The Health Care Professional Liability (HPL) market will remain soft through the first half of 2013, with flat renewals typical and rate reductions up to low single digits - and sometimes more for accounts with good loss experience. Limits purchased, program structure and attachment points are all important factors in driving HPL pricing at renewal.

- Certain long-term care risks may see slightly higher increases due to shifts in the legal environment that have led to large losses.
- The number of jumbo malpractice verdicts (above $25M) over the last two years is troubling and must be watched closely but has had no affect on pricing to date.
- Obstetric and pediatric cases continue to be volatile and difficult to defend.
- Loss frequency remains at historically low levels (with perhaps a slight uptick). Severity has moderated and is actuarially predictable. The HPL industry combined ratio may be creeping up closer to 100 but this line of insurance remains very profitable.
- Health Care Reform (PPACA), upheld by the U.S. Supreme Court, will shape malpractice risk and underwriter response, as many health care organizations prepare for the PPACA implementation and/or move to clinical integration by acquiring or aligning with physician practices and creating contractual relationships with other providers to form networks.
- Merger and acquisition activity by hospitals and hospital systems remains very high.
- Many buyers may need to adjust terms and conditions to address cyber-related issues, executive risks, inter-related provider contractual liability, errors and omissions for utilization and other administrative exposures, and a new world of pay-for-performance and financial risk.
- Consolidation of insurers in the HPL industry continues, particularly among the physician insurers.
- “Integrated occurrences” (i.e., related acts or batch coverage) remain an issue for many insurers.
- Despite a few recent court decisions overturning damage caps, we see no clear trend towards overturning malpractice reform legislation. Some state courts have recently upheld reform laws or enacted enhancements to existing reform laws.
- Rapidly expanding use of electronic medical records may present significant liability exposure while potentially reducing claims by encouraging better communication.

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