

# Florida Office of Insurance Regulation



2008 Annual Report – October 1, 2008

Medical Malpractice Financial Information  
Closed Claim Database and Rate Filings

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## Executive Summary

Section 627.912(6)(b)&(c), Florida Statutes, requires the Office of Insurance Regulation (Office) to prepare an annual report about the medical malpractice insurance market in Florida. The report provides a review of the profitability and solvency characteristics of the medical malpractice insurers doing business in Florida, a review of rate filings received by the Office during the year, and a review of the characteristics of the medical malpractice closed claims required to be filed with the Office.

This report satisfies the statutory requirement and, in particular, provides information about the Florida market compared to other states, the financial performance of the 22 medical malpractice insurance writers that constituted 80% of the Florida market in 2007, a review of rate filings, and an analysis of the closed claims data.

Regarding overall profitability, this report shows that the return on surplus for Florida's leading medical malpractice writers was 11%, while this shows the fourth consecutive year of broad profitability, although down from 2006, it is important to put this into context.

Return on surplus is a national number taking into account profitability in states other than Florida. Moreover, for multi-line writers, this result also accounts for profitability in other lines of insurance. In fact, the return on surplus for those leading companies only writing medical malpractice in Florida was only 0.27%.

Another interesting finding was that the average approved rate for rate filings in the primary medical malpractice market (physicians and surgeons) was negative (-9.6%). This is potentially misleading as some carriers did not file a change. Including these carriers, the average affect on the primary market was still negative (approximately -8.6%).

However, some specialized areas of medical malpractice did experience rate increases based on the 2007 rate filings, dentists (+1.9%), and podiatrists, optometrists, and chiropractors, and other specialized areas (+3.6%). Rate filings for professional nurses yielded a flat average of 0%. In total, there were 62 medical malpractice rate filings in 2007 in Florida.

The Office has continued to monitor the profitability of the medical malpractice insurance market in Florida. Prior to the 2003 legislative changes, aimed at reducing costs associated with medical malpractice insurance, the market was experiencing double-digit rate increases, an availability crisis, and experienced one of the highest defense cost and containment expense ratios in the country.

The Office developed a "presumed factor of savings" of 7.8%, which estimated the savings on future costs based on the 2003 Legislative modifications, but indicated this factor should be revisited after the Office had historical data to analyze the impact of the new law.

There were no major legislative changes made to the medical malpractice laws in Florida during the 2008 Legislative Session.

Based on the trends found in this report, it would appear that the 2003 changes to the law have benefited policyholders, the industry, assisted with the solvency of medical malpractice carriers, and directly contributed to lowering the Defense Cost and Containment ratio in the State of Florida.

In particular, the report finds:

- When the Florida market is compared to other large states;
  - Florida is the fourth largest market as measured by direct premium written,
  - Florida ranks fifth among the ten most populous states when measured by losses incurred to earned premium (37.2%).<sup>1</sup>
- For the 22 firms comprising 80% of the market;
  - Medical Malpractice is not generally the only line of business written,
  - Florida is generally one of their top five markets,
  - Their loss and expense ratios in Florida, while varied across companies are in line to what they experienced in their other major markets,
  - The premium weighted effective average return on surplus was 11% in 2007, down from 19.67% in 2006,
  - Solvency risk, as measured several ways, does not appear to be a critical issue with these sample firms, and these firms have shown favorable reserve development in 2007 for the third year in a row, reversing a previous trend of adverse reserve development.
- Reviewing the rate filings received in 2007;
  - 62 medical malpractice rate filings were processed with the Office during 2007,
  - On average, rates for companies writing the admitted market decreased nearly 10%.
- From the reported closed claims data files;
  - 3,553 claims were reported as closed during 2007, 1,839 for females, 1,714 for males,
  - Hospital inpatient facilities, as in previous reports, were the most commonly reported claims location.
  - Most claims were in the severe to moderate severity category, and

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<sup>1</sup> For reasons explained later in the report, *the data for Health Care Indemnity Inc. was excluded from this calculation. With HCII included Florida would rank 9<sup>th</sup> with a pure loss ratio of 18.7%*

- An estimated \$740.5 million was paid in total; \$523.6 million in damages paid, and the remainder in loss adjustment expense.

## **Purpose and Scope**

Senate Bill 2-D, enacted in 2003, 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 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.*

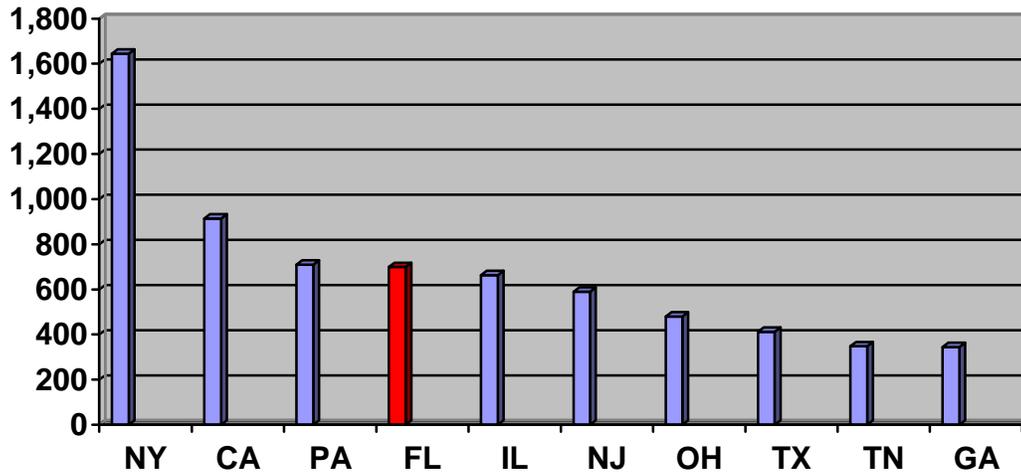
## **A Comparative Overview of the Florida Medical Malpractice Insurance Market**

Although this report, by statute, focuses on the characteristics of the companies comprising 80% of the Florida Medical Malpractice insurance marketplace, some national and state specific comparisons are useful to put the results in context.

Since Florida's population ranks fourth 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 Territories (Appendix A), for purposes of comparison, this report compares Florida with other states in the top ten for most medical malpractice premium in the admitted market: New York, California, Pennsylvania, Illinois, New Jersey, Ohio, Texas, Tennessee, and Georgia.

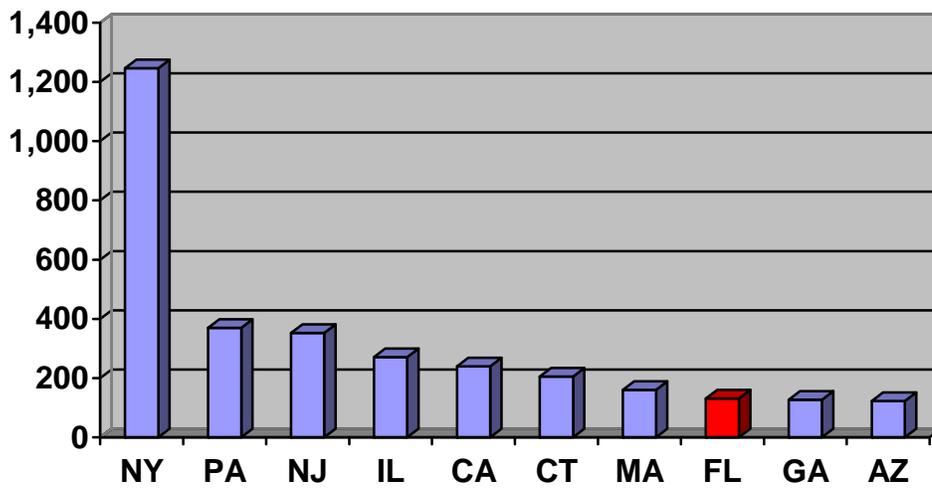
As the figure below shows, however, there is not a direct 1:1 correlation between state population and total medical malpractice earned premium in the private market. California, by far the most populous state, is a distant second to New York in the amount of medical malpractice premium earned. Meanwhile, Texas is the second most populous state, but ranks eighth in terms of medical malpractice premium.

**Medical Malpractice Earned Premium  
2007 (in \$ millions)**



We should expect these ranking to be similar for medical malpractice direct losses incurred:

**Medical Malpractice Direct Losses Incurred  
2007 (in \$ millions)**



Again, the most populous states would be expected to incur the most losses simply based on the number of people; however, there still seem to be some significant state specific differences. New York, for example, is not the most populous state (it is third), but has the largest amount of reported losses, more than triple that of the next state, Pennsylvania. Interestingly, California now ranks fifth on this list, despite having the largest population and the most premium earned. Other states appear in this top ten list despite not being ranked within the top ten states for premium: # 6 Connecticut, # 7 Massachusetts, and # 10 Arizona. From the previous list – Tennessee ranks # 11 for incurred losses (\$115 million), Ohio ranks # 12 (\$110 million), and Texas ranks # 50 with (- \$70 million). Comparing the reported losses to the earned premium by state allows for the calculation of state loss ratios, which can then be ranked. The loss ratios of the states with the most medical malpractice earned premium:

<b>State*</b>	<b>Losses / Earned Premium</b>
New York	75.7%
New Jersey	59.9%
Pennsylvania	52.1%
Illinois	41.5%
<b>Florida</b>	<b>37.2%</b>
Georgia	36.9%
Tennessee	36.5%
California	28.1%
Ohio	23.3%
Texas	2.6%

*This data has been adjusted to remove data from Health Care Indemnity Inc. (HCII) This captive insurer engaged in internal accounting adjustments that produced negative loss results in some states. The official data reported to the NAIC (including HCII), and the loss ratio calculations appear in Appendix A.*

New York continues to lead this group followed by New Jersey. The aggregate direct loss ratio for the Florida market has dropped 3% since last year --- and at 37.2% is roughly comparable to this peer group. The national average in 2007 for all states and territories is 43.4% (with HCII excluded) -- a slight increase from the 36.5% loss ratio in 2006. Of the ten “largest” medical malpractice states, only New York, New Jersey, and Pennsylvania had loss ratios higher than the national average.

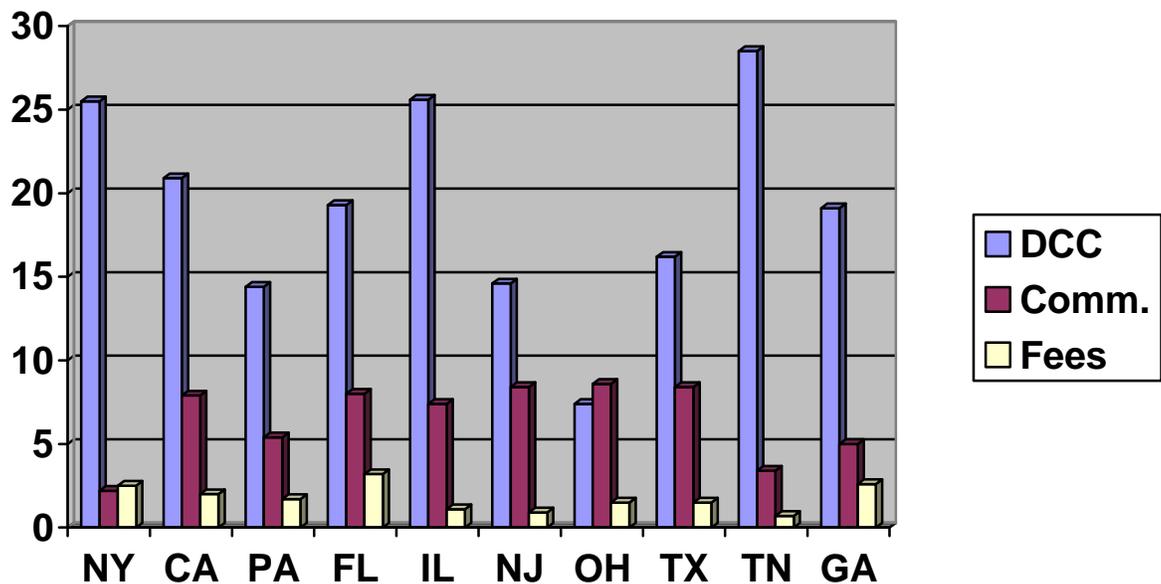
## Non-Loss Costs

Although direct losses from claims is the primary component in determining the costs, and ultimately the rates being charged for medical malpractice products, it is important to look at other “non-loss costs,” to determine their importance in the overall expenses.

These non-loss costs include three broad categories: 1.) Agent commissions and brokerage fees; 2.) Taxes and licensing fees; and 3.) Defense cost containment, which is correlated to the amount of legal fees. The chart below highlights the relative magnitude of these costs for each of the ten large states:

### Non-Loss Costs as Percentage of Direct Written Premium

-- 2007 --



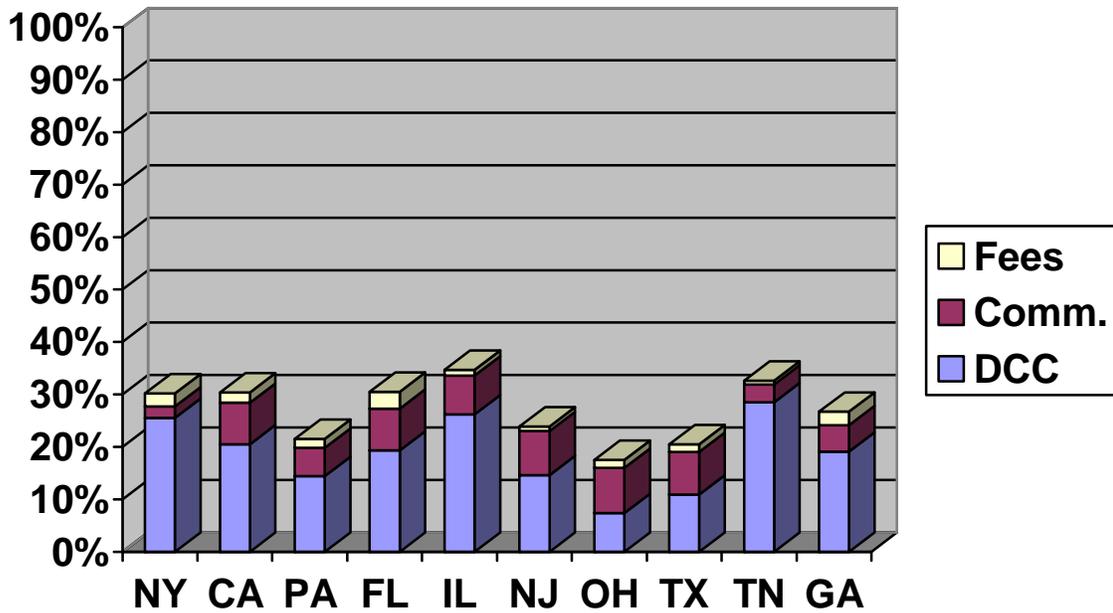
*Data from HCII was removed from this analysis.*

Clearly, for all ten peer states, the main component of total non-loss cost is the defense cost and containment (DCC) expense – although Ohio had a higher ratio of agent commissions expense than defense costs and containment expenses. When compared to other large states, Florida ranks in the middle with a DCC expense ratio of 19.3%.

Florida’s percent of earned premium paid on commissions (8.0%) was also near the

middle of this group. Florida did rank highest in the amount of earned premium paid for taxes, licenses, and fees at 3.2%. In fact, Florida ranked near the highest in the nation. Only Vermont (8.1%), the U.S. Virgin Islands, and South Carolina (4.0%) had a greater percentage of their earned premium dedicated to paying licenses, taxes and fees.

**Combined Non-Loss Costs as a Percentage of Premium  
--2007--**

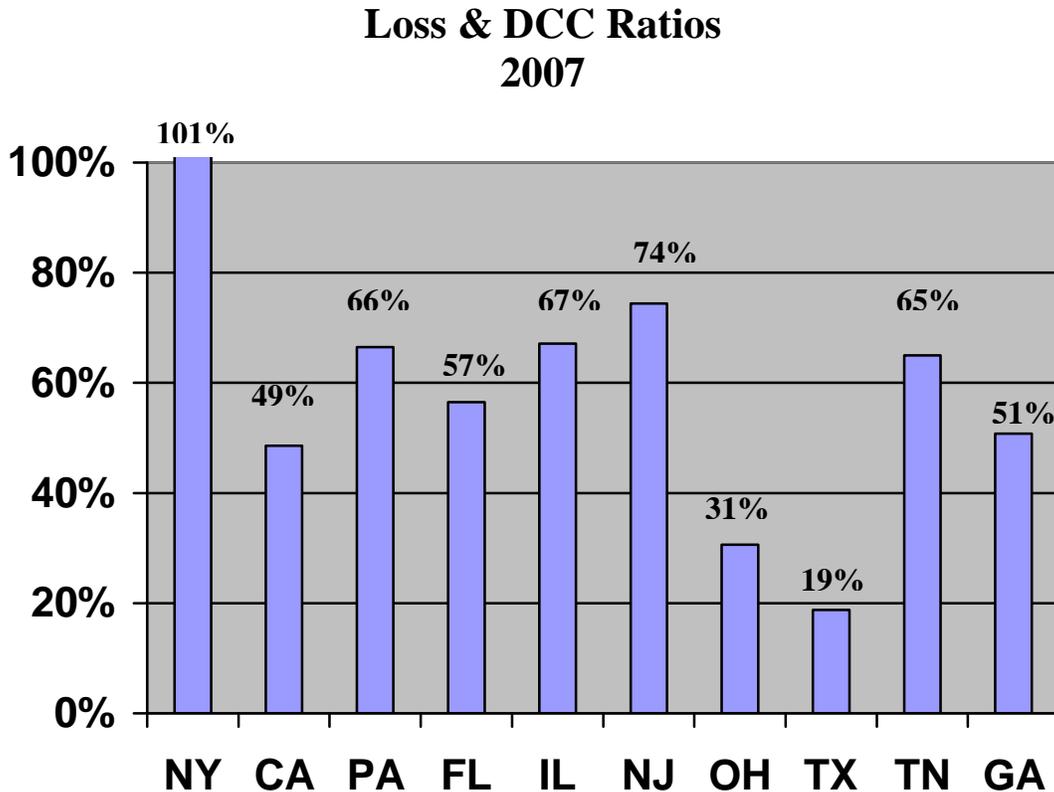


*Data from HCII was removed from this analysis.*

As the chart above shows, while the Florida’s DCC ratio is comparable to other members of this peer group; The commission percentage in Florida is roughly comparable to other states in this group, while the Tax/Fees percentage is the highest among the 10 states in the peer group; although it is important to note that even at 3.2% in Florida, this still represents a small percentage of the premium dollar. At 30.5%, Florida’s non-loss costs as a percentage of premium ranks is comparable for this group, and is also very near the national average of 27.5% -- if HCII data is removed.

## Overall Profitability (Loss + DCC Ratios)

Combining the loss ratio and the DCC ratio on a statewide basis provides an approximate, commonly used, measure of the general profitability of the medical malpractice insurance market in each state. The lower the ratio the stronger the indication of profitability.



*Data from HCII was removed from this analysis.*

As the chart shows, the Loss + DCC ratio for the Florida market compares favorably to the other large sample states. This ratio measure shows that the Florida market is profitable, and at 56.5%, is below the national average of 62.7% if HCII data is excluded.

## Leading Writers of Medical Malpractice Insurance in Florida

Section (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 as well 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. As such, the Office cannot fulfill this statutory requirement.

State specific data is primarily limited to information on page 20 of the annual statement, commonly referred to as the “state page.” Data reported on the Florida market, by line of business, include:

- Direct Premiums Written
- Direct Premiums Earned
- Dividends to Policyholders
- Direct Losses
- Direct Defense Cost and 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 the 2005, 2006, 2007, and now 2008 reports. In actuality, 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 does include a few companies that cede significant portions of their premium to other companies.

Another distinction typically made in the insurance marketplace is between medical malpractice written for individuals (usually doctors), 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 doctors. However, the annual statement reporting requirements do not allow for a distinction of hospital insurance versus physician insurance on a state or countrywide basis. These two types of insurance are aggregated into the “Medical Malpractice Insurance” category regardless of who is insured.

With those caveats, the companies that comprise 80% of the medical malpractice insurance market in Florida include the following:

Rank	Company Name	Abbrev	State of Domicile	Direct Premiums Written	Percent of Market	Cum. Percent
1	First Professionals Ins Co.	FPIC	FL	\$158,409,971	23.89%	23.89%
2	MAG Mut Ins Co.	MMIC	GA	\$76,877,361	11.60%	35.49%
3	Doctors Co An Interins Exchn	DCIE	CA	\$46,767,524	7.05%	42.55%
4	Pronational Ins Co.	PIC	MI	\$40,276,063	6.08%	48.62%
5	Lexington Ins Co.	LIC	DE	\$34,196,929	5.16%	53.78%
6	Evanston Ins Co.	EIC	IL	\$17,538,505	2.65%	56.42%
7	Medical Protective Co.	MPC	IN	\$16,477,596	2.49%	58.91%
8	Continental Cas Co.	COCC	IL	\$15,246,714	2.30%	61.21%
9	Physicians Preferred Ins Reciprocal	PPIR	FL	\$15,040,577	2.27%	63.48%
10	Anesthesiologists Pro Assur Co.	APAC	FL	\$11,919,964	1.80%	65.28%
11	Healthcare Underwriters Grp of FL	HUGF	FL	\$10,345,345	1.56%	66.84%
12	Columbia Cas Co.	CCC	IL	\$9,749,574	1.47%	68.31%
13	American Cas Co. of Reading PA	ACCRP	PA	\$9,736,137	1.47%	69.78%
14	Physicians Ins Co.	PIC(2)	FL	\$9,561,732	1.44%	71.22%
15	Landmark Amer Ins Co.	LAIC	OK	\$8,993,413	1.36%	72.58%
16	Physicians Professional Liability RRG	PPL	VT	\$8,945,902	1.35%	73.92%
17	Florida Doctors Ins. Co.	FDIC	FL	\$8,507,573	1.28%	75.21%
18	Health Care Ind Inc	HCII	CO	\$8,063,874	1.22%	76.42%
19	Steadfast Ins Co.	SIC	DE	\$7,811,116	1.18%	77.60%
20	Podiatry Ins Co of Amer A Mut Co	PICAM	IL	\$7,139,700	1.08%	78.68%
21	Care RRG Inc.	CRRG	DC	\$6,883,102	1.04%	79.72%
22	Darwin Select Ins. Co.	DSIC	AR	\$6,724,371	1.01%	80.73%
<b>Top 80% total</b>				<b>\$535,213,043</b>		
<b>Total Florida market</b>				<b>\$662,949,087</b>		

In terms of organizational structure, 12 of the sample companies are admitted Property & Casualty insurers, six are surplus lines companies (# 5 Lexington, # 6 Evanston, # 12 Columbia Casualty and # 15 Landmark American, # 19 Steadfast, and #22 Darwin Select) there were two reciprocal insurers (# 9 Physicians Preferred, and # 11 Healthcare

Underwriters of FL) and two Risk Retention Group (RRG) (#16 Physicians Professional Liability and # 21 Care RRG Inc.).

The list shows some differences in the market when compared to the sample firms in the 2006 Annual Report. This year, achieving the 80% market share requirement now required the inclusion of 22 insurers; 17 were required in the 2007 report, 15 insurers for the 2006 annual report, 12 in the 2005 annual report, and only 11 for the 2004 report. The highlighted rows above indicate insurers that are domiciled in Florida. Sixteen (16) of the 22 companies are domiciled outside of Florida; six (6) are Florida domiciled – the same as the 2007 report.

Seven (7) companies appear on the list this year that were not part of the 80% group in last year's report -- #13 American Casualty Co. of Reading PA, #15 Landmark American Insurance Company, #17 Florida Doctors Insurance Co., #19 Steadfast Insurance Company, #20 Podiatry Insurance Co. of America a Mutual Company, #21 Care RRG Inc., and #22 Darwin Select Insurance Co.

Another interesting finding is that the total medical malpractice insurance premium for the state of Florida dropped in 2007 for the fourth consecutive year. The 2004 report illustrated total gross medical malpractice insurance premium in Florida of \$860 million; the 2005 total was \$850 million; the 2006 total was \$847 million, and the 2007 total was \$663 million.

This represents a dramatic decrease (21.7%) in the overall medical malpractice premium reported in Florida in 2007. 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.

## Percentage of Business that is Medical Malpractice

Following the identification of the 80% market share sample as required, the analysis next turns to analyzing the degree of underwriting risk diversification observed in the sample firms. Economic theory suggests that companies that are diversified in the types of business (i.e. writing non-medical malpractice insurance), and with proper geographic distribution of business (i.e. writing in other states) may be better positioned to handle a downturn in a specific segment of the insurance marketplace. As the table below shows, the degree of diversification, based on their nationwide business, is varied among these twenty-two companies:

Company	Occurrence	Claims Made	Workers Comp.	Total Direct Premium
American Cas Co Of Reading	\$140,187,896	\$ 27,631,285	\$ 113,230,924	\$ 577,282,213
Anesthesiologists Pro Assur Co	\$1,332,659	\$ 17,256,679	\$ (17,049)	\$ 18,572,289
Care RRG Inc	\$ 0	\$ 15,027,291	\$ 0	\$ 15,027,291
Columbia Cas Co	\$ 0	\$ 134,215,761	\$ 0	\$ 785,378,318
Continental Cas Co	\$ 2,406,196	\$ 177,432,011	\$ 199,871,816	\$ 4,768,275,907
Darwin Select Ins Co	\$ 0	\$ 71,230,328	\$ 0	\$ 164,982,019
Doctors Co An Interins Exch	\$ 16,252,858	\$ 458,146,863	\$ 0	\$ 474,587,226
Evanston Ins Co	\$ 0	\$ 135,287,679	\$ 0	\$ 662,586,541
First Professionals Ins Co	\$ 7,936,636	\$ 170,804,217	\$ 0	\$ 179,285,375
Florida Doctors Ins Co	\$ 468,870	\$ 8,038,580	\$ 0	\$ 8,507,450
Health Care Ind Inc	\$ 47,480,418	\$ 0	\$ 0	\$ 47,493,893
Healthcare Underwriters Grp of	\$ 235,363	\$ 10,109,982	\$ 0	\$ 10,345,345
Landmark Amer Ins Co	\$ 0	\$ 57,768,361	\$ 0	\$ 707,053,618
Lexington Ins Co	\$ 18,136,369	\$ 563,423,801	\$ 2,382,020	\$ 6,619,453,912
MAG Mut Ins Co	\$ 22,999,169	\$ 285,824,264	\$ 4,592,197	\$ 316,560,845
Medical Protective Co	\$ 286,755,142	\$ 402,806,353	\$ 0	\$ 692,797,991
Physicians Ins Co	\$ 308,034	\$ 9,438,177	\$ 0	\$ 9,746,211
Physicians Preferred Ins Co	\$ 710,703	\$ 14,329,874	\$ 0	\$ 15,040,577
Physicians Professional Liab	\$ 0	\$ 8,892,572	\$ 0	\$ 8,892,572
Podiatry Ins Co Of Amer A	\$ 508,692	\$ 83,873,499	\$ 0	\$ 84,582,520
Pronational Ins Co	\$ 8,315,040	\$ 138,616,031	\$ 0	\$ 157,401,570
Steadfast Ins Co	\$ 2,524,946	\$ 140,373,661	\$ 273,031	\$ 1,330,878,417

As the table shows, over half of the insurers write exclusively medical malpractice insurance. For the other insurers, the most common other type of insurance written is workers' compensation insurance. Other than Health Care Indemnity Co, American

Casualty Co. of Reading, PA and to a lesser extent Medical Protective, all of the leading writers in Florida overwhelmingly write “claims-made” types of medical malpractice insurance as opposed to “occurrence” type of medical malpractice coverage.

## **Geographic Distribution of Premium for Florida’s Top Medical Malpractice Writers**

The distribution of all of the companies’ business (by direct written premium) is shown below. The table ranks the premium by state for each company. Therefore, “State 1” is the state for which the individual company wrote the most premium, and could be different for each company:

## Direct Written Premium by State for Top Med Mal Companies

Company	State 1	State 2	State 3	State 4	State 5
American Cas Co Of Reading PA	\$14,776,843 CA	\$12,358,138 NY	<b>\$9,736,137</b> FL	\$9,395,214 PA	\$8,123,280 TX
Anesthesiologists Pro Assur Co	<b>\$11,919,964</b> FL	\$2,266,930 TX	\$1,698,191 AZ	\$1,224,240 OH	\$1,048,664 GA
Care RRG Inc	<b>\$6,883,102</b> FL	\$2,058,086 OH	\$1,546,320 KY	\$1,418,004 TX	\$839,269 CA
Columbia Cas Co	<b>\$9,749,574</b> FL	\$8,099,245 TX	\$7,577,249 CA	\$7,429,775 VT	\$6,928,458 WA
Continental Cas Co	\$33,155,093 OR	\$19,937,960 CO	<b>\$15,246,714</b> FL	\$15,054,762 CT	\$12,596,524 WI
Darwin Select Ins Co	\$10,652,378 PA	<b>\$6,724,371</b> FL	\$5,759,944 IL	\$5,345,377 AZ	\$5,025,121 CA
Doctors Co An Interins Exch	\$151,884,220 CA	\$52,203,801 OH	<b>\$46,767,524</b> FL	\$40,917,888 VA	\$31,592,257 WA
Evanston Ins Co	\$19,758,518 CA	<b>\$17,538,505</b> FL	\$10,008,296 TX	\$7,910,660 NJ	\$6,125,185 GA
First Professionals Ins Co	<b>\$158,409,971</b> FL	\$11,615,363 GA	\$8,693,238 AR	\$35,222 PA	
Florida Doctors Ins Co	<b>\$8,507,573</b> FL				
Health Care Ind Inc	\$12,023,115 TX	<b>\$8,063,874</b> FL	\$7,960,806 LA	\$5,362,412 TN	\$4,552,698 KS
Healthcare Underwriters of FL	<b>\$10,345,345</b> FL				
Landmark Amer Ins Co	\$10,552,278 CA	<b>\$8,993,413</b> FL	\$3,427,184 TX	\$3,322,693 NY	\$3,279,247 NJ
Lexington Ins Co	\$59,572,128 TN	\$52,442,759 CA	\$48,524,357 NY	\$38,559,684 NJ	<b>\$34,196,929</b> FL
MAG Mut Ins Co	\$138,179,571 GA	<b>\$76,877,361</b> FL	\$59,155,357 NC	\$12,617,324 SC	\$12,322,238 VA
Medical Protective Co*	\$99,414,622 PA	\$98,535,668 OH	\$60,897,171 TX	\$41,951,273 NJ	\$40,535,018 KY
Physicians Ins Co	<b>\$9,561,732</b> FL	\$184,479 TX			
Physicians Preferred Ins Co	<b>\$15,040,577</b> FL				
Physicians Profess. Liab RRG	<b>\$8,945,902</b> FL				
Podiatry Ins Co Of America	\$8,273,921 NY	<b>\$7,139,700</b> FL	\$6,618,330 IL	\$6,383,020 CA	\$5,008,363 NJ
Pronational Ins Co	<b>\$40,276,063</b> FL	\$36,826,167 MI	\$20,386,395 KY	\$19,897,959 IL	\$17,335,574 DE
Steadfast Ins Co*	\$18,831,411 NC	\$14,777,218 TX	\$13,801,490 IL	\$13,778,991 TN	\$9,166,418 CA

*\*Steadfast Ins Co's Florida amount was \$7,811,116; Medical Protective Co's Florida amount was \$16,477,596*

As the table shows, Florida is the largest market for 10 of the insurers. For four of these ten, Florida is their only market for medical malpractice insurance. The remainder show substantial geographic diversification across their medical malpractice book of business. During 2007, two of the largest Florida market writers, Steadfast Insurance and Medical Protective, did not rely on Florida as one of their largest five markets.

## Comparative Ratios: Florida vs. Other States

Loss ratios and defense cost containment ratios can be calculated on a state-by-state basis. These ratios are useful in that they allow for a comparison of the relative cost of operating in Florida, versus other states. This can also indirectly measure the adequacy of the premium given the specific books of business. The loss ratios for the top 22 medical malpractice writers in Florida and for their other top state markets are listed below:

**Direct Loss Ratios 2006**

Company	State 1	State 2	State 3	State 4	State 5
<b>First Professionals Ins Co</b>	<b>18.35%</b> FL	60.05% GA	48.12% AR	60.00% PA	
<b>MAG Mut Ins Co</b>	40.51% GA	<b>32.44%</b> FL	24.84% NC	56.90% VA	87.59% SC
<b>Doctors Co An Interins Exch</b>	31.09% CA	15.88% OH	<b>48.51%</b> FL	31.23% VA	3.40% WA
<b>Pronational Ins Co</b>	<b>103.15%</b> FL	9.61% MI	23.94% IL	20.33% KY	41.83% DE
<b>Lexington Ins Co</b>	49.53% TN	29.12% CA	22.48% NY	46.39% NJ	<b>7.05%</b> FL
<b>Evanston Ins Co</b>	<b>36.90%</b> FL	43.52% CA	23.06% TX	20.59% NY	7.14% GA
<b>Medical Protective Co*</b>	56.80% PA	21.35% OH	10.65% TX	61.87% KY	62.84% IN
<b>Continental Cas Co</b>	69.08% OR	<b>127.32%</b> FL	-20.79% CO	69.67% CT	142.64% WI
<b>Physicians Preferred Ins Co</b>	<b>314.80%</b> FL				
<b>Anesthesiologists Pro Assur Co</b>	<b>48.75%</b> FL	48.75% TX	48.75% AZ	48.75% GA	48.75% OH
<b>Healthcare Underwriters Grp of FL</b>	<b>40.35%</b> FL				
<b>Columbia Cas Co</b>	<b>-37.80%</b> FL	-6.12% CA	-11.19% WA	-15.36% TN	239.74% VT

American Cas Co Of Reading PA	37.28% CA	46.58% NY	<b>10.05%</b> FL	19.84% PA	69.49% NJ
Physicians Ins Co	<b>17.44%</b> FL				
Landmark Amer Ins Co	20.50% CA	<b>39.52%</b> FL	39.29% TX	29.31% NJ	19.38% NY
Physicians Professional Liab RRG	<b>41.52%</b> FL				
Florida Doctors Ins Co	<b>34.87%</b> FL				
Health Care Ind Inc	-692.26% TX	<b>-1601.62%</b> FL	-198.75% LA	-193.51% TN	96.45% KS
Steadfast Ins Co**	95.77% NC	-149.61% TX	51.00% IL	67.57% TN	88.28% CA
Podiatry Ins Co Of Amer A Mut Co	<b>35.71%</b> FL	82.00% IL	36.94% CA	131.47 NJ	59.80% TX
Care RRG Inc	<b>18.85%</b> FL	33.09% OH	21.75% TX	125.72% KY	30.86% CA
Darwin Select Ins Co	40.04% PA	<b>41.21%</b> FL	39.89% TN	39.76% AZ	39.62% NJ

\* Medical Protective's loss ratio for Florida is +137.19%.

\*\* Steadfast's loss ratio for Florida is - 90.62%

## Medical Malpractice Insurance Loss Ratios by State

The sample companies' operating experience in Florida for 2007 appears to be roughly in line with their experience in their other state markets. In the majority of cases, the Florida direct loss ratio was among the lower loss ratios experienced by these companies in their top five markets.

Another useful measure is the Defense Cost Containment (DCC) expense ratio. In general terms these are the costs incurred by the insurance company associated with defending lawsuits. The DCC combined with the loss ratio is a commonly used general measure used to determine overall profitability.

The table below shows the combined loss and DCC ratio for the sample firms in their major markets. As the reported ratios show, the combined Loss + DCC ratio tends to be slightly higher than that generally observed in the other major market for these companies; although this is not universally true.

## Medical Malpractice Insurance Loss & DCC Ratios by State

Company	State 1	State 2	State 3	State 4	State 5
First Professionals Ins Co	<b>40.53%</b> FL	100.09% GA	80.20% AR	100.00% PA	
MAG Mut Ins Co	64.15% GA	<b>47.28%</b> FL	45.68% NC	98.62% SC	78.52% VA
Doctors Co An Interins Exch	45.23% CA	<b>66.51%</b> FL	15.88% OH	3.40% WA	46.98% VA
Pronational Ins Co	<b>157.36%</b> FL	178.46% NJ	9.61% MI	78.99% IL	69.21% KY
Lexington Ins Co	55.07% TN	41.73% CA	52.44% NJ	<b>30.79%</b> FL	22.48% NY
Evanston Ins Co	<b>10.56%</b> FL	26.16% CA	1.62% TX	20.59% NY	7.14% GA
Medical Protective Co*	66.65% PA	21.35% OH	91.35% KY	95.82% IN	10.65% TX
Continental Cas Co	101.71% OR	<b>165.62%</b> FL	-20.79% CO	91.28% CT	165.97% WI
Physicians Preferred Ins Co	<b>70.83 %</b> FL				
Anesthesiologists Pro Assur Co	<b>75.00%</b> FL	75.00% TX	75.00% AZ	75.00% GA	75.00% OH
Healthcare Underwriters Grp of FL	<b>40.35%</b> FL				
Columbia Cas Co	<b>-88.48%</b> FL	-6.12% CA	-11.19% WA	-15.6% TN	264.88% VT
American Cas Co Of Reading PA	67.99% CA	87.62% NY	<b>62.62%</b> FL	19.84% PA	110.79% NJ
Physicians Ins Co	<b>32.09%</b> FL				
Landmark Amer Ins Co	25.12% CA	<b>47.73%</b> FL	55.32% TX	40.31% NJ	46.36% NY
Physicians Professional Liab RRG	<b>61.34%</b> FL				
Florida Doctors Ins Co	<b>51.48%</b> FL				
Health Care Ind Inc	-692.26% TX	<b>-1893.73%</b> FL	-198.75% LA	-193.51% TN	96.45% KS
Steadfast Ins Co**	88.86% NC	61.36% TN	87.47% CA	42.72% IL	-149.61 TX
Podiatry Ins Co Of Amer A Mut Co	<b>82.78%</b> FL	124.78% IL	81.59% CA	197.59% NJ	93.74% TX
Care RRG Inc	<b>25.79%</b> FL	70.44% OH	47.34% TX	149.68% KY	58.99% CA
Darwin Select Ins Co	61.88% PA	<b>62.81%</b> FL	60.61% TN	60.56% AZ	60.14% NJ

\* Medical Protective's loss + DCC ratio for Florida was +154.70%.

\*\* Steadfast's loss ratio for Florida is - 106.31%

## **Balance Sheet Information**

The following section pertains primarily to the “balance sheet” information for the top 22 writers of medical malpractice insurance in Florida. The charge of the Legislature is ultimately to determine the profitability of the insurers in the medical malpractice market in Florida. As mentioned at the outset, this charge is complicated by the nature of the annual statutory financial statements along with the recognition that:

- Written business is often ceded to other companies
- Companies are frequently not mono-line writers
- Companies generally do not write exclusively in Florida

The combined impact is that it is ultimately difficult to assign profit by line, or by state. With these restrictions, this report presents the data and analysis for these 22 companies to determine overall profitability, and potential trends in the marketplace.

## **Ceding Business**

More than in other lines of insurance, companies writing medical malpractice insurance typically engage in a substantial amount of risk management that is reflected in a large amount of business being either assumed from or ceded to other entities as reflected in their reported premium flow. In the state-wide numbers, the report typically relies on the “earned” premium number to capture the potential for assumed and ceded risk that may be misrepresented by a “written” premium number.

Another difference in the premium is the type of medical malpractice insurance. Medical malpractice insurance can be written on an “occurrence” basis, or a “claims made” basis. Medical malpractice insurance in the 1970s, 1980s, and even into the 1990s often was sold on an “occurrence” basis, which covers a doctor or medical provider based on when the alleged malpractice occurred, not when it was noticed, and/or when a malpractice claim was filed. This is similar to other types of property & casualty insurance, which

are usually based on “coverage periods,” and covers damage resulting during that period regardless of when it was noticed, or a claim was filed.

Although this worked well from the standpoint of the medical community, medical malpractice on an occurrence basis presented some problems to the insurance industry. Specifically, this makes medical malpractice a “long-tailed” insurance coverage, which makes accounting and reserving more difficult as a medically negligent procedure may not result in health problems for as many as 5 to 10 years in the future.

As a result, the recent trend in the insurance industry is to offer more medical malpractice insurance on a “claims made” basis – which covers the claim period regardless of when the actual alleged negligence occurred. This makes reserving requirements more certain as it gives a clear identifying scope to the insurance company as to what claims have been filed during what period. Due to litigation and the uncertainty of outcome, there are still reserving uncertainties and a “long-tail” element to medical malpractice insurance, but at least the insurance company should know the entire universe of claims that could ever be filed after the end of the coverage period.

To incorporate these considerations, the financial analysis that follows includes the amount of business assumed and ceded, as well as the type of medical malpractice insurance, claims-made or occurrence type insurance. The tables summarizing both types of insurance for Florida’s top 22 writers follow:

**Net Written Premium and Ceded Percentage  
2007 Nationwide Data  
OCCURRENCE**

<b>Company</b>	<b>Direct</b>	<b>Assumed</b>	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>	<b>Premium Ceded</b>
<b>First Professionals</b>	\$7,936,636	\$1,669,911	\$9,606,547	\$3,184,125	\$6,422,422	33%
<b>MAG Mutual</b>	\$22,999,169	\$0	\$22,999,169	\$3,112,870	\$19,886,299	14%
<b>Doctors Co</b>	\$16,252,858	\$0	\$16,252,858	\$14,943,337	\$1,309,521	92%
<b>Pronational</b>	\$8,315,040	\$84,281	\$8,399,321	\$41,954	\$8,357,367	0%
<b>Lexington</b>	\$18,136,369	\$8,049,967	\$26,186,336	\$10,619,475	\$15,566,861	41%
<b>Evanston</b>	\$0	\$0	\$0	\$0	\$0	NA
<b>Medical Protective</b>	\$ 286,755,142	\$121,868	\$286,877,010	\$145,236,338	\$141,640,672	51%
<b>Continental</b>	\$ 2,406,196	\$139,738,913	\$142,145,109	\$97,002	\$142,048,107	0%
<b>Physicians Preferred</b>	\$710,703	\$0	\$710,703	\$12,642	\$698,061	2%
<b>Anesthesiologists Pro</b>	\$1,332,659	\$818,280	\$2,150,939	\$1,332,659	\$818,280	62%
<b>Healthcare Und. of FL</b>	\$235,363	\$0	\$235,363	\$36,849	\$198,514	16%
<b>Columbia</b>	\$0	\$0	\$0	\$0	\$0	NA
<b>American Of Reading</b>	\$140,187,896	\$0	\$140,187,896	\$140,187,896	\$0	100%
<b>Physicians Ins Co</b>	\$308,034	\$0	\$308,034	\$111,662	\$196,372	36%
<b>Landmark American</b>	\$0	\$0	\$0	\$0	\$0	NA
<b>Physicians Prof. RRG</b>	\$0	\$0	\$0	\$0	\$0	NA
<b>Florida Doctors</b>	\$468,870	\$0	\$468,870	\$43,501	\$425,369	9%
<b>Health Care IC</b>	\$47,480,418	\$0	\$47,480,418	\$6,800,000	\$40,680,418	14%
<b>Steadfast</b>	\$2,524,946	\$0	\$2,524,946	\$2,524,946	\$0	100%
<b>Podiatry Ins Co</b>	\$508,692	\$1,379,568	\$1,888,260	\$(247,597)	\$2,135,857	-13%
<b>Care RRG Inc</b>	\$0	\$0	\$0	\$0	\$0	NA
<b>Darwin Select</b>	\$0	\$0	\$0	\$0	\$0	NA

**Net Written Premium and Ceded Percentage  
2007 Nationwide Data  
CLAIMS-MADE**

Company	Direct	Assumed	Gross	Ceded	Net	Premium Ceded
First Professionals	\$170,804,217	-\$34,505,710	\$136,298,507	\$50,678,074	\$85,620,433	37%
MAG Mutual	\$285,824,264	\$1,622,710	\$287,446,974	\$60,422,274	\$227,024,700	21%
Doctors Co	\$458,146,863	\$74,138,572	\$532,285,435	\$17,135,112	\$515,150,323	3%
Pronational	\$138,616,031	\$6,162,164	\$144,778,195	\$8,643,777	\$136,134,418	6%
Lexington	\$563,423,801	\$45,399,976	\$608,823,777	\$167,699,607	\$441,124,170	28%
Evanston	\$135,287,679	\$10,804,259	\$146,091,938	\$30,026,189	\$116,065,749	21%
Medical Protective	\$402,806,353	\$193,231	\$402,999,584	\$203,626,377	\$199,373,207	51%
Continental	\$177,432,011	\$225,674,900	\$403,106,911	\$80,356,470	\$322,750,441	20%
Physicians Preferred	\$14,329,874	\$0	\$14,329,874	\$254,905	\$14,074,969	2%
Anesthesiologists Pro	\$17,256,679	\$10,908,887	\$28,165,566	\$17,256,679	\$10,908,887	61%
Healthcare Und. of FL	\$10,109,982	\$0	\$10,109,982	\$1,297,080	\$8,812,902	13%
Columbia	\$134,215,761	\$3,372,229	\$137,587,990	\$137,587,990	\$0	100%
American Of Reading	\$27,631,285	\$0	\$27,631,285	\$27,631,285	\$0	100%
Physicians Ins Co	\$9,438,177	\$0	\$9,438,177	\$3,414,857	\$6,023,320	36%
Landmark American	\$57,768,361	\$0	\$57,768,361	\$52,508,702	\$5,259,659	91%
Physicians Prof. RRG	\$8,892,572	\$0	\$8,892,572	\$1,687,104	\$7,205,468	19%
Florida Doctors	\$8,038,580	\$5,528,122	\$13,566,702	\$1,009,364	\$12,557,338	7%
Health Care IC	\$0	\$6,327,321	\$6,327,321	\$690,269	\$5,637,052	11%
Steadfast	\$140,373,661	\$0	\$140,373,661	\$140,373,661	\$0	100%
Podiatry Ins Co	\$83,873,499	\$2,784,033	\$86,657,532	-\$5,836,115	\$92,493,647	-7%
Care RRG Inc	\$15,027,291	\$0	\$15,027,291	\$12,021,833	\$3,005,458	80%
Darwin Select	\$71,230,328	\$681,651	\$71,911,979	\$66,574,593	\$5,337,386	93%

Based on the data above, several features of the operations of the sample companies are evident. Initially, for most companies, a substantial portion of all business is ceded to other entities. This may be an indication of a healthy market, as it implies an availability of reinsurance and working relationships with other insurance entities to distribute risk. This may be especially important in the medical malpractice insurance marketplace due to the large differences in loss ratios, defense cost claims, and regulations based on the different states as illustrated in the state comparison section of this report. A better portrayal of the amount of ceded business is illustrated in the table below which combines both occurrence and claims-made insurance:

<b>Company</b>	<b>Total Ceded %</b>
Columbia Cas Co	100.00%
American Cas Co Of Reading PA	100.00%
Steadfast Ins Co	100.00%
Darwin Select Ins Co	92.58%
Landmark Amer Ins Co	90.90%
Care RRG Inc	80.00%
Anesthesiologists Pro Assur Co	61.32%
Medical Protective Co	50.57%
First Professionals Ins Co	36.92%
Physicians Ins Co	36.18%
Lexington Ins Co	28.08%
Evanston Ins Co	20.55%
MAG Mut Ins Co	20.47%
Physicians Professional Liab RRG	18.97%
Continental Cas Co	14.76%
Health Care Ind Inc	13.92%
Healthcare Underwriters Grp of FL	12.89%
Florida Doctors Ins Co	7.50%
Doctors Co An Interins Exch	5.85%
Pronational Ins Co	5.67%
Physicians Preferred Ins Co	1.78%
Podiatry Ins Co Of Amer A Mut Co	-6.87%

Columbia Casualty Company, American Casualty Company of Reading, and Steadfast Insurance Company ceded all of their medical malpractice business to another company – although this could be to an affiliate company within the same management group.

Another aspect of the market to note from the preceding two charts is that more companies write claims-made than occurrence insurance. Occurrence insurance is still necessary for doctors moving from one provider to another as this creates a need for a “tail” of coverage. The new provider would only want to be responsible for claims filed after employment with the new provider, and not want to be responsible for health care rendered prior to the new employment. However, it does appear that the majority of the leading medical malpractice insurance writers in Florida are moving away from occurrence type insurance toward claims-made type coverage for their direct writings:

<b>COMPANY</b>	<b>OCCURRENCE</b>	<b>CLAIMS MADE</b>
<b>Evanston Ins Co</b>	0.00%	100.00%
<b>Columbia Cas Co</b>	0.00%	100.00%
<b>American Cas Co Of Reading PA</b>	0.00%	100.00%
<b>Landmark Amer Ins Co</b>	0.00%	100.00%
<b>Physicians Professional Liab RRG</b>	0.00%	100.00%
<b>Steadfast Ins Co</b>	0.00%	100.00%
<b>Care RRG Inc</b>	0.00%	100.00%
<b>Darwin Select Ins Co</b>	0.00%	100.00%
<b>Doctors Co An Interins Exch</b>	0.25%	99.75%
<b>Healthcare Underwriters Grp of FL</b>	2.20%	97.80%
<b>Podiatry Ins Co Of Amer A Mut Co</b>	2.26%	97.74%
<b>Physicians Ins Co</b>	3.16%	96.84%
<b>Florida Doctors Ins Co</b>	3.28%	96.72%
<b>Lexington Ins Co</b>	3.41%	96.59%
<b>Physicians Preferred Ins Co</b>	4.73%	95.27%
<b>Pronational Ins Co</b>	5.78%	94.22%
<b>First Professionals Ins Co</b>	6.98%	93.02%
<b>Anesthesiologists Pro Assur Co</b>	6.98%	93.02%
<b>MAG Mut Ins Co</b>	8.05%	91.95%
<b>Continental Cas Co</b>	30.56%	69.44%
<b>Medical Protective Co</b>	41.54%	58.46%
<b>Health Care Ind Inc</b>	87.83%	12.17%

Nineteen (19) of the 22 leading writers in Florida write more than 90% of their direct medical malpractice insurance on a claims-made basis. In fact, eight companies write exclusively claims-made medical malpractice insurance. Only Continental Casualty, Medical Protective, and Health Care Indemnity Inc. (HCII) write a majority of their medical malpractice insurance an occurrence basis.

## **Solvency**

To assess the solvency of the medical malpractice companies, this report uses three ratios: 1) the net liability to surplus ratio; and 2) the net written premium to surplus ratio; and 3) gross written premium to surplus ratio. Although these ratios do not address liquidity issues, they do indirectly measure the company's ability to pay its claims in the short-run.

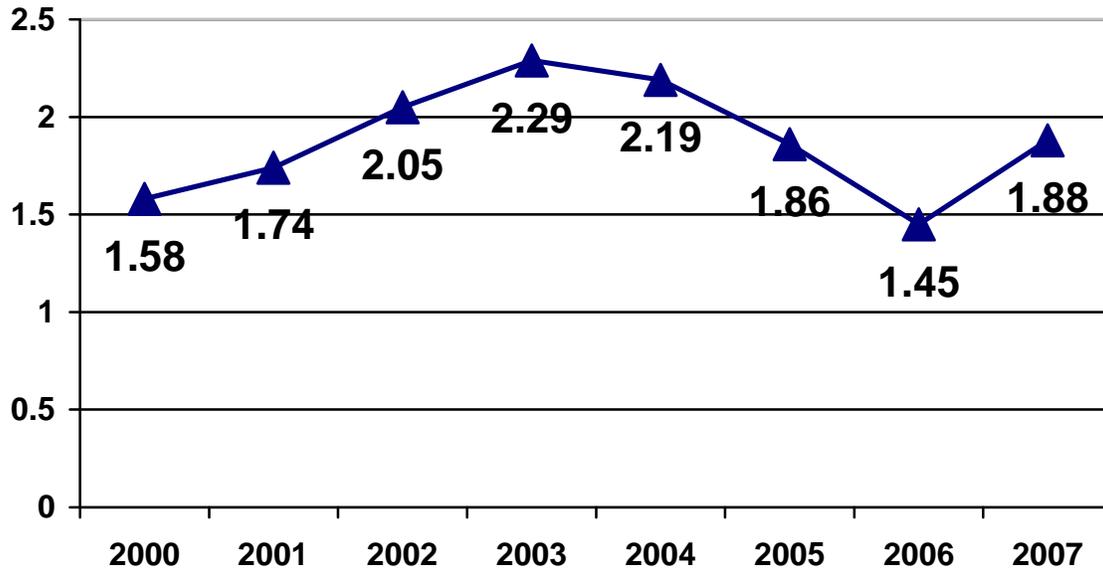
The first measure is the net liability to surplus ratio. “Net liability” is defined as the amount of losses plus loss adjustment expense for a given year. The data for the 22 sample companies are as follows:

## Net Liability to Surplus Ratio 2006

Company	Net Liabilities to Surplus
Care RRG	5.53
Pronational Ins. Co.	3.21
Continental Casualty Co.	2.42
Evanston Ins. Co.	2.24
MAG Mutual Insurance Co.	1.92
Anesthesiologists Pro Assur	1.56
Lexington Ins. Co.	1.53
Podiatry Insurance Co. of Amer	1.51
Health Care Ind. Inc.	1.45
Physicians Preferred Ins.	1.42
Medical Protective Ins.	1.41
Physicians Professional Liab RRG	1.38
First Professional Ins. Co.	1.35
Doctors Co an Ins. Exch	1.07
Physicians Ins. Co.	0.96
Healthcare Underwriters Ins. Grp.	0.90
Landmark Amer Ins. Co.	0.42
Florida Doctors Ins. Co.	0.35
Darwin Select Ins. Co.	0.20
American Cas. Co. of Reading	0.00
Columbia Cas. Co.	0.00
Steadfast Ins. Co.	0.00

Ranges for these ratios are not mandated by statute, although these results do not present a concern from a solvency standpoint. A graph of the weighted data for the top 80% of the market over the past eight years is shown below:

### Net Liability to Surplus Ratio



Although the net liability to surplus ratio was decreasing steadily in the last few years for the top Florida medical malpractice writers, this has reversed and increased in 2007. However, it is important to remember the composition of the top 80% of the medical malpractice insurance market in Florida has also changed dramatically (five new companies added in 2007) which could be altering these results.

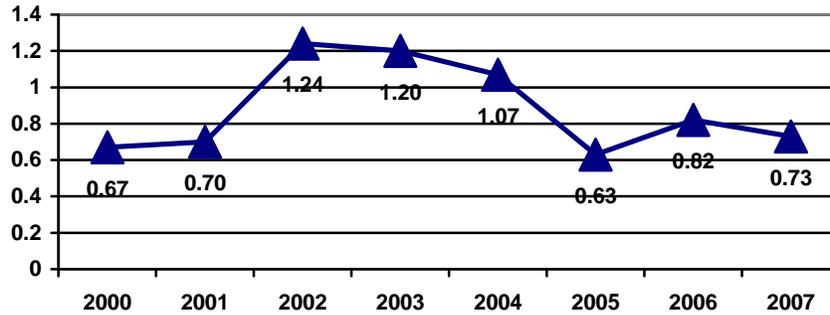
The second important solvency ratio examined is the net written premium to surplus ratio. Unlike the previous ratio, limits for this ratio are mandated by Section 624.4095, Florida Statutes. The ratio itself is not a straightforward calculation --- there are premium adjustments depending on the type of insurance per Section 624.4095(4), Florida Statutes. According to this section of the statute, property insurance premium should be multiplied by 0.90, while casualty insurance should be multiplied by 1.25. Medical malpractice is considered a “casualty” category, and would be subject to the 1.25 multiplier. Yet of the top 22 companies writing med-mal in Florida, very few are mono-line writers. Thus each company could have a different multiplier depending on their mix of business. By statute, the adjusted ratio cannot exceed 4:1. The table for the net written premium to surplus for the 22 sample companies is shown below:

Company Name	Net Written Premium to Surplus Ratio
Physicians Preferred Ins. Co.	1.49
Florida Doctors Ins. Co.	1.30
Evanston Ins. Co.	1.19
Podiatry Ins. Co. of Amer	1.17
Lexington Ins. Co.	0.94
Physicians Ins. Co.	0.91
Continental Cas. Co.	0.77
MAG Mutual Ins. Inc.	0.76
Care RRG Inc.	0.71
Doctors Co. An Ins Exch.	0.64
Pronational Ins. Co.	0.62
Healthcare Underwriters Grp.	0.59
Physicians Professional Liability RRG	0.56
Medical Protective Ins.	0.54
Anesthesiologists Pro Assur Co	0.44
First Professional Ins. Co.	0.39
Landmark Amer Ins. Co.	0.33
Darwin Select Ins. Co.	0.25
Health Care Ind. Inc.	0.06
American Cas. Co. of Reading PA	0.00
Columbia Cas. Co.	0.00

Consistent with the past reports, these numbers have not been adjusted by the premium modifiers specified in Section 624.4095(4), Florida Statutes. However, even if it is assuming these companies wrote 100% casualty insurance and had the maximum modifier of 1.25, none would come close to exceeding the 4:1 statutory ratio.

The chart below provides a view of the trend of the average net written premium to surplus ratio for the majority of the Florida market over time:

## Net Written Premium to Surplus Ratio



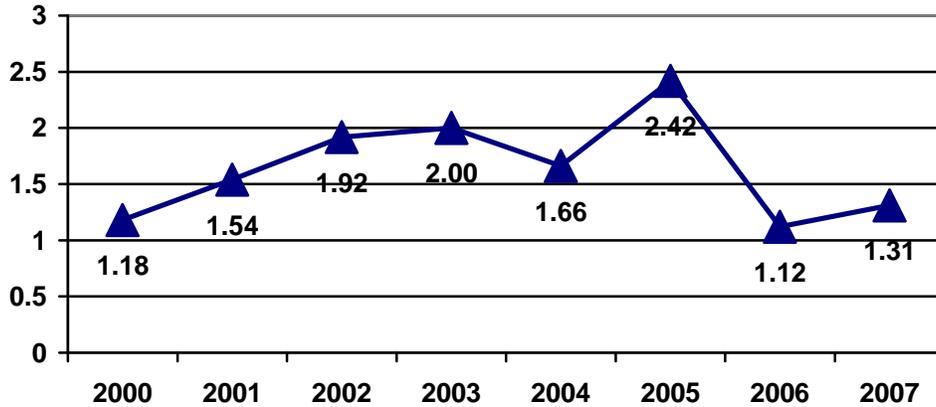
As the chart above shows, after a sharp increase in 2002, the net written premium to surplus ratio drifted downward in 2003, continued downward in 2004, and especially 2005, and has remained relatively constant in 2006 and 2007. The ratio of 0.73 is comfortably in the acceptable range for solvency purposes, indicating a relatively large capital and surplus position to support the business written.

The third ratio is the gross written premium to surplus ratio. Gross written premium is defined as total direct written premium and assumed reinsurance premium. Section 624.4095 mandates that these ratios be within 10:1 for admitted carriers while retaining the same insurance multipliers from the previous ratio. Gross premium is the direct written premium plus the assumed premium. The data for the 22 companies are below:

<b>Company</b>	<b>Gross Premium to Surplus Ratio</b>
Landmark Amer Ins. Co.	5.35
American Cas Co. of Reading	4.79
Darwin Select Ins. Co.	3.63
CARE RRG Inc	3.54
Columbia Cas. Co.	2.96
Steadfast Ins. Co.	2.93
Lexington Ins. Co.	1.71
Physicians Preferred Ins. Co.	1.52
Evanston Ins. Co.	1.47
Physicians Ins. Co.	1.43
Florida Doctors Ins. Co.	1.40
Anesthesiologists Pro Assur.	1.15
Podiatry Ins. Co. of Amer	1.10
Medical Protective Ins. Co.	1.08
Continental Cas. Ins. Co.	1.03
MAG Mutual Ins. Co.	0.96
Physicians Professional	0.69
Doctors Co. An Ins. Exch	0.68
Healthcare Underwriters Group	0.68
Pronational Ins. Co.	0.66
First Professional Ins. Co.	0.62
Health Care Ind Inc.	0.07

For consistency, the data above have not been adjusted by the requisite premium multipliers. Although Section 624.4095, Florida Statutes, only pertains to admitted carriers, not surplus lines carriers, even the surplus lines carriers are within the statutory ratios. The chart below tracks the trend of this ratio over time for the top 80% of med-mal writers in Florida:

## Gross Premium to Surplus Ratio



The weighted total ratio for the 22 sample companies is 1.31, a marginal increase from 2006, but historically low relative to the other data collected since 2000. This weighted ratio is driven largely by those companies noted above that cede a substantial portion of their business. As such, the gross premium to surplus ratio for them is high, and not truly reflective of the capital actually at risk. Overall, with the decrease observed in 2006, these ratios are well within the ranged of prudent solvency management, and do not indicate an industry solvency concern.

## Profitability

Just like the issue of “solvency,” profitability for the industry is not easily defined, especially when the data are aggregated nationally, and cannot be segregated into a state-by-state comparison. The analysis can only look at the financial performance of the 22 companies knowing that some of their profits/losses may come from other states, or other lines of business.

One common measurement is the Loss & LAE (loss adjustment expense) ratio to earned premium. Below are the Loss and LAE ratio for the 22 companies:

## Loss & LAE Ratios 2007

Company	Ratio
First Professionals Ins Co	48.82%
MAG Mut Ins Co	58.09%
Doctors Co An Interins Exch	48.99%
Pronational Ins Co	99.27%
Lexington Ins Co	59.07%
Evanston Ins Co	46.47%
Medical Protective Co	80.44%
Continental Cas Co	82.57%
Physicians Preferred Ins Co	73.77%
Anesthesiologists Pro Assur Co	50.88%
Healthcare Underwriters Grp of FL	71.34%
Columbia Cas Co	N/A
American Cas Co Of Reading PA	N/A
Physicians Ins Co	21.70%
Landmark Amer Ins Co	35.30%
Physicians Professional Liab RRG	75.97%
Florida Doctors Ins Co	50.02%
Health Care Ind Inc	-309.30%
Steadfast Ins Co	N/A
Podiatry Ins Co Of Amer A Mut Co	70.81%
Care RRG Inc	61.96%
Darwin Select Ins Co	65.76%

*\* Columbia, American Cas., and Steadfast all reported 0 earned premium. Therefore this ratio could not be calculated.*

As the tables show, there is substantial variation among the companies, though they together show the increased underwriting discipline evidenced in the market nationally in recent years.

Another common measure of overall profitability is net income, and to make the number more meaningful, net income as a percentage of surplus. This ratio often is considered a surrogate variable for return on equity, a common measure of profitability in other industries. The return on surplus numbers from 2007 for the 22 sample companies:

## Return on Surplus 2007

Company	Return on Surplus
First Professionals Ins Co	17.84%
MAG Mut Ins Co	16.98%
Doctors Co An Interins Exch	19.47%
Pronational Ins Co	7.32%
Lexington Ins Co	26.51%
Evanston Ins Co	23.16%
Medical Protective Co	9.58%
Continental Cas Co	4.19%
Physicians Preferred Ins Co	-0.01%
Anesthesiologists Pro Assur Co	23.60%
Healthcare Underw Grp of FL	4.06%
Columbia Cas Co	3.66%
American Cas Co Of Reading PA	2.25%
Physicians Ins Co	14.83%
Landmark Amer Ins Co	13.19%
Physicians Professional Liab RRG	2.09%
Florida Doctors Ins Co	-5.60%
Health Care Ind Inc	30.81%
Steadfast Ins Co	10.53%
Podiatry Ins Co Of Amer	10.79%
Care RRG Inc	14.71%
Darwin Select Ins Co	1.83%

As the data above show, 2007 was a profitable year for the top 22 companies in the Florida market; in fact for the fourth year in a row. It is extremely important, however, to put these return statistics in context when attempting to draw inference about the Florida medical malpractice insurance market. The return on surplus numbers above is based on the insurer's total book of business (all lines) across the entire country. Statutory reporting does not allow for any finer granularity of this statistic. That should not be interpreted to mean that the sample companies above earned that reported rate of return on their Florida malpractice insurance during 2007.

As the table above shows, this yields an average return on surplus of 11% for 2007. Following a reported overall return on surplus of 13% in 2005 and 20% in 2006; the rate trends infers continued profitability. It is important to note however, that over the last six years, the data following show that the return on surplus has been highly volatile; positive in 2002, 2004-2007, but providing negative returns in 2001 and 2003. It does appear, however that the trend causing significant industry concerns of the early 2000's has largely evaporated.

<b>Year</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Return on Surplus</b>	<b>(-7 %)</b>	<b>19%</b>	<b>(-12%)</b>	<b>10%</b>	<b>13%</b>	<b>20%</b>	<b>11%</b>

Finally, the analysis compares other commonly used financial ratios obtained from the 2007 income statements. These ratios include the combined ratio, as well as the operating ratio on a pre-tax and post-tax basis:

## Financial Ratios 2007 Income Statement

Company	Combined	Pre-Tax	Post-Tax
First Professionals Ins Co	75.07%	62.28%	51.90%
MAG Mut Ins Co	83.53%	67.36%	55.59%
Doctors Co An Interins Exch	73.67%	61.88%	53.76%
Pronational Ins Co	118.28%	88.52%	88.14%
Lexington Ins Co	74.08%	58.72%	47.48%
Evanston Ins Co	83.89%	72.46%	64.81%
Medical Protective Co	95.83%	77.42%	72.59%
Continental Cas Co	114.66%	82.05%	70.05%
Physicians Preferred Ins Co	106.70%	98.18%	95.69%
Anesthesiologists Pro Assur Co	78.38%	61.55%	55.09%
Healthcare Underwriters Grp of FL	107.02%	91.54%	90.14%
Columbia Cas Co	N/A	N/A	N/A
American Cas Co Of Reading PA	N/A	N/A	N/A
Physicians Ins Co	81.88%	70.58%	59.10%
Landmark Amer Ins Co	58.50%	41.75%	23.00%
Physicians Professional Liab RRG	125.06%	95.52%	94.87%
Florida Doctors Ins Co	97.96%	88.35%	66.64%
Health Care Ind Inc	-282.34%	-483.95%	-562.47%
Steadfast Ins Co	N/A	N/A	N/A
Podiatry Ins Co Of Amer A Mut Co	95.28%	85.66%	81.05%
Care RRG Inc	81.39%	70.68%	60.75%
Darwin Select Ins Co	98.14%	84.37%	77.42%

\* Columbia, American Cas., and Steadfast all reported 0 earned premium. Therefore this ratio could not be calculated.

A more detailed presentation of the income statement elements is included in Appendix B.

### Reserve Development

Another area that is important to examine, especially in medical malpractice insurance, is the reserve development experience. Since overall company solvency pertains more to the reserve development of the overall book of business, the development amounts shown below are for all lines of business. The reserve development data collected in the annual statutory financial statements are for both one-year development and two-year development. The two-year measurement is potentially a better measurement tool

because it can smooth anomalous yearly data. The reserve development for the 22 sample companies is listed below:

**Adverse / (Favorable) Reserve Development**  
(in thousands)

<b>Company</b>	<b>One-Year Development</b>	<b>Two-Year Development</b>
American Cas Co Of Reading PA	\$0	\$0
Anesthesiologists Pro Assur Co	-\$2,374	-\$2,589
Care RRG Inc	-\$31	-\$55
Columbia Cas Co	\$0	\$0
Continental Cas Co	-\$67,576	-\$112,109
Darwin Select Ins Co	-\$164	-\$1
Doctors Co An Interins Exch	-\$71,315	-\$115,233
Evanston Ins Co	-\$58,218	-\$117,542
First Professionals Ins Co	-\$22,974	-\$23,194
Florida Doctors Ins Co	-\$206	-\$10
Health Care Ind Inc	-\$203,455	-\$414,909
Healthcare Underwriters Grp of FL	-\$762	-\$794
Landmark Amer Ins Co	-\$990	-\$1,002
Lexington Ins Co	-\$92,810	-\$179,143
MAG Mut Ins Co	-\$67,808	-\$59,373
Medical Protective Co	-\$9,773	-\$21,282
Physicians Ins Co	-\$2,232	-\$2,046
Physicians Preferred Ins Co	-\$390	-\$238
Physicians Professional Liab RRG	-\$2,633	\$370
Podiatry Ins Co Of Amer A Mut Co	\$3,553	-\$2,480
Pronational Ins Co	\$15,128	\$32,719
Steadfast Ins Co	\$0	\$0

As can clearly be seen, 2007 showed favorable reserve development, following a similar finding in the previous two reports. In fact, when analyzing the two-year development for the 22 companies, 17 companies reduced their reserves based on an overestimation of expected medical malpractice losses. The overall favorable reserve development experience, if continued, could ease rate pressures in the Florida medical malpractice market.

## **Medical Malpractice Rate Filings in 2007**

2007 was a year of fairly significant improvements in physicians and surgeons malpractice rates from the policyholders perspective. On the average, rates for the admitted market companies (the only companies required to file their rates) decreased nearly 10%.

The calendar year 2007 featured 62 rate filings, up from 32 in 2006. However, many of these rate filings were for specialized types of medical malpractice insurance including dentists, podiatrists, optometrists, chiropractors and other distinct field. The primary market for medical malpractice insurance is for physicians and surgeons, for which 27 rate filings were approved. The physicians and surgeons rate changes approved for various companies are shown on the following page.

In reviewing the chart, the data shows that most companies made rate changes (the 'Rate Change Approved' column) within a few percentage points of 10%, with some companies taking two rate decreases in the same year. The rate changes averaged about 2% more than the companies' rate indications (their estimates of the needed rate change). The total dollar impact of the reductions is an expected reduction in physicians premiums of roughly \$42.1 million.

## Physicians' Malpractice Rate Changes Approved in 2007

Company Name	Policy Count	Premium Reported	Rate Change Indicated	Rate Change Proposed	Rate Change Approved	Approval Date
First Professionals Ins. Co.	7405	175,123,000	-13.1%	-11.7%	-11.7%	11/20/2007
First Professionals Ins. Co. (Optometrists Program)	45	56,717	0.0%	-4.6%	-4.6%	2/2/2007
Doctors Company	2107	35,935,000	-3.5%	-4.2%	-4.2%	6/21/2007
Pronational Ins. Co.	1629	57,492,317	-8.6%	-8.6%	-8.6%	2/8/2007
Physicians Ins. Co.	660	9,328,583	-6.9%	-10.9%	-10.9%	11/20/2007
Physicians Ins. Co.	Above	Above	-8.3%	-14.9%	-14.9%	1/4/2007
MAG Mutual Ins. Co.	1364	86,853,841	-8.4%	-12.0%	-12.0%	12/13/2007
MAG Mutual Ins. Co.	Above	Above	3.0%	0.0%	-7.2%	3/22/2007
Medical Protective Co. (The)	650	23,423,000	0.0%	-0.3%	-0.3%	6/21/2007
Medical Protective Co. (The)	Above	Above	-9.7%	-10.0%	-10.0%	2/22/2007
Healthcare Underwriters Grp. Of FL	600	9,000,000	-4.8%	-5.0%	-5.0%	2/15/2007
FL Med Mal JUA	494	9,623,000	14.8%	-10.0%	-10.0%	4/16/2007
Anesthesiologists Pro. Assurance Co.	504	15,299,000	-18.8%	-11.4%	-11.4%	11/20/2007
FL Doctors Ins. Co.	248	2,802,000	1.5%	-12.5%	-12.5%	11/20/2007
Medical Assurance Co. Inc. (The)	23	1,941,205	-14.1%	-7.1%	-14.1%	2/13/2007
Ins. Services Office (ISO)	0	0	-2.7%	-2.7%	-2.7%	4/16/2007
<b>Average Rate Change for Doctors Insured by Above Companies</b>			-7.4%	-9.0%	-9.6%	
<b>Market Share(%) of Admitted Ins. Cos. Not Making Rate Changes</b>						
		10%				
<b>Average Rate Change for Doctors in FL (Insured by Admitted Cos.)</b>			-6.6%	-8.1%	-8.6%	

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 given the limited data available, it appears that 10% of the market (by premium) did not make rate changes in 2007. So, the impact of the rate changes experienced by the average physician is diluted slightly (as shown in the 'Average Rate Change for Doctors in Florida' row).

It is also instructive to view the cumulative rate changes for physicians' medical malpractice rates over the last five years --- since the 2003 Legislative reforms. The table below shows the cumulative rates changes for five of the largest carriers. As of 2008, the Office has approved only one filing for this group:

## Physicians' Malpractice Rate Changes Approved 2004-2008

<b>Company</b>	<b>2004 Filings</b>	<b>2005 Filings</b>	<b>2006 Filings</b>	<b>2007 Filings</b>	<b>2008 Filings</b>	<b>Cumulative</b>
First Professionals	8.0%	8.0%	-11.0%	-11.7%	N/A	-8.34%
MAG Mutual	7.0%	8.9%	9.2%	-18.3%	N/A	3.96%
ProNational	17.3%	6.4%	0.5%	-8.6%	-13.5%	-0.83%
Doctors Company	1.1%	5.0%	-1.3%	-4.2%	N/A	0.37%
Medical Protective	45.0%	14.6%	4.6%	-10.3%	N/A	55.91%

Also, it must be noted that a portion of the physicians insured in Florida (loosely estimated, given the data available, at 20%) are insured by so-called 'non-admitted' or 'surplus lines' carriers, or are insured by risk retention groups, neither of which are required<sup>2</sup> to file rates in Florida. Rather, those insurers may simply use whatever rates they choose without filing them with the Office. Further, physicians operating within a large hospital or chain of hospitals often effectively receive coverage through the hospital's insurance program or policy. Lastly, physicians do 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.

Another aspect of the malpractice market is that there are a number of other classes besides the physicians. There is a relatively small (as measured by insurance premium) volume of nurse, podiatrists, etc. professionals that also purchase malpractice insurance. And, there is a significant amount of coverage sold to hospitals. This coverage often involves very large deductibles or so-called self-insured retentions, so the actual volume of claims experienced by the hospitals are likely far higher the portion of the claims covered by their insurance. That is likely to be especially true for large hospitals. Our data did not allow us to produce a refined estimate of the percentage of insurance

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<sup>2</sup> This is not a substantial factor in the data, but the small number of risk retention groups that choose Florida as their legal state of domicile are required to file their rates in Florida.

premium (disproportionately surplus lines premium) for these non-physician classes, but it is loosely estimated at 17% of the total insured premium.<sup>3</sup>

Lastly, insurance companies made several changes that did not actually change their existing rates. For the most part, these involved adding rates for new classes or adding new deductible, etc. options. In two cases, this involved companies certifying that their rates did not require changes. Details are shown below.

### **Non-Rate Change Physicians' Rate Filings Approved in 2007**

Company Name	Impact of Filing	Approval Date
First Professionals Ins. Co.	Adding new Urgent Care class	2/2/2007
First Professionals Ins. Co.	Adding the part-time discount for Otolaryngologists purchasing group .	6/21/2007
First Professionals Ins. Co.	Adding optional deductible credits	8/16/2007
MAG Mutual Ins. Co.	Removing the installment fee for a premium payment plan.	8/16/2007
Pronational Ins. Co.	Adding Hospitalist class code.	3/22/2007
Medical Protective Co. (The)	Optional factors for conversion from claims/made to occurrence.	4/2/2007
Cincinnati Indemnity Company	Actuarial certification in lieu of rate filing.	11/14/2007
Cincinnati Insurance Company	Actuarial certification in lieu of rate filing.	11/14/2007
Medical Assurance Co. Inc. (The)	Adding Hospitalist class code.	3/22/2007
Valiant Insurance Company	New program.	12/6/2007
Insurance Services Office (ISO)	Revised deductible factors	4/20/2007

Although the average rate approval for the primary market was for a substantial decrease, the same was not necessarily true for the secondary medical malpractice markets. The weighted average rate approval for dentists was +1.9%, the average for professional nurses was -0.0% (resulting mostly from a set of rate certifications in lieu of filing), while the average rate approval for other healthcare professionals including podiatrists, optometrists, therapists, chiropractors and other specialties was +3.6%. Exhibits showing the rate filings for the primary and secondary medical malpractice markets is included in Appendix C.

<sup>3</sup> Based on OIR internal analysis and estimation

## **New Companies Entering the Florida Medical Malpractice Market**

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 would be the number of new entrants into the market. During 2007, five “new” companies entered the Florida medical malpractice insurance market. “New” companies can either be a start-up company, a company operating in another state expanding to Florida, or an established company already writing in Florida that expanded its lines of business to include medical malpractice insurance.

During 2007, the following companies entered the medical malpractice insurance market in Florida:

<b>Company</b>	<b>Type of Entity</b>	<b>Domiciliary State</b>
Great Divide Insurance Co.	Property & Casualty	North Dakota
Hudson Insurance Co.	Property & Casualty	Delaware
Riverport Insurance Co.	Property & Casualty	Minnesota
Southwest Physicians RRG	Risk Retention Group	South Carolina
Urgent Care Assurance RRG	Risk Retention Group	Nevada

During the same time, Florida had only two companies that had their medical malpractice insurance authority either withdrawn or suspended.<sup>4</sup>

Note that two of the new entrants are risk retention groups. This is a trend observed nationally as well as in Florida.

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<sup>4</sup> American Physicians Assurance Corporation had their med-mal authority suspended July 26, 2007; Healthcare Providers Insurance Exchange had their med-mal authority withdrawn on December 31, 2007.

## **Analysis of the Closed Claim Database**

The Office of Insurance Regulation (Office) collects closed claim data reported by the insurers and self insured entities. For the purposes of the report, all claims closed during the period January 1, 2007 to December 31, 2007 were analyzed. The database contains other relevant dates including the occurrence date and the report date, when the insured made a claim. Although this section covers claims resolved in 2007, 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 claims closed in 2007, the average difference between occurrence and when the claim was filed was 468 days, and the difference between when a claim was filed and when the claim was closed was 1002 days.

This reported data is of limited use for evaluating the profitability, solvency, or the adequacy of rates of a specific company. The data do 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; and, 2.) The data for the 17 companies that represent 80% of the Florida market. For every claim, 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 2007, the Florida medical malpractice insurance companies reported 3,553 closed claims in Florida. Of these 3553 claims closed in 2007, 1839 claims were filed by females and 1714 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 2007 includes the following:

Location	Frequency of Claims	Percentage of claims
Hospital Inpatient Facility	1,656	46.61%
Physician's Office	717	20.18%
Emergency Room	469	13.20%
Other Outpatient Facility	191	5.38%
Hospital Outpatient Facility	141	3.97%
Other Location	127	3.57%
Prison	111	3.12%
Patient's Home	65	1.83%
Other Hospital/Institution	48	1.35%
Nursing Home	28	0.79%
Total	3,553	

The data show that the largest number of claims came from hospital inpatient facilities, which together with physician's office and emergency room compromise over eighty percent of all claims closed in 2007.

### 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 are:

- 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 following chart tabulates the frequencies for the severity of claims resolved in Florida in 2007:

Severity code	Frequency of Claims
1	185
2	202
3	622
4	312
5	490
6	353
7	212
8	133
9	1,044
Total	3,553

Category “9,” meaning death, is the leading category for medical malpractice claims settled, and accounted for nearly 30% of all of the claims closed in 2006.

**Geographic Distribution**

Among the other data required to be filed are data that show the insured’s residence including county, address and zip code. Not surprisingly, the largest percentage of closed claims arises from areas that have the highest populations. The 10 counties with the most closed medical malpractice claims in 2007 were:

Rank	County	Frequency of Claims
1	Dade	454
2	Broward	360
3	Palm Beach	291
4	Hillsborough	205
5	Pinellas	198
6	Orange	139
7	Duval	114

8	Pasco	106
9	Out of state	104
10	Brevard	86

There was at least one closed claim in 59 of Florida's 67 counties during 2007. For the second year in a row, the category for out-of-state residents was in the top 10.

**Insurance Companies with the Most Closed Claims**

The table below lists the frequency of claims closed by submitting entity in 2007 as reported to the closed claim database. The table includes insurance companies, self insureds, and risk retention groups.

Rank	Submitting Entity	Number of Closed Claims
1	<b>FIRST PROFESSIONALS INSURANCE COMPANY, INC</b>	592
2	<b>HEALTH CARE INDEMNITY, INC.</b>	472
3	<b>LEXINGTON INSURANCE COMPANY</b>	321
4	<b>PRONATIONAL INSURANCE COMPANY</b>	238
5	<b>MAG MUTUAL INSURANCE COMPANY</b>	217
6	<b>DOCTORS' COMPANY, AN INTERINSURANCE EXCHANGE (THE)</b>	147
7	<b>MEDICAL PROTECTIVE COMPANY (THE)</b>	141
8	FLORIDA MEDICAL MALPRACTICE JUA	86
9	TRUCK INSURANCE EXCHANGE	72
10	<b>PODIATRY INSURANCE COMPANY OF AMERICA, A MUTUAL COMPANY</b>	66
11	<b>CONTINENTAL CASUALTY COMPANY</b>	65
12	EVEREST INDEMNITY INSURANCE COMPANY	58
13	Baptist Health South Florida, <b>ANESTHESIOLOGISTS PROFESSIONAL ASSURANCE COMPANY</b>	44
14	<b>COMPANY</b>	33
15	FORTRESS INSURANCE COMPANY	30
16	<b>COLUMBIA CASUALTY COMPANY</b>	28
17	South Broward Hospital District,	27
18	MOUNT SINAI MEDICAL CENTER,	25
19	NATIONAL FIRE INSURANCE COMPANY OF HARTFORD	24
19	North Broward Hospital District Self Insurance Trust,	24
19	OMSNIC,	24
22	<b>HEALTHCARE UNDERWRITERS GROUP OF FLORIDA</b>	22

22	PHYSICIANS PROFESSIONAL LIABILITY RISK RETENTION GROUP, INC.	22
24	AMERICAN PHYSICIANS ASSURANCE CORPORATION	20
24	TIG INSURANCE COMPANY	20
26	Florida Hospital,	19
26	<b>PHYSICIANS PREFERRED INSURANCE COMPANY</b>	19
26	St. Mary's Hospital,	19
29	University of South Florida Health Sciences Center,	18
30	<b>EVANSTON INSURANCE COMPANY</b>	17
30	Florida Hospital Medical Center,	17
30	ST. PAUL FIRE & MARINE INSURANCE COMPANY	17
33	ADMIRAL INSURANCE COMPANY	16
33	AMERICAN HEALTHCARE INDEMNITY COMPANY	16
33	HUDSON SPECIALTY INSURANCE COMPANY	16
36	Lexington Insurance, UCH Cells A and B,	14
36	PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY,	14
38	Orlando Regional Healthcare,	13
38	PALMETTO GENERAL HOSPITAL,	13
40	COMMONWEALTH INSURANCE COMPANY OF AMERICA	12
40	Halifax Medical Center,	12
40	NATIONAL UNION FIRE INSURANCE CO. OF PITTSBURGH, PA	12
40	NOT PROVIDED,	12
40	PREFERRED PROFESSIONAL INSURANCE COMPANY	12
45	ACE AMERICAN INSURANCE COMPANY	11
45	CATLIN INSURANCE COMPANY LTD.	11
45	Lee Memorial Health System,	11
45	Martin Memorial Medical Center, Inc.,	11
45	PARKWAY REGIONAL MEDICAL CENTER,	11
45	PHICO INSURANCE COMPANY	11
45	<b>PHYSICIANS INSURANCE COMPANY</b>	11
45	RDA Sterling Healthcare,	11
53	APPLIED MEDICO-LEGAL SOLUTIONS RISK RETENTION GROUP, INC.	10
53	CINCINNATI INSURANCE COMPANY	10
53	Mercy Hospital Miami,	10
53	Tallahassee Memorial Hospital,	10
57	AMERICAN INTERNATIONAL SPECIALTY LINES INS. CO.	9
57	FLORIDA HEALTHCARE PROVIDERS INSURANCE EXCHANGE	9
57	NORTH SHORE MEDICAL CENTER,	9
57	OPHTHALMIC MUTUAL INSURANCE COMPANY (A R.R.G.)	9
57	<b>STEADFAST INSURANCE COMPANY</b>	9
62	CLARENDON NATIONAL INSURANCE COMPANY	8
62	DELRAY COMMUNITY HOSPITAL,	8
62	FIREMAN'S FUND INSURANCE COMPANY	8
62	GOOD SAMARITAN MEDICAL CENTER,	8

62	MEDICAL ASSURANCE COMPANY, INC. (THE)	8
62	SOUTH PINELLAS MEDICAL TRUST	8
62	Winter Haven Hospital, Inc.,	8
69	Boca Raton Community Hospital,	7
69	Florida Hospital- Ormond Memorial,	7
69	Holy Cross Hospital, Inc.,	7
69	ZURICH AMERICAN INSURANCE COMPANY	7
73	<b>AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA</b>	6
73	AMERICAN INSURANCE COMPANY (THE)	6
73	CHICAGO INSURANCE COMPANY	6
73	FRONTIER INSURANCE COMPANY	6
73	Holmes Regional Medical Center,	6
73	LLOYD'S, UNDERWRITERS AT, LONDON	6
73	University Community Health Insurance Co., SPC, Ltd. Cell E,	6
80	CITADEL INSURANCE, RISK RETENTION GROUP	5
80	East Pasco Medical Center,	5
80	HIALEAH HOSPITAL,	5
80	Lakeland Regional Medical Center,	5
80	Martin Memorial Physician Corporation,	5
85	AMERICAN EQUITY INSURANCE COMPANY	4
85	ARCH SPECIALTY INSURANCE COMPANY	4
85	Florida Hospital Deland,	4
85	Florida Hospital Waterman,	4
85	FLORIDA MEDICAL CENTER,	4
85	GRANITE STATE INSURANCE COMPANY	4
85	Lexington Insurance, Participating Physicians Cell E,	4
85	Palm Beach Gardens Medical,	4
85	Parrish Medical Center,	4
85	SOUTH FLORIDA OPHTHALMOLOGICAL SELF INSURING TRUST	4
95	<b>CARE RISK RETENTION GROUP, INC.</b>	3
95	Florida Hospital Heartland,	3
95	HARBOR SPECIALTY INSURANCE COMPANY	3
95	IRONSHORE SPECIALTY INSURANCE COMPANY	3
95	Jupiter Medical Center, Inc.,	3
95	<b>LANDMARK AMERICAN INSURANCE COMPANY</b>	3
95	LEGION INSURANCE COMPANY	3
95	RED MOUNTAIN CASUALTY INSURANCE COMPANY, INC.	3
95	University of Miami Miller School of Medicin,	3
104	All Children's Hospital, Inc.,	2
104	AMERICAN ASSOCIATION OF ORTHODONTISTS INS. CO.	2
104	Bert Fish Medical Center,	2
104	CONNECTICUT INDEMNITY COMPANY	2
104	CORAL GABLES HOSPITAL,	2
104	EXECUTIVE RISK INDEMNITY INC.	2

104	Flagler Hospital,	2
104	GENERAL STAR INDEMNITY COMPANY	2
104	Holmes Regional Medical Center ,	2
104	LEXINGTON NATIONAL INSURANCE CORPORATION	2
104	OCEANUS INSURANCE COMPANY, A RISK RETENTION GROUP	2
104	PINECREST REHABILITATION HOSPITAL,	2
104	UNIVERSAL REINSURANCE CORPORATION	2
104	WEST BOCA MEDICAL CENTER,	2
118	American Medical Response,	1
118	ATHENA ASSURANCE COMPANY	1
118	CAMPMED CASUALTY & INDEMNITY COMPANY, INC. OF MARYLAND	1
118	Cape Canaveral Hospital,	1
118	CLEVELAND CLINIC HOSPITAL,	1
118	<b>DARWIN NATIONAL ASSURANCE COMPANY</b>	1
118	Doctor's Hospital, Inc.,	1
118	EMERGENCY MEDICINE PROFESSIONAL ASSURANCE COMPANY RISK RETENTION GROUP	1
118	EVEREST NATIONAL INSURANCE COMPANY	1
118	<b>FLORIDA DOCTORS INSURANCE COMPANY</b>	1
118	Florida Hospital Celebration Health,	1
118	Florida Hospital Flagler,	1
118	Florida Physicians Medical Group,	1
118	GENERAL INSURANCE COMPANY OF AMERICA	1
118	Healthsouth Doctors Hospital,	1
118	Healthsouth Treasure Coast Rehabilitation Hospital,	1
118	HOLLYWOOD MEDICAL CENTER,	1
118	Indian River Memorial Hospital,	1
118	INTERSTATE FIRE & CASUALTY COMPANY	1
118	LAGO VISTA CARE CENTER,	1
118	Laparoscopic Center of South Florida,	1
118	MIAMI CHILDREN'S HOSPITAL,	1
118	NORTH AMERICAN SPECIALTY INSURANCE COMPANY	1
118	NORTH RIDGE MEDICAL CENTER,	1
118	Orlando PPEC,	1
118	PREFERRED PHYSICIANS MEDICAL RISK RETENTION GROUP,	1
118	SOUTH FLORIDA DENTISTS SELF INSURANCE TRUST	1
118	Watson Clinic LLP,	1

The companies in bold type are among the 22 companies comprising 80% of the direct written premium in Florida in 2007. All but one had a closed claim 2007. As the data show, although these companies are in the top 22 of direct written premium calculations, they are not all necessarily the ones with the most closed claims in 2007. This could be

in part due to the long-tailed nature of the business. It should be noted however, that 8 of the ten entities with the most closed claims in 2007 are in the sample off 22 companies with the most premium volume.

**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 for all claims reported closed in 2007 were as follows:

Category of Payment	Amount
Indemnity Paid	\$523,644,436
LAE Paid to Defense Counsel	\$174,737,224
All other LAE Paid	\$42,263,676
Non-Economic Loss	\$239,317,064
Economic Loss - Incurred	\$45,365,467
Economic Loss - Anticipated	\$162,298,671

The total of the indemnity and LAE categories is \$745,645,336, which represents the total amount paid by insurance companies, self-insurance companies, and surplus lines companies for claims settled in 2007. It is important to remember that in many instances, approximately 51% of the time, the claims closed showed indemnity payments of \$0 to the plaintiff. However, even in these instances, it is likely the insured 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 2007 closed claims shows \$239,317,064 in non-economic loss and combined economic loss of \$207,664,138.

There are some caveats to consider when reading this data. First, while conceptually the economic and non-economic damage total above should equal the total amount paid to the plaintiff presented previously, clearly the sums are different. One possible reason for the discrepancy pertains to the forward looking estimates included in the economic

damages above. Differences in methodologies for equating current dollar losses to future losses for reporting purposes can easily skew the results away from the conceptual equality of the two totals.

Apart from the time-value of money, and 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 amount to the plaintiff, and do not distinguish what portion of the payment amount by the insurer is for economic versus non-economic damages. Therefore, companies are left to estimate these numbers to fill out the report. A few companies reported data with no estimates, leaving these fields blank.

Assuming the numbers are accurate within the noted limitations, the amount paid in economic losses (\$207) is slightly lower than the combined amount of non-economic loss paid (\$239 million).

## **Closed Claims for the 22 Largest Florida Writers**

Throughout this report, the legislative mandate has focused on the top 22 leading writers of medical malpractice in the state of Florida in 2007. 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

As noted earlier, 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, the 22 leading writers of

medical malpractice insurance in Florida reported the following average times and the number of claims being averaged:

Company	Number of Claims	Days from Occurrence to Report	Days From Report to Disposition	Total Days
American Cas. Co. of Reading, PA	7	324	1,394	1,718
Anesthesiologists Pro Assur Co	32	324	1,248	1,572
Care RRG Inc	3	529	347	876
Columbia Cas Co	27	428	1,161	1,589
Continental Cas Co	64	380	811	1,191
Darwin Select Ins Co	1	218	515	733
Doctors Co An Interins Exch	146	601	908	1,509
Evanston Ins Co	16	415	766	1,181
First Professionals Ins Co	591	572	903	1,475
Florida Doctors Ins Co	1	755	184	939
Health Care Ind Inc	472	298	606	904
Healthcare Under. Grp of FL	21	624	533	1,157
Landmark Amer Ins Co	3	350	451	801
Lexington Ins Co	320	376	665	1,041
MAG Mut Ins Co	216	584	822	1,406
Medical Protective Co*	140	565	1,130	1,695
Physicians Ins Co	11	316	726	1,042
Physicians Preferred Ins Co	18	579	373	952
Physicians Professional Liab RRG	21	576	776	1,352
Podiatry Ins Co of Am. A Mut Co	65	598	663	1,261
Pronational Ins Co	238	479	1,330	1,809
Steadfast Ins Co**	9	384	1,147	1,531

This table reinforces the “long-tail” aspect of medical malpractice insurance as it may take up to five years between the occurrence of an accident and actual payment.

### **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 does show differences among the companies in terms of the percentage of closed claims that were settled, or resulted in the payment to the plaintiff:

<b>Company</b>	<b>Number of Closed Claims</b>	<b>Claims With Payment to Plaintiff</b>	<b>Percentage</b>
First Professionals Ins Co	591	211	35.7%
Health Care Ind Inc	472	196	41.5%
Lexington Ins Co	320	128	40.0%
Pronational Ins Co	238	87	36.6%
MAG Mut Ins Co	216	90	41.7%
Doctors Co An Interins Exch	146	48	32.9%
Medical Protective Co	140	75	53.6%
Podiatry Ins Co Of Amer A Mut Co	65	33	50.8%
Continental Cas Co	64	28	43.8%
Anesthesiologists Pro Assur Co	32	12	37.5%
Columbia Cas Co	27	11	40.7%
Healthcare Underwriters Grp of FL	21	8	38.1%
Physicians Professional Liab RRG	21	18	85.7%
Physicians Preferred Ins Co	18	14	77.8%
Evanston Ins Co	16	11	68.8%
Physicians Ins Co	11	4	36.4%
Steadfast Ins Co	9	4	44.4%
American Casualty Co. of Reading, PA	7	2	28.6%
Care RRG Inc	3	3	100.0%
Landmark Amer Ins Co	3	3	100.0%
Darwin Select Ins Co	1	0	0.0%
Florida Doctors Ins Co	1	0	0.0%

### **Payment Amounts**

Companies are also required to report payment amounts. As noted previously, not all companies provided a segregation of payments between economic and non-economic loss, therefore, no summary of that distinction can be provided here. The claims reported closed by the sample companies in 2007 resulted in the following claim payments:

<b>Company</b>	<b>Indemnity Paid</b>	<b>LAE</b>	<b>Other</b>
American Cas. Co. of Reading, PA	\$1,980,000	\$341,166	\$151,632
Anesthesiologists Pro Assur Co	\$3,970,000	\$1,521,446	\$738,744
Care RRG Inc	\$235,000	\$45,803	\$11,700
Columbia Cas Co	\$2,520,000	\$887,806	\$158,446
Continental Cas Co	\$4,099,678	\$5,185,622	\$1,165,072
Darwin Select Ins Co	\$0	\$5,796	\$0
Doctors Co An Interins Exch	\$12,560,990	\$7,074,875	\$959,028

Evanston Ins Co	\$2,501,000	\$373,824	\$24,975
First Professionals Ins Co	\$46,211,449	\$14,578,811	\$8,653,360
Florida Doctors Ins Co	\$0	\$6,560	\$1,400
Health Care Ind Inc	\$56,132,594	\$15,417,220	\$6,088,903
Healthcare Underwriters Grp of FL	\$1,548,750	\$667,326	\$278,112
Landmark Amer Ins Co	\$307,500	\$85,974	\$22,639
Lexington Ins Co	\$97,349,596	\$50,423,243	\$387,735
MAG Mut Ins Co	\$26,079,623	\$6,022,776	\$2,575,452
Medical Protective Co	\$11,287,817	\$3,999,869	\$2,013,074
Physicians Ins Co	\$635,000	\$326,594	\$155,618
Physicians Preferred Ins Co	\$2,585,501	\$179,425	\$19,160
Physicians Professional Liab RRG	\$2,200,832	\$778,489	\$0
Podiatry Ins Co Of Amer A Mut Co	\$4,187,500	\$1,540,367	\$351,369
Pronational Ins Co	\$47,483,679	\$15,341,689	\$9,899,981
Steadfast Ins Co	\$4,036,096	\$452,828	\$14,431

## Summary

Senate Bill 2-D, enacted in 2003, 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) An analysis of rate filings filed with the Office during the previous year.

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

**Appendix A**  
**Medical Malpractice Insurance Data by State**  
**2007**

Rank	State	Direct Written Premium	Earned Premium	Incurred Losses	D.C.C. Incurred
# 1	New York	\$1,669,424,783	\$1,645,305,923	\$1,245,611,413	\$419,693,651
# 2	California	\$909,207,924	\$913,780,431	\$240,329,180	\$189,252,491
# 3	Pennsylvania	\$734,619,563	\$709,920,207	\$369,933,484	\$101,906,925
# 4	<b>FLORIDA</b>	<b>\$662,821,625</b>	<b>\$698,608,964</b>	<b>\$130,966,057</b>	<b>\$110,577,303</b>
# 5	Illinois	\$659,802,096	\$663,182,889	\$270,928,851	\$173,850,697
# 6	New Jersey	\$590,154,154	\$590,433,234	\$353,405,507	\$86,059,728
# 7	Ohio	\$469,391,639	\$480,209,251	\$109,808,418	\$34,704,718
# 8	Texas	\$391,759,985	\$412,145,854	-\$70,489,820	\$44,965,916
# 9	Tennessee	\$338,729,748	\$348,122,707	\$115,057,661	\$108,542,405
# 10	Georgia	\$331,846,109	\$343,860,044	\$127,028,062	\$64,120,544
# 11	Maryland	\$322,648,267	\$326,437,391	\$101,699,191	\$34,120,259
# 12	Massachusetts	\$301,379,070	\$307,069,421	\$160,871,891	\$75,410,066
# 13	North Carolina	\$293,585,706	\$305,399,735	\$109,363,380	\$37,019,494
# 14	Virginia	\$282,631,756	\$286,592,245	\$81,401,303	\$51,194,479
# 15	Arizona	\$293,215,635	\$285,525,214	\$122,657,474	\$49,470,947
# 16	Michigan	\$244,780,906	\$249,232,762	\$43,238,858	\$51,976,184
# 17	Washington	\$239,959,432	\$241,654,054	\$92,960,987	\$34,235,211
# 18	Missouri	\$216,599,280	\$221,616,727	\$30,062,041	\$36,861,132
# 19	Connecticut	\$217,421,556	\$219,402,022	\$205,902,346	\$27,596,374
# 20	Colorado	\$182,820,044	\$186,198,623	\$64,775,156	\$35,199,852
# 21	Kentucky	\$173,862,176	\$170,383,045	\$83,028,155	\$46,635,877
# 22	Alabama	\$159,890,545	\$160,866,762	\$48,981,713	\$36,305,918
# 23	Oklahoma	\$135,083,631	\$132,396,843	\$59,009,384	\$27,360,569
# 24	Indiana	\$130,612,122	\$131,017,375	\$68,699,554	\$25,384,991
# 25	Wisconsin	\$114,081,694	\$115,072,021	\$65,579,884	\$34,492,344
# 26	Oregon	\$110,687,333	\$113,492,821	\$52,048,713	\$17,110,962
# 27	Nevada	\$106,809,710	\$110,542,964	\$15,643,798	\$32,636,709
# 28	Louisiana	\$107,556,584	\$106,248,535	\$7,561,937	\$61,754,466
# 29	Minnesota	\$99,980,437	\$99,676,656	\$39,901,792	\$11,626,268
# 30	Kansas	\$98,116,559	\$96,957,751	\$34,363,150	\$25,582,335
# 31	Iowa	\$95,103,649	\$92,728,255	\$20,116,491	\$20,392,391
# 32	West Virginia	\$82,700,503	\$87,570,272	\$45,478,576	\$32,975,089
# 33	Arkansas	\$82,576,132	\$83,670,848	\$63,462,129	\$27,485,201
# 34	Utah	\$72,406,121	\$70,676,822	\$29,196,179	\$24,243,312
# 35	Puerto Rico	\$61,881,276	\$61,013,876	\$33,239,671	\$15,405,611
# 36	Maine	\$57,726,002	\$56,177,901	\$12,049,564	\$5,300,356
# 37	Mississippi	\$56,100,714	\$55,230,883	\$16,085,180	\$5,657,992
# 38	South Carolina	\$52,340,010	\$53,733,001	\$19,246,397	\$10,208,283
# 39	New Mexico	\$50,625,936	\$47,895,495	\$38,354,107	\$11,900,891
# 40	Rhode Island	\$47,543,469	\$47,387,844	\$19,923,464	\$15,503,244
# 41	Montana	\$48,790,657	\$47,154,402	\$16,300,793	\$10,732,534
# 42	Idaho	\$44,378,136	\$44,338,194	\$14,156,919	\$9,477,851
# 43	Delaware	\$42,567,490	\$43,025,009	\$13,374,939	\$7,737,925
# 44	New Hampshire	\$43,132,413	\$42,748,074	-\$2,265,303	\$2,633,113
# 45	District of Columbia	\$41,563,199	\$40,656,440	\$39,822,463	\$7,980,101
# 46	Hawaii	\$34,673,886	\$36,645,037	\$14,684,978	\$4,083,308
# 47	Nebraska	\$36,964,825	\$36,172,910	\$8,041,253	\$3,425,511
# 48	South Dakota	\$25,708,929	\$25,071,319	\$10,437,414	\$6,755,541
# 49	Wyoming	\$24,374,684	\$24,076,874	\$19,334,321	\$5,376,988
# 50	Alaska	\$24,602,131	\$23,791,733	\$17,106,684	\$3,801,021
# 51	Vermont	\$19,752,890	\$20,200,303	\$28,250,812	\$5,581,163
# 52	North Dakota	\$17,980,405	\$17,776,632	\$5,831,688	\$2,802,971
# 53	Guam	\$663,220	\$948,005	\$56,843	-\$56,552
# 54	U.S. Virgin Islands	\$106,008	\$101,452	\$174,284	\$21,328

**Appendix B**  
**Medical Malpractice Loss+DCC (Profitability) by State**  
**2007**

Rank	State	Loss + DCC Ratio
# 1	U.S. Virgin Islands	192.8%
# 2	Vermont	167.5%
# 3	District of Columbia	117.6%
# 4	Arkansas	108.7%
# 5	Connecticut	106.4%
# 6	New Mexico	104.9%
# 7	Wyoming	102.6%
# 8	New York	101.2%
# 9	West Virginia	89.6%
# 10	Alaska	87.9%
# 11	Wisconsin	87.0%
# 12	Puerto Rico	79.7%
# 13	Massachusetts	76.9%
# 14	Kentucky	76.1%
# 15	Utah	75.6%
# 16	Rhode Island	74.8%
# 17	New Jersey	74.4%
# 18	Indiana	71.8%
# 19	South Dakota	68.6%
# 20	Illinois	67.1%
# 21	Pennsylvania	66.5%
# 22	Louisiana	65.2%
# 23	Oklahoma	65.2%
# 24	Tennessee	64.2%
# 25	Kansas	61.8%
	<b>National Average</b>	<b>61.3%</b>
# 26	Oregon	60.9%
# 27	Arizona	60.3%
# 28	Montana	57.3%
# 29	Georgia	55.6%
# 30	South Carolina	54.8%
# 31	Colorado	53.7%
# 32	Idaho	53.3%
# 33	Alabama	53.0%
# 34	Washington	52.6%
# 35	Minnesota	51.7%
# 36	Hawaii	51.2%
# 37	Delaware	49.1%
# 38	North Dakota	48.6%
# 39	North Carolina	47.9%
# 40	California	47.0%
# 41	Virginia	46.3%
# 42	Iowa	43.7%
# 43	Nevada	43.7%
# 44	Maryland	41.6%
# 45	Mississippi	39.4%
# 46	Michigan	38.2%
# 47	<b>Florida</b>	<b>34.6%</b>
# 48	Nebraska	31.7%
# 49	Maine	30.9%
# 50	Missouri	30.2%
# 51	Ohio	30.1%
# 52	New Hampshire	0.9%
# 53	Guam	0.0%
# 54	Texas	-6.2%

## **Appendix C**

### **Medical Malpractice Rate Filings in 2007 Including those in the Secondary Markets**

Rate Impact on Primary - Physician -  
Market Segment

Company Name	Policy Count	Rate Change Indicated	Rate Change Approved	Approval Date
<b>Rate Change Filings</b>				
First Professionals Ins. Co.	7405	-13.1%	-11.7%	11/20/2007
First Professionals Ins. Co. (Optometrists Program)	45	0.0%	-4.6%	2/2/2007
Doctors Company	2107	-3.5%	-4.2%	6/21/2007
Pronational Ins. Co.	1629	-8.6%	-8.6%	2/8/2007
Physicians Ins. Co.	660	-6.9%	-10.9%	11/20/2007
Physicians Ins. Co.	Above	-8.3%	-14.9%	1/4/2007
MAG Mutual Ins. Co.	1364	-8.4%	-12.0%	12/13/2007
MAG Mutual Ins. Co.	Above	3.0%	-7.2%	3/22/2007
Medical Protective Co. (The)	650	0.0%	-0.3%	6/21/2007
Medical Protective Co. (The)	Above	-9.7%	-10.0%	2/22/2007
Healthcare Underwriters Grp. Of FL	600	-4.8%	-5.0%	2/15/2007
FL Med Mal JUA	494	14.8%	-10.0%	4/16/2007
Anesthesiologists Pro. Assurance Co.	504	-18.8%	-11.4%	11/20/2007
FL Doctors Ins. Co.	248	1.5%	-12.5%	11/20/2007
Medical Assurance Co. Inc. (The)	23	-14.1%	-14.1%	2/13/2007
Ins. Services Office (ISO)	0	-2.7%	-2.7%	4/16/2007
		-7.4%	-9.6%	
<b>Non-Rate Change Filings</b>				
First Professionals Ins. Co.	Adding new Urgent Care class			2/2/2007
First Professionals Ins. Co.	Adding the part-time discount for Otolaryngologists purchasing group .			6/21/2007
First Professionals Ins. Co.	Adding optional deductible credits			8/16/2007
MAG Mutual Ins. Co.	Removing the installment fee for a premium payment plan.			8/16/2007
Pronational Ins. Co.	Adding Hospitalist class code.			3/22/2007
Medical Protective Co. (The)	Optional factors for conversion from claims/made to occurrence.			4/2/2007
Cincinnati Indemnity Company	Actuarial certification in lieu of rate filing.			11/14/2007
Cincinnati Insurance Company	Actuarial certification in lieu of rate filing.			11/14/2007
Medical Assurance Co. Inc. (The)	Adding Hospitalist class code.			3/22/2007
Valiant Insurance Company	New program.			12/6/2007
Insurance Services Office (ISO)	Revised deductible factors			4/20/2007



**Rate Impact on Secondary/ Minor Market  
Segment-Other Healthcare Professionals**

Company Name	Policy Count	Rate Change Indicated	Rate Change Approved	Approval Date	Program
American Casualty Co. of Reading PA	44069	9.8%	3.9%	6/21/2007	Healthcare Providers Services Org.
PACO Assurance Co. Inc.	968	0.0%	0.0%	9/20/2007	Chiropractors
Podiatry Ins. Co. of America (A Mutual Co.)	857	-1.5%	-1.5%	7/27/2007	Podiatrists
Chicago Ins. Co.	726	5.0%	5.0%	4/20/2007	Optometrists
Chicago Ins. Co.	660	8.0%	0.0%	1/18/2007	Physical Therapists
Chicago Ins. Co.	660	8.0%	3.9%	1/18/2007	Physical Therapists
American Casualty Co. of Reading PA	507	7.4%	3.0%	5/14/2007	Nurse Anesthetists
Darwin National Assurance Co.	335	-8.3%	-8.4%	5/24/2007	Psychiatrists
Continental Casualty Co.	154	6.6%	6.6%	5/17/2007	Chiropractors
Cincinnati Indemnity Co.	41	-3.2%	0.0%	11/14/2007	All Types
Cincinnati Ins. Co.	41	-3.2%	0.0%	11/14/2007	All Types
State Farm Fire & Casualty Co.	7	0.0%	0.0%	4/20/2007	All Types
ACE American Ins. Co.	0	0.0%	0.0%	5/3/2007	Chiropractors
FL Healthcare Providers Ins. Exchange	0	0.0%	0.0%	2/15/2007	Several Types
Ins. Services Office (ISO)	0	-3.6%	-3.6%	4/16/2007	All Types
Ins. Services Office (ISO)	0	0.0%	0.0%	4/20/2007	All Types Esp. Vets

**Average Approved Rate Change 3.6%**

**Rate Impact on Secondary/ Minor Market  
Segment-Hospitals/Facilities**

Company Name	Policy Count	Rate Change Indicated	Rate Change Approved	Approval Date	Program
Ponce De Leon LTC RRG Inc.	521	0.0%	0.0%	3/1/2007	Continuing Care Retirement Communities
MAG Mutual Ins. Co.	113	0.0%	-5.0%	1/18/2007	Health Care Services Prof. Liability
Health Care Indemnity Inc.	2	0.0%	0.0%	1/18/2007	Hospitals
Cincinnati Indemnity Co.	1	5.1%	0.0%	11/14/2007	Hospitals/Nursing Homes/Assist. Living
Cincinnati Indemnity Co.	1	5.1%	0.0%	11/14/2007	Hospitals/Nursing Homes/Assist. Living
Cincinnati Indemnity Co.	1	5.1%	0.0%	11/14/2007	Hospitals/Nursing Homes/Assist. Living
Cincinnati Ins. Co.	1	5.1%	0.0%	11/14/2007	Hospitals/Nursing Homes/Assist. Living
Cincinnati Ins. Co.	1	5.1%	0.0%	11/14/2007	Hospitals/Nursing Homes/Assist. Living

Cincinnati Ins. Co.	1	5.1%	0.0%	11/14/2007	Hospitals/Nursing Homes/Assist. Living
Continental Casualty Co.	0	0.0%	-7.3%	11/8/2007	Hospitals
Continental Ins. Co.	0	0.0%	-7.3%	11/8/2007	Hospitals
Diamond State Ins. Co.	0	0.0%	0.0%	2/15/2007	Social Services Program
Ins. Services Office (ISO)	0	-2.7%	-2.7%	4/16/2007	Hospitals
Ins. Services Office (ISO)	0	-2.7%	-2.7%	4/16/2007	Nursing Homes
Ins. Services Office (ISO)	0	-2.7%	-2.7%	4/16/2007	Other Facilities
Ins. Services Office (ISO)	0	0.0%	0.0%	4/20/2007	Hospitals
Ins. Services Office (ISO)	0	0.0%	0.0%	4/20/2007	Nursing Homes
Ins. Services Office (ISO)	0	0.0%	0.0%	4/20/2007	Other Facilities

**Average Approved Rate  
Change**

**-0.9%**