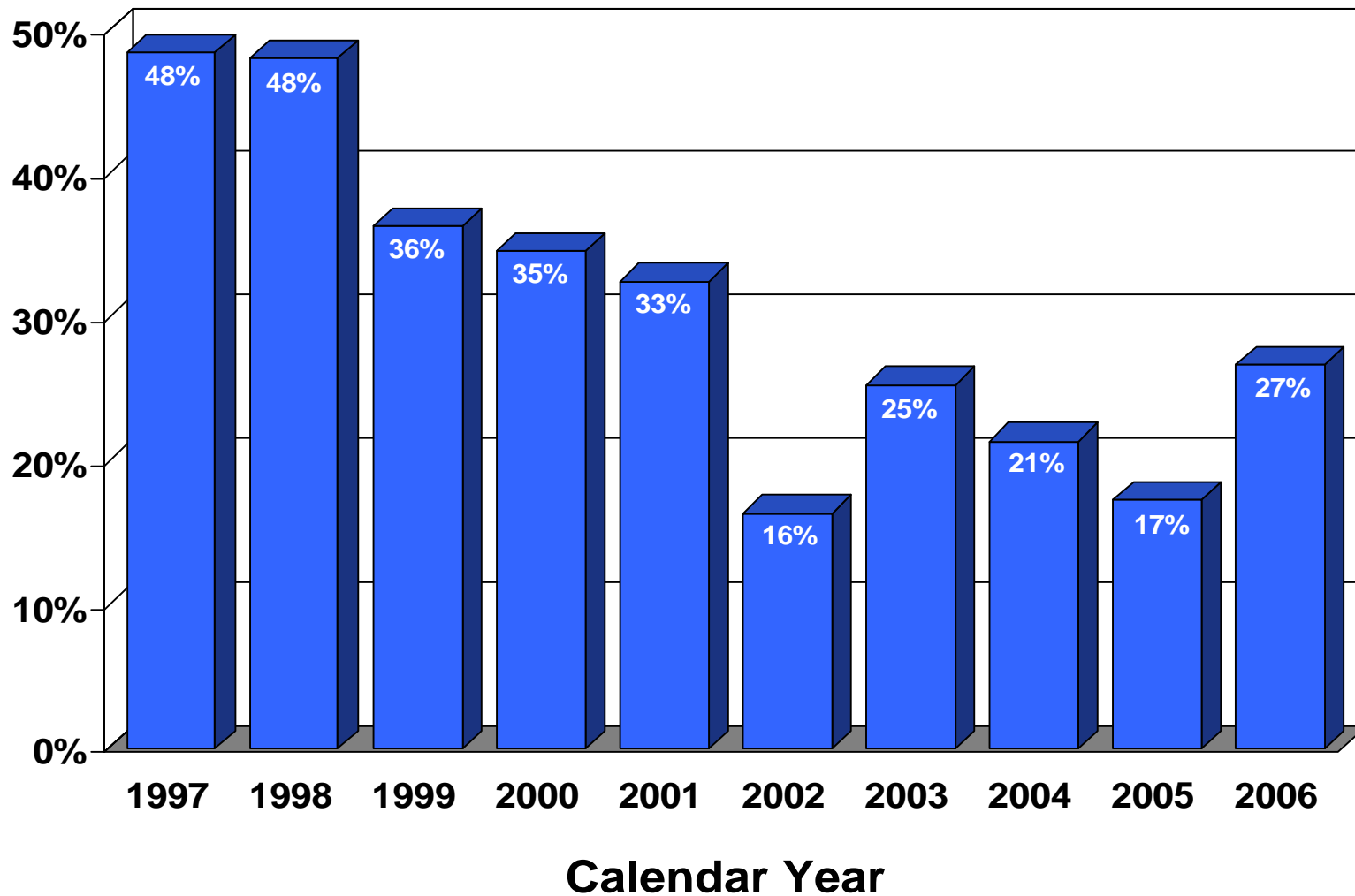
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Dividends as a Percent of Premiums



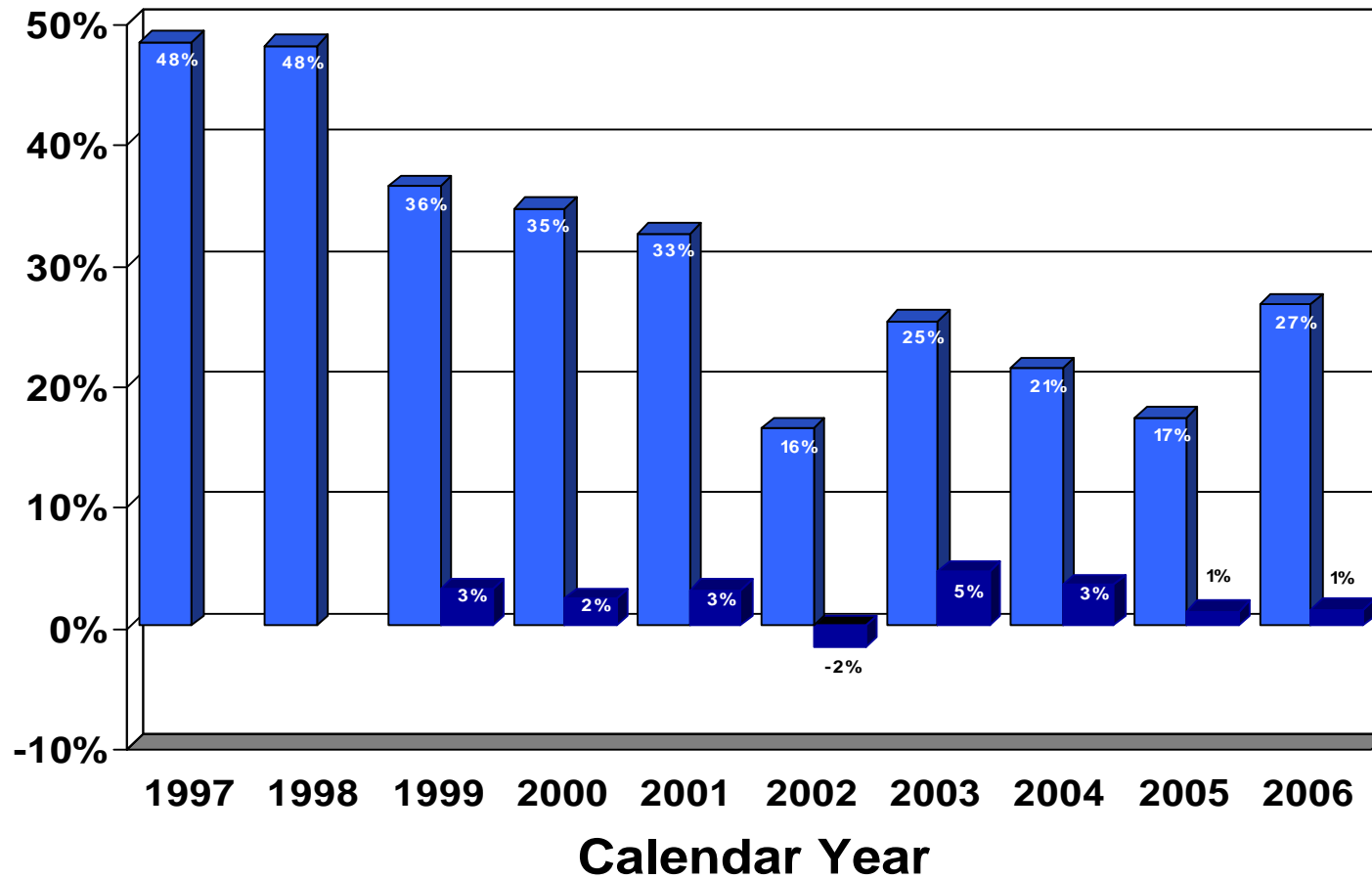
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Investment Income as a Percent of Premiums



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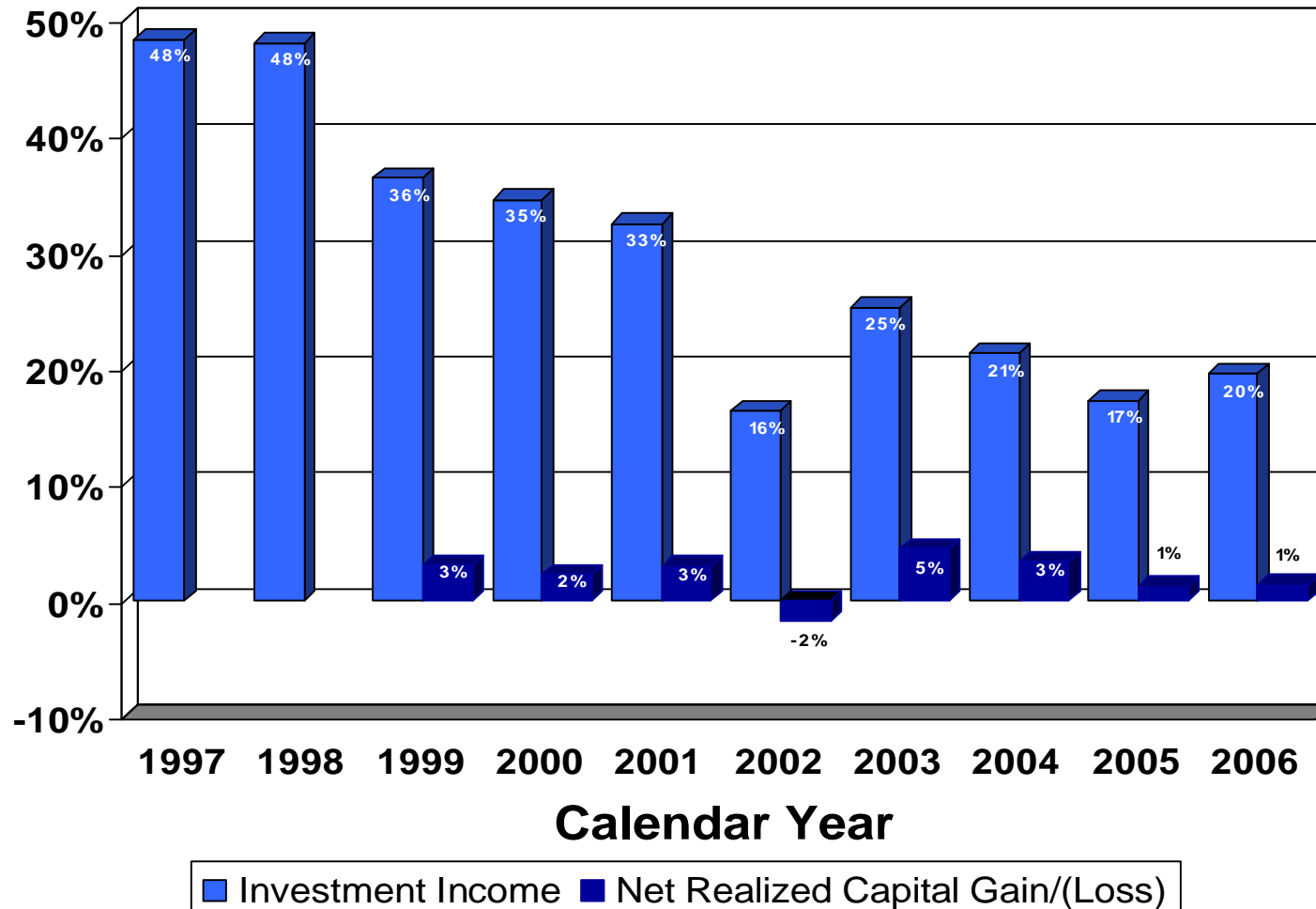
Investment Income as a Percent of Premiums



■ Investment Income ■ Net Realized Capital Gain/(Loss)

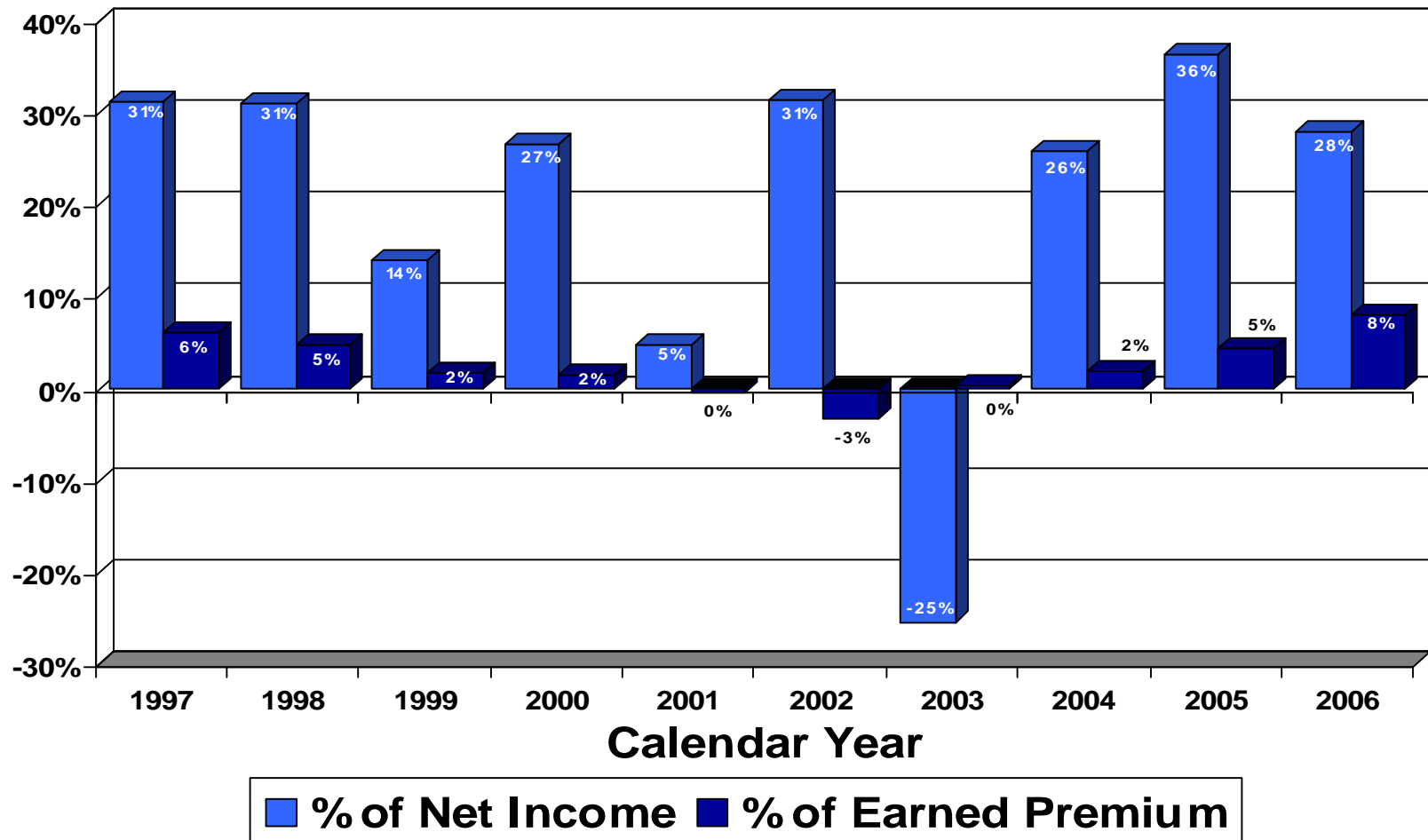
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Adj. Investment Income as a Percent of Premiums



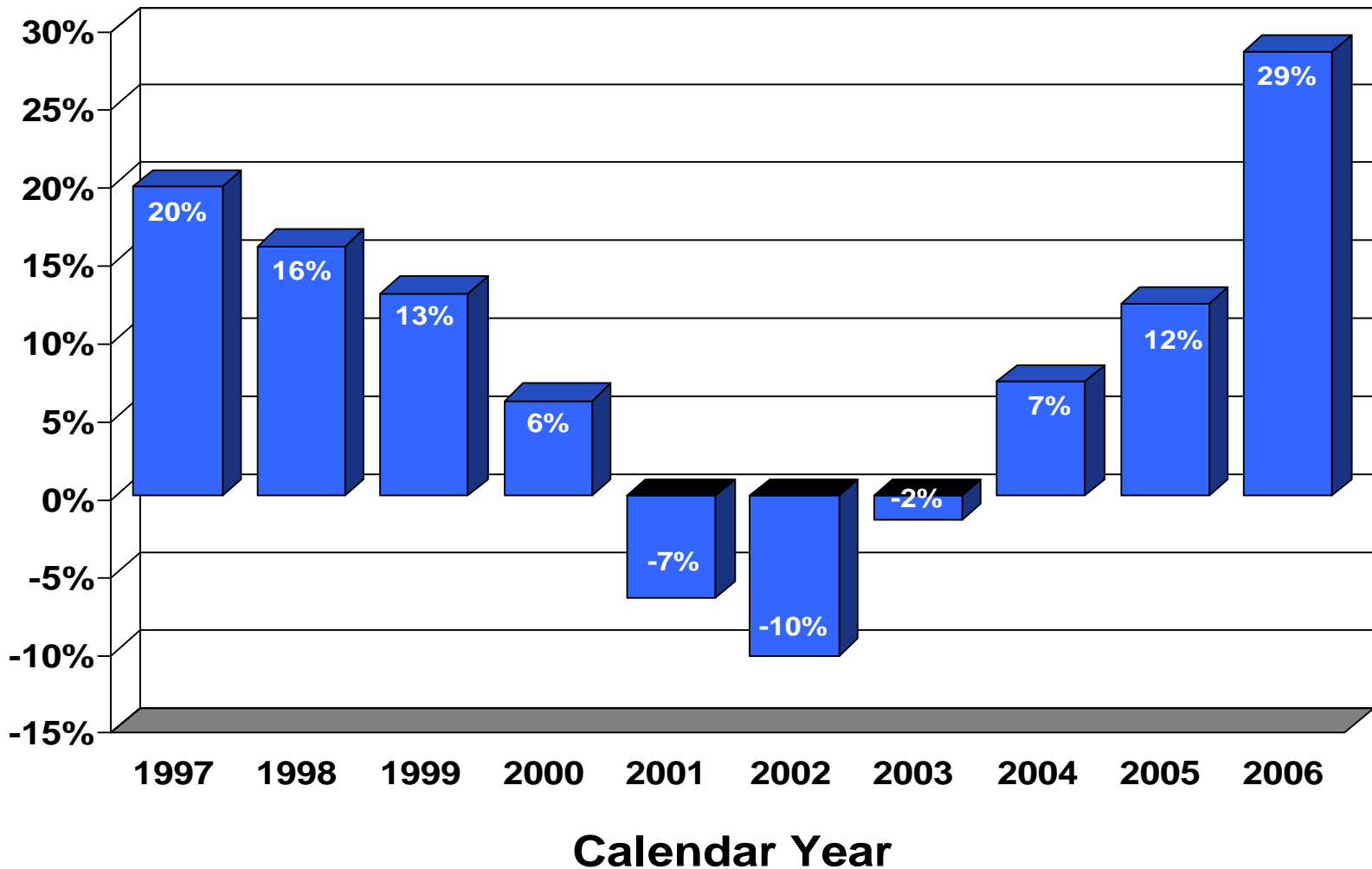
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FIT as a Percentage of Net Income & Premiums



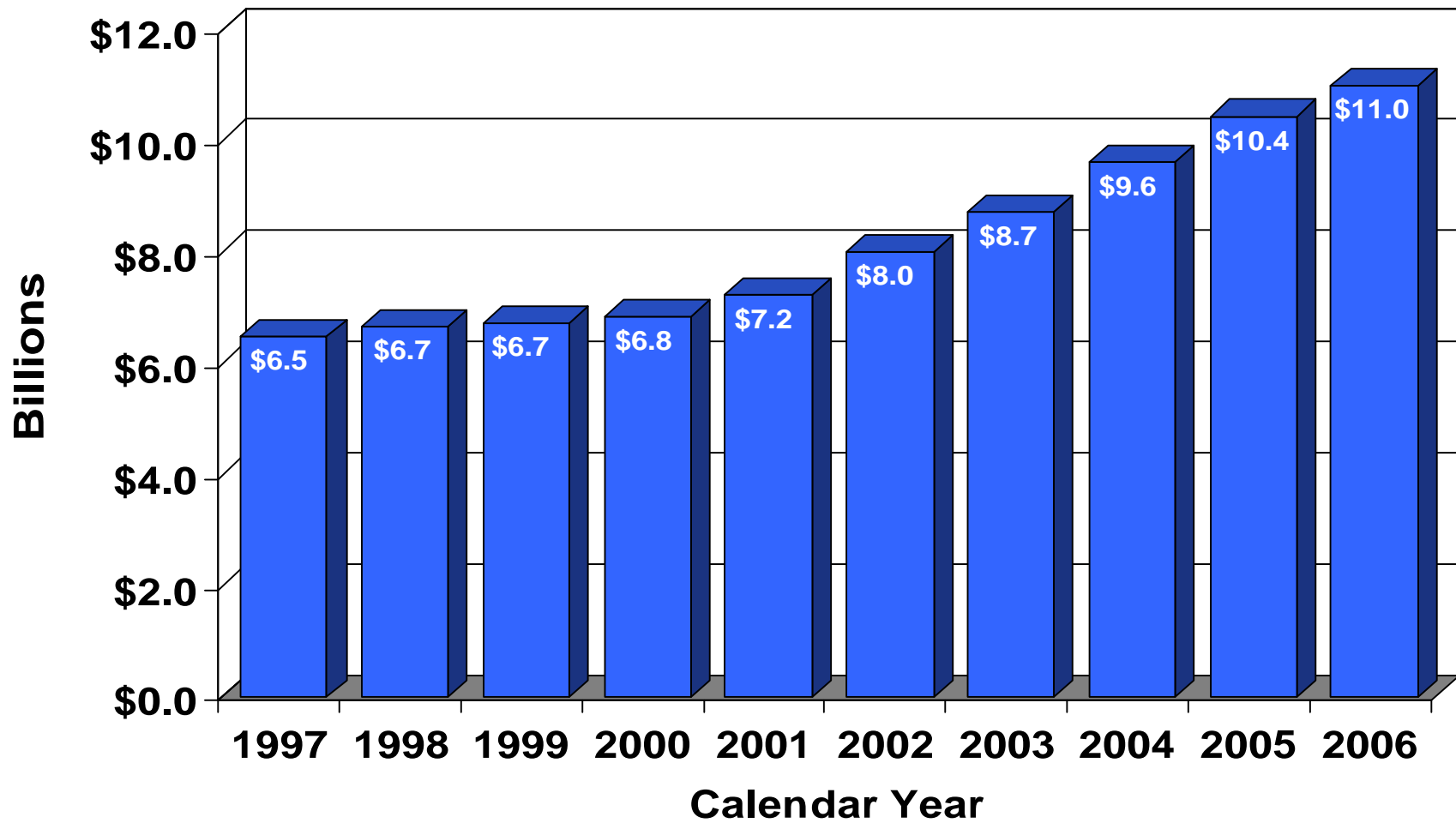
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Net Income as a Percent of Premiums



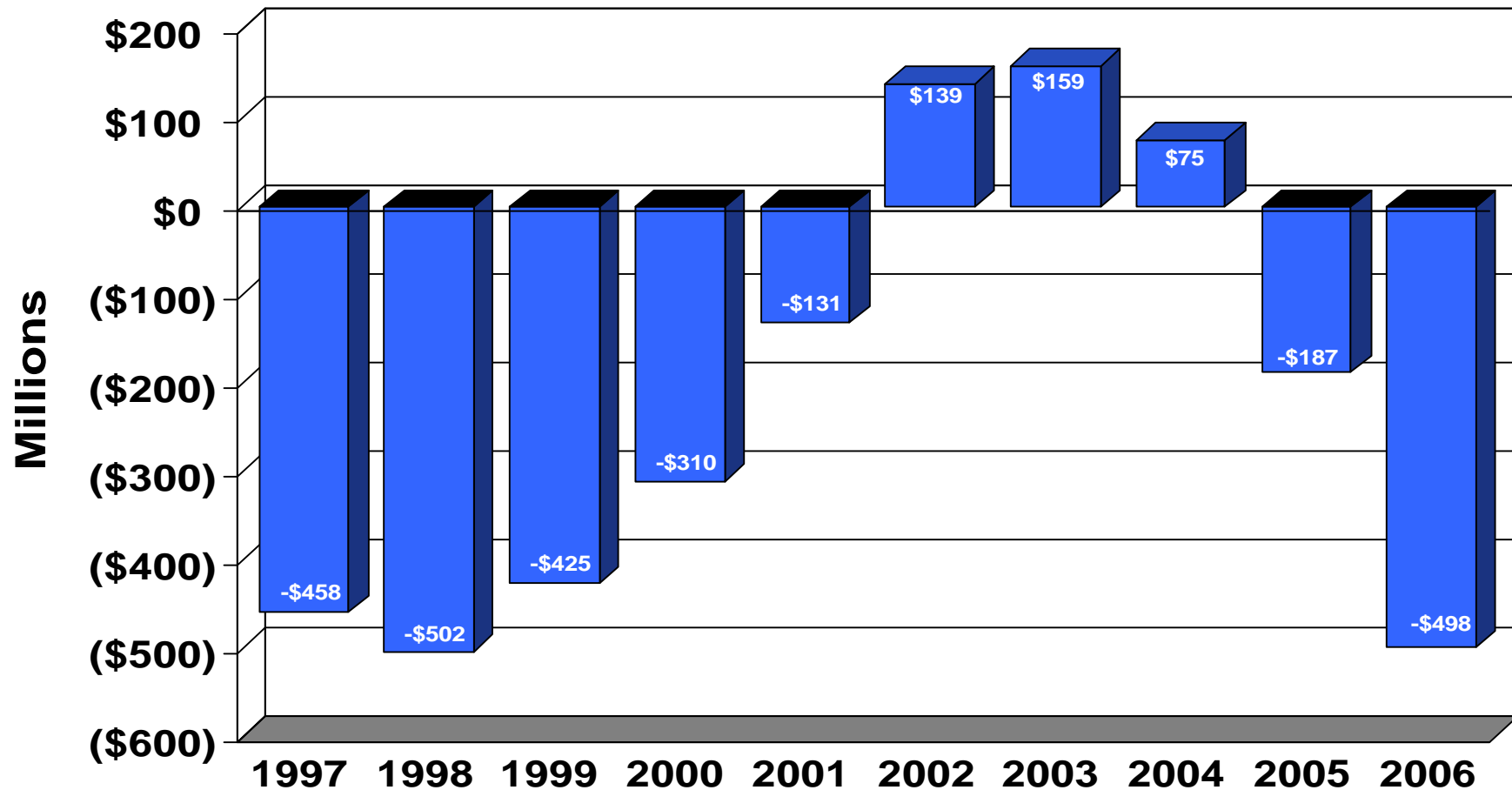
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Total Loss Reserves



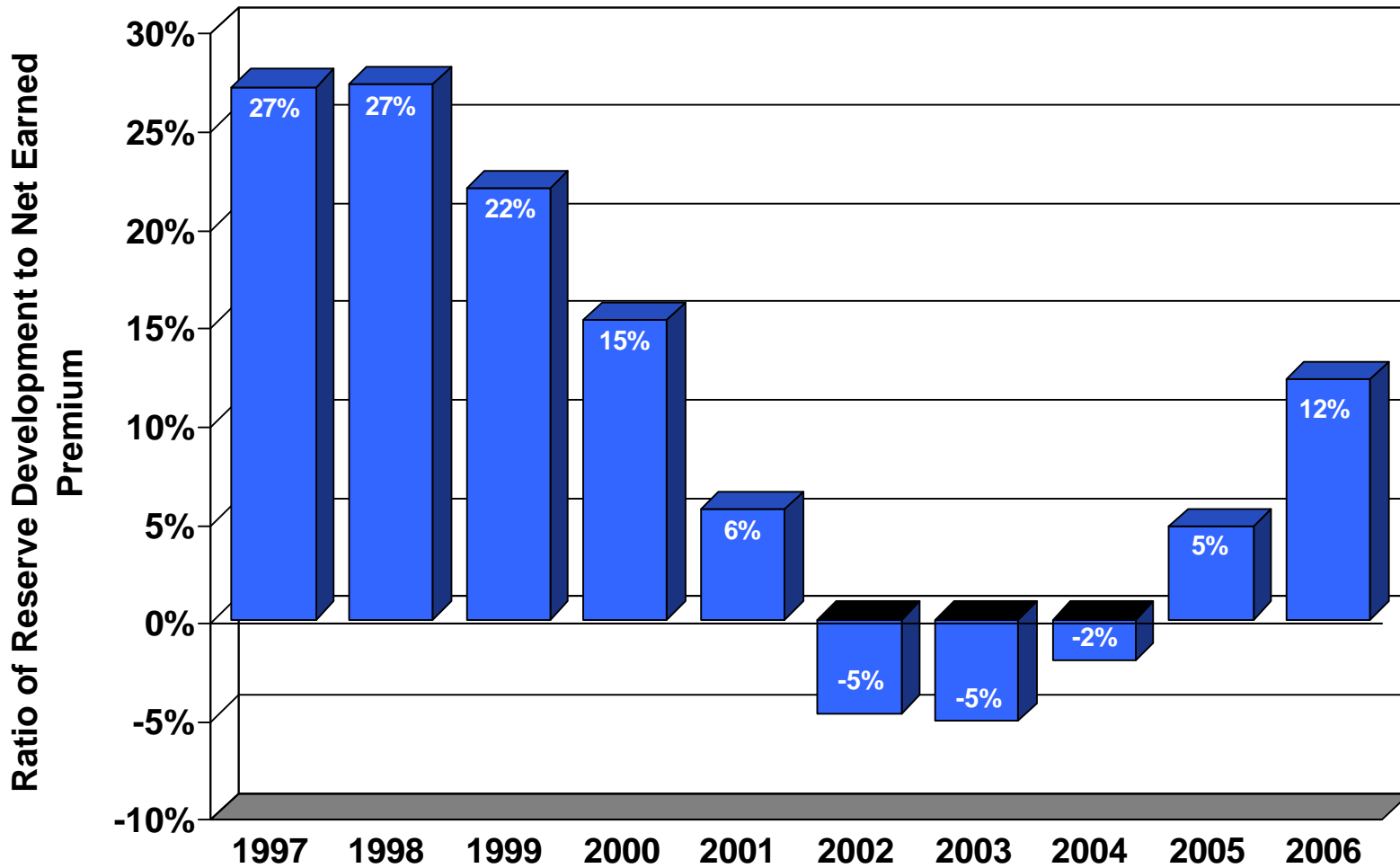
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One Year Loss Reserve Development



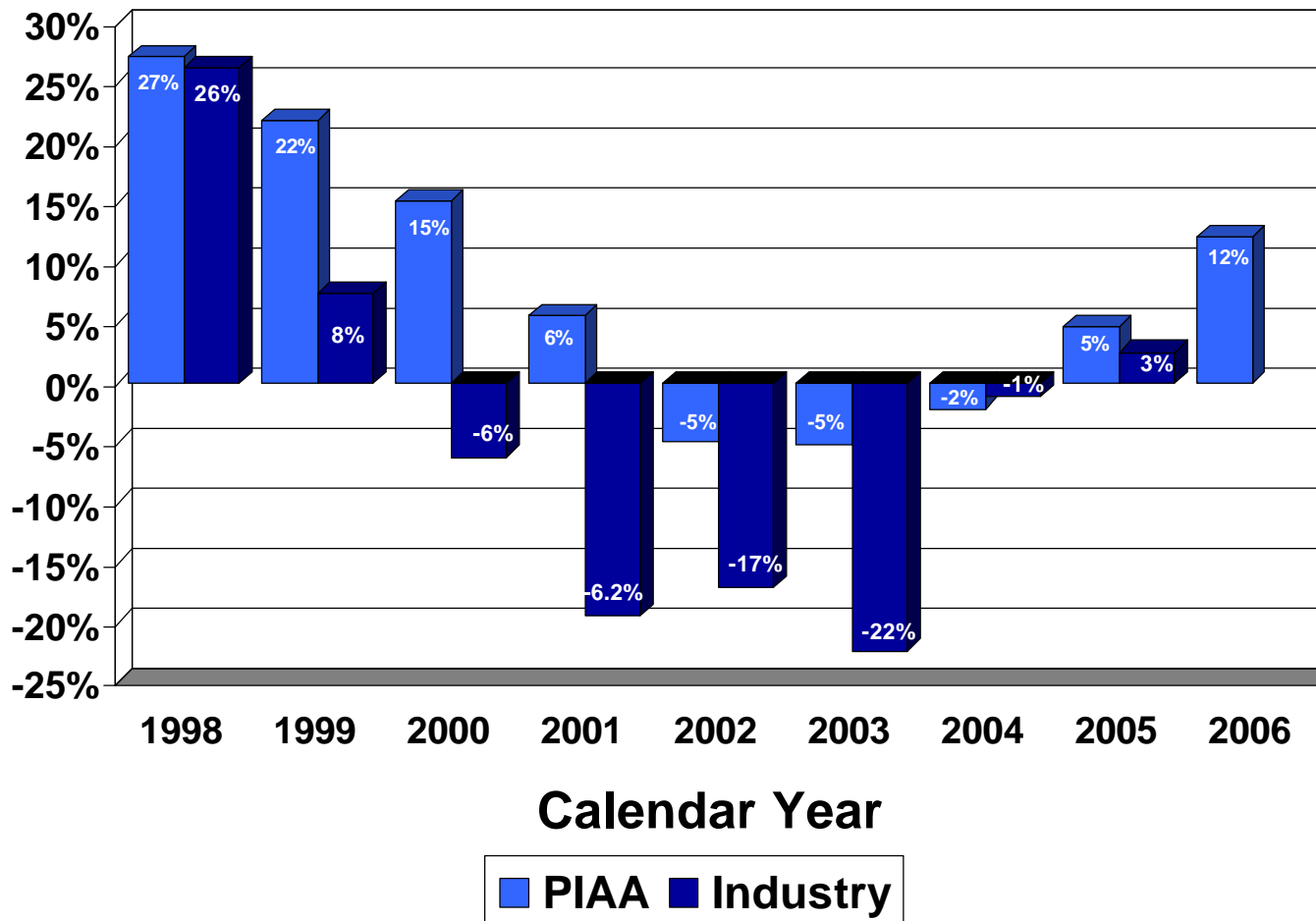
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One Year Loss Reserve Development to Premium



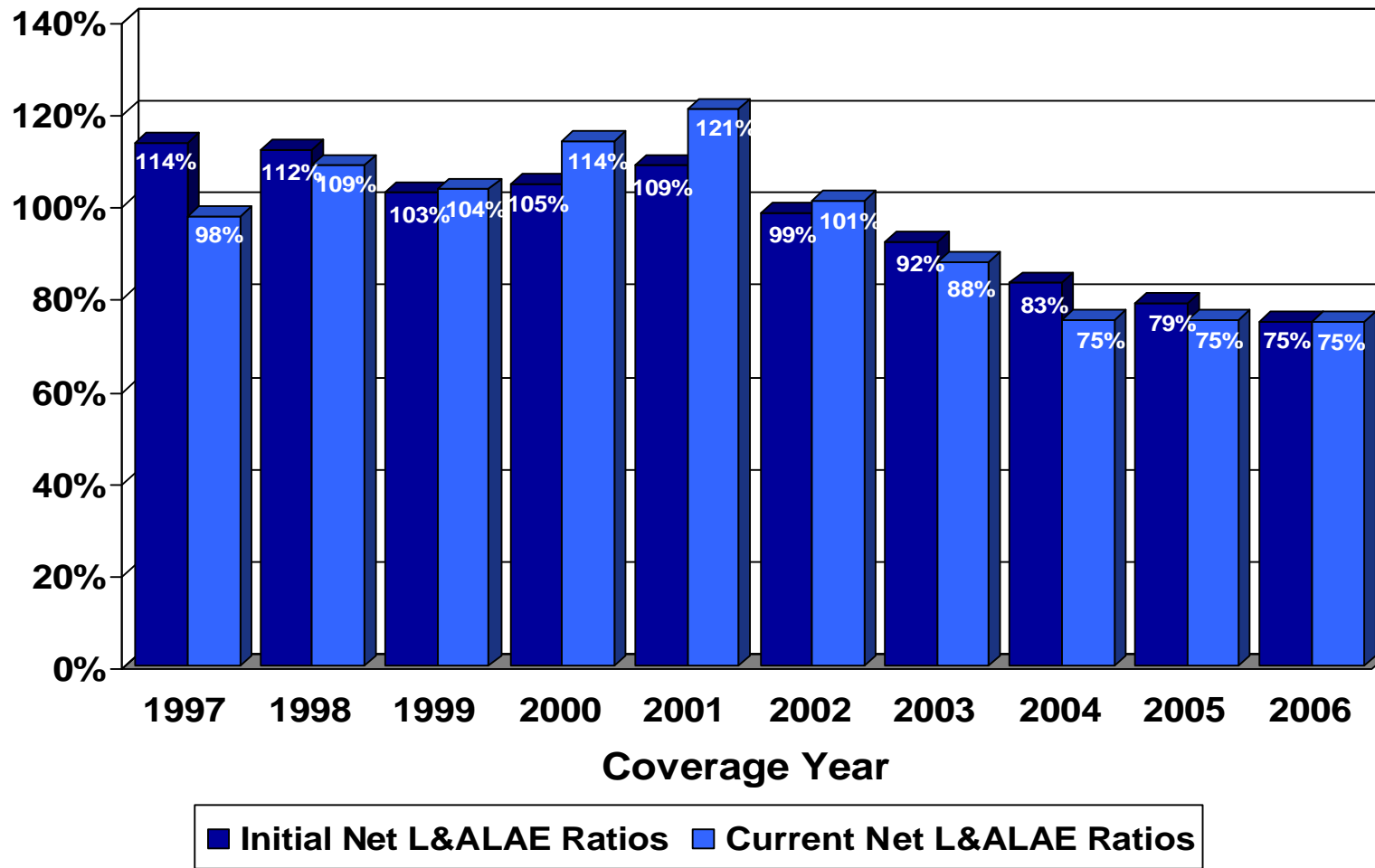
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One Year Loss Reserve Development to Premium PIAA vs. Industry



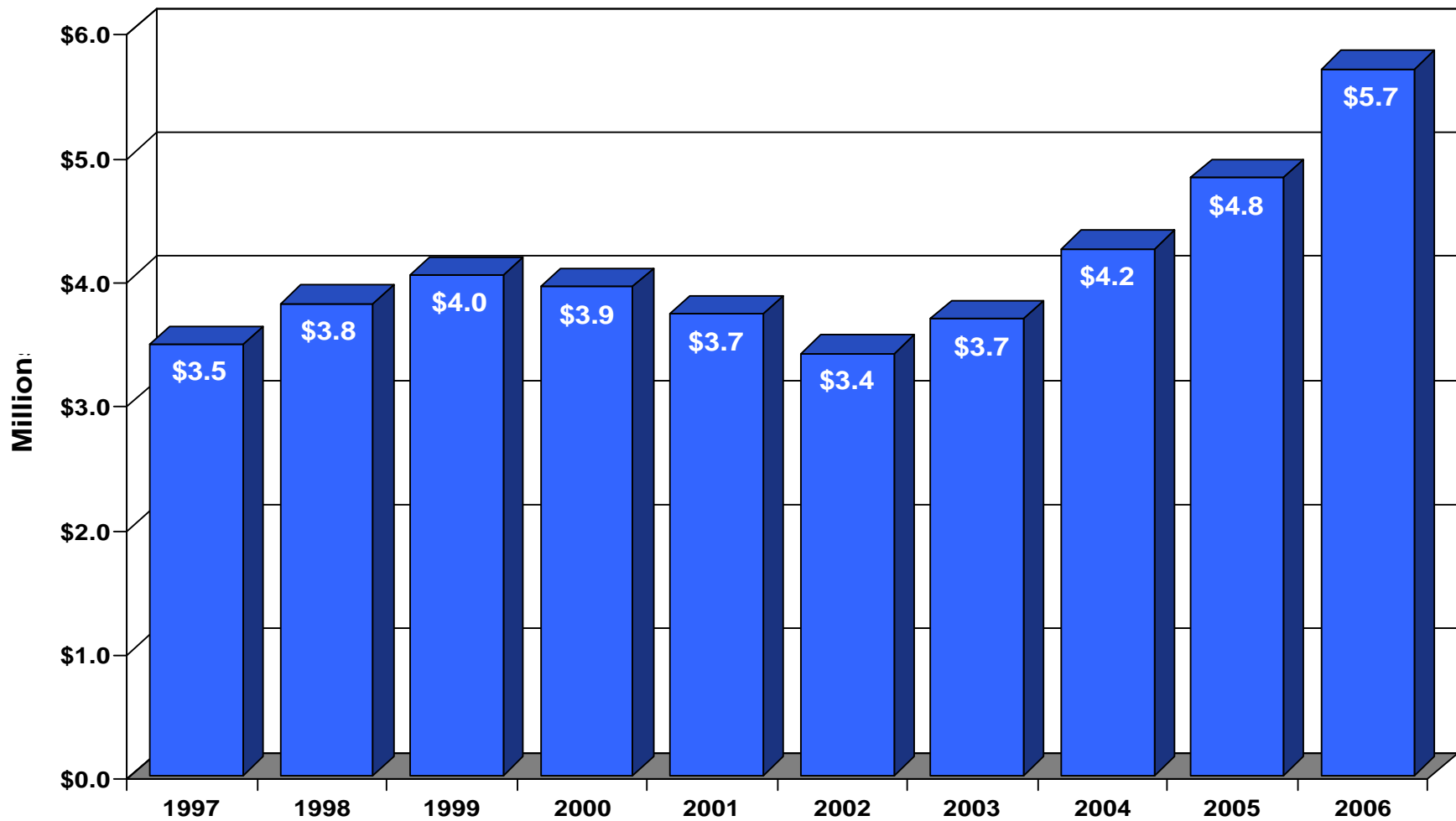
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Net Loss & ALAE Ratios



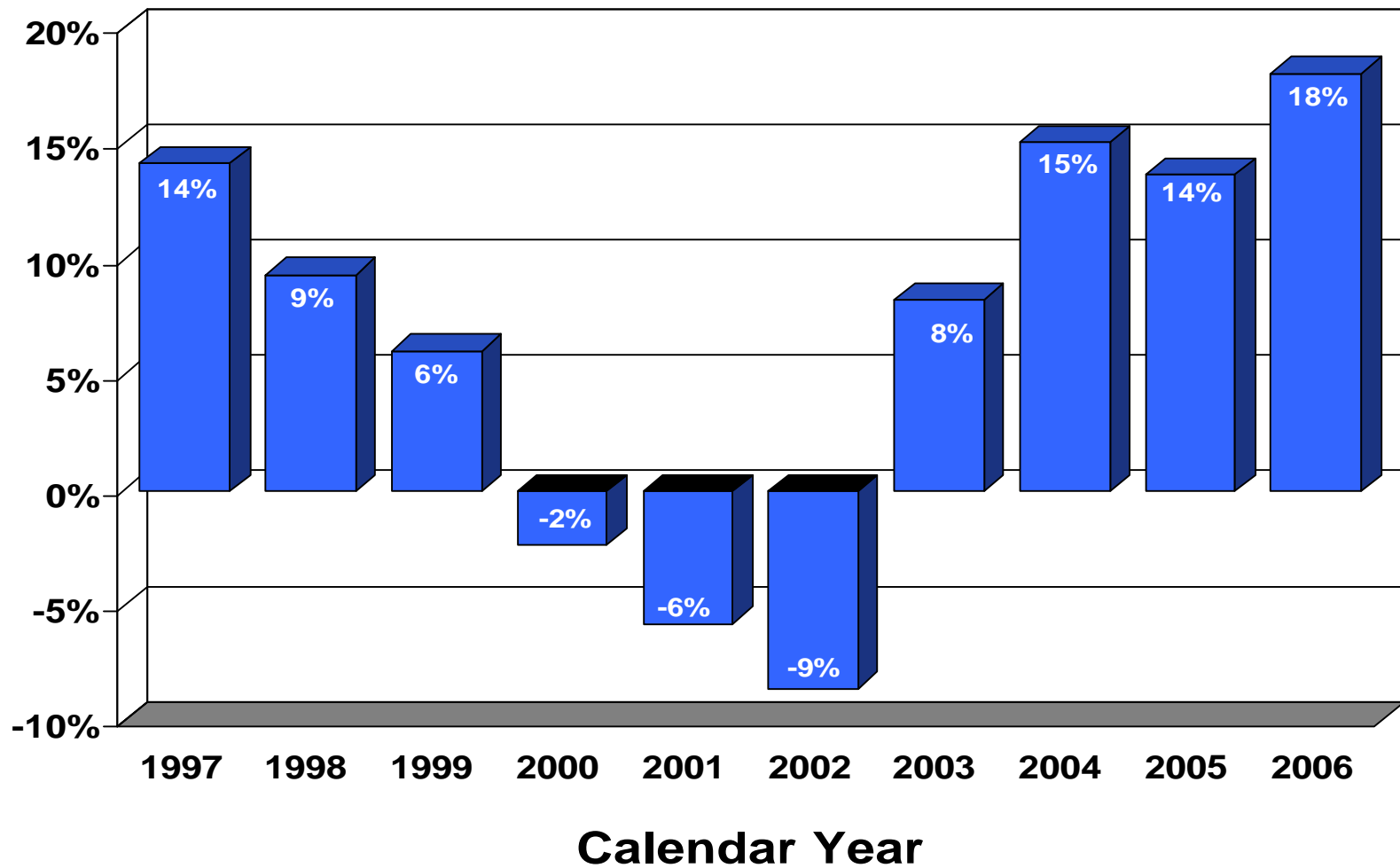
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Surplus



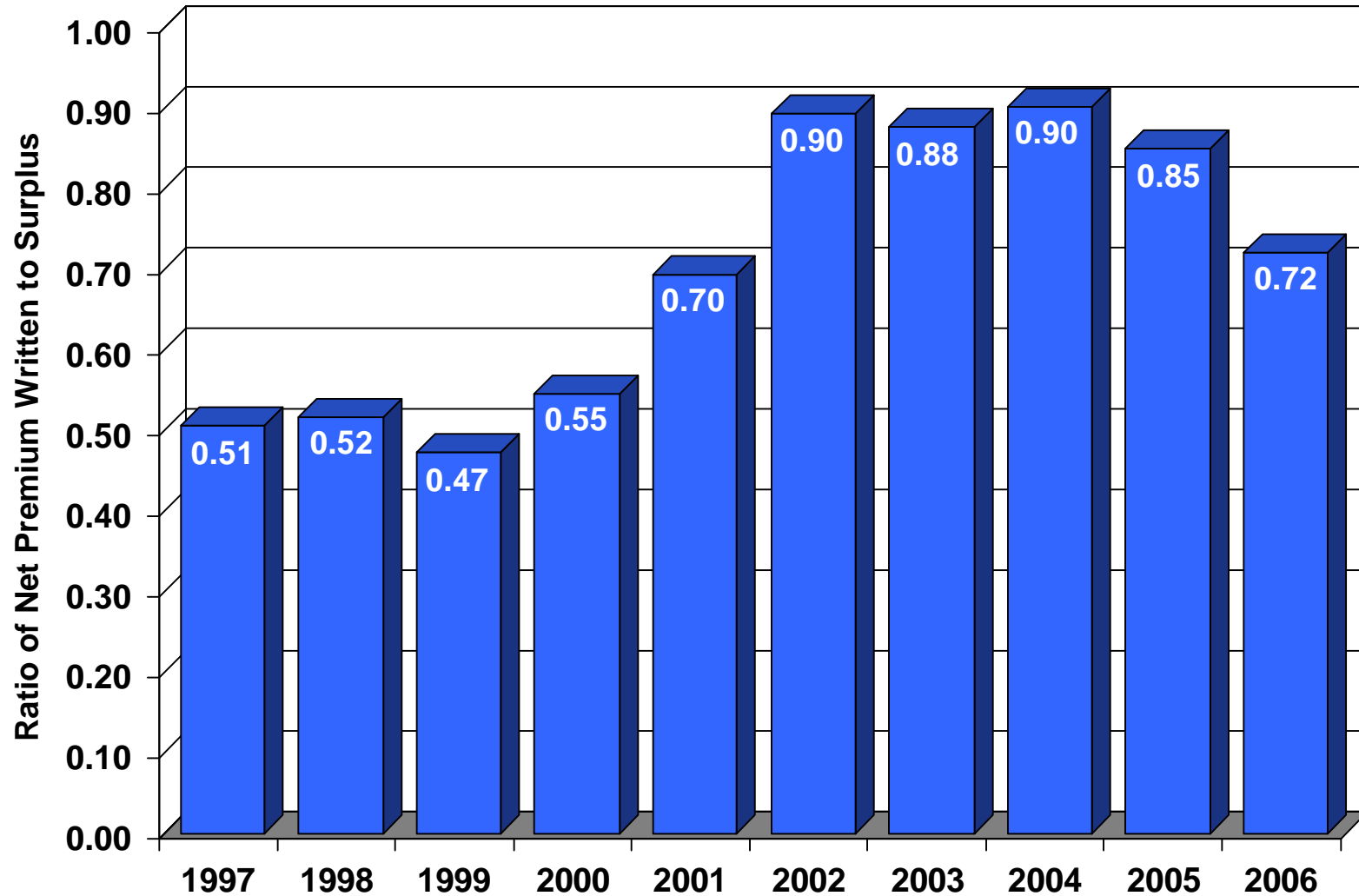
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Percentage Change in Surplus



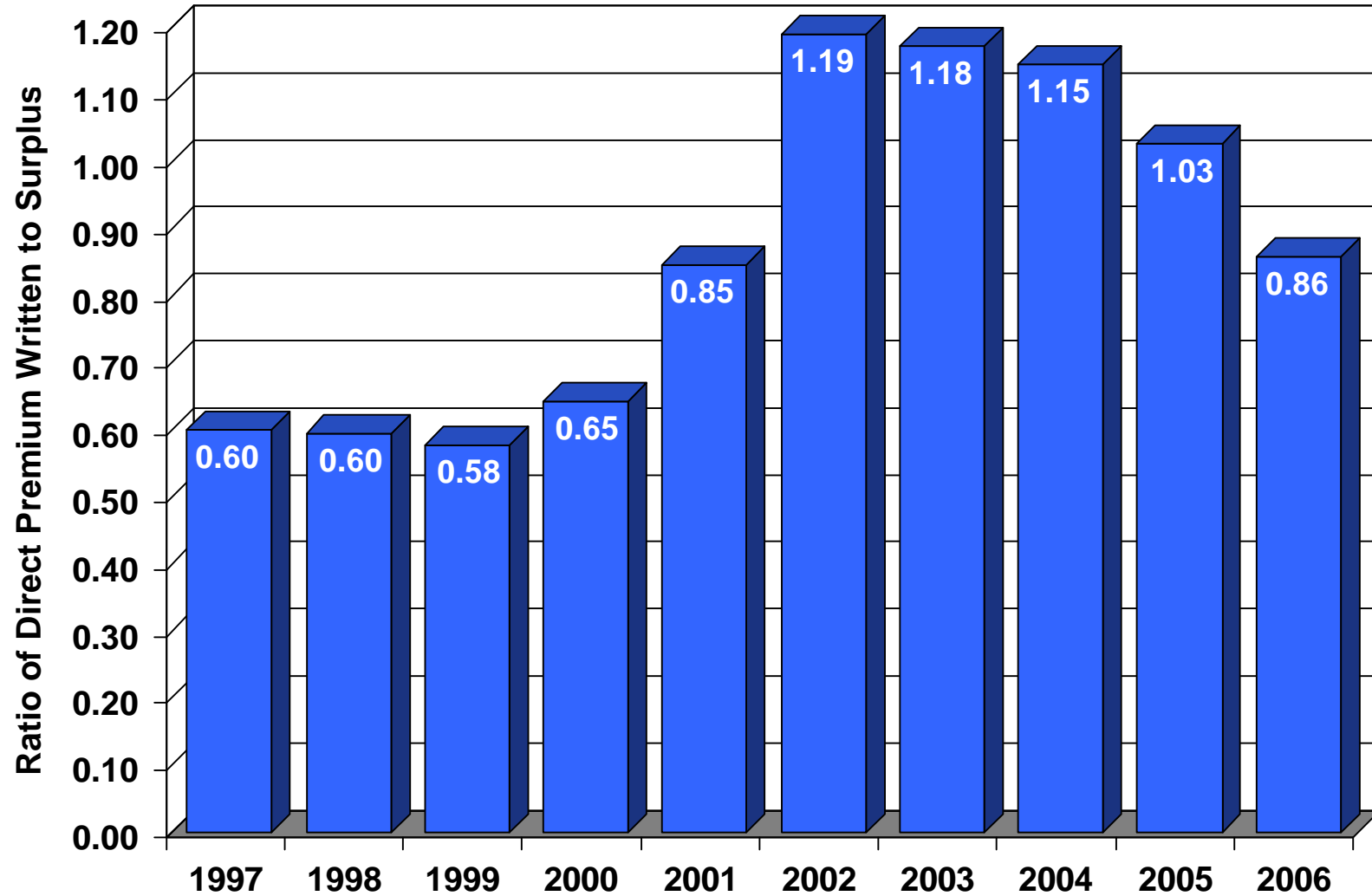
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Net Premium Written to Surplus



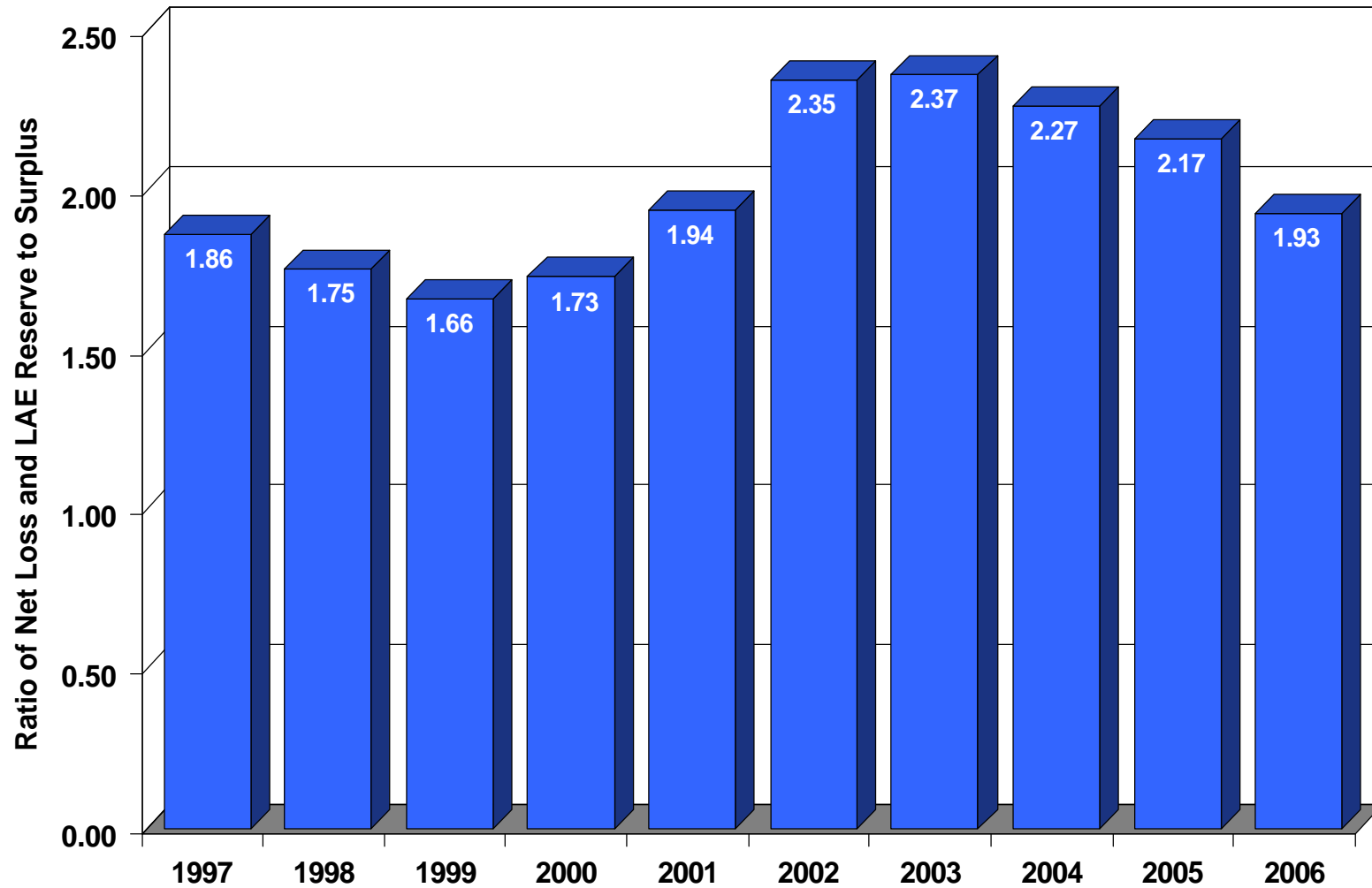
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Direct Premium Written to Surplus



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Net Loss and LAE Reserve to Surplus



Financial Review

- ... so where are we?

Financial Ratios to Net Premiums Earned

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Loss & LAE	92%	92%	92%	98%	112%	110%	105%	93%	81%	70%
Underwriting Expense	19%	21%	22%	22%	22%	18%	17%	17%	16%	17%
Combined Underwriting	111%	114%	113%	120%	134%	129%	122%	109%	98%	87%
Policy Holder Dividends	7%	6%	6%	5%	3%	2%	0%	0%	1%	2%
Adjusted Combined	118%	120%	119%	126%	137%	131%	122%	110%	99%	89%
Net Investment Income	48%	48%	36%	35%	32%	16%	25%	21%	17%	27%
FIT	6%	5%	2%	2%	0%	-3%	0%	2%	4%	8%
Net Income	20%	16%	13%	6%	-7%	-10%	-2%	7%	12%	28%

Medical Malpractice – Financial Update

Messages –

- n Financial results – where they need to be?
 - n Change in mix of components
- n Underwriting
 - n Combined ratio at 89% for calendar year
 - 2006 coverage year at 99%
 - n Rates flat (some down)
 - n Reserves
- n Investment income – improved
- n Leverage – improved