

# Florida Office of Insurance Regulation



2010 Annual Report – October 1, 2010

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 companies that constituted 80% of the Florida market in 2009, 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 companies was 6.6%, while this shows the sixth consecutive year of broad profitability, although down from 2008, 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 companies, 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 8.4%.

Another interesting finding was that the average approved rate change for rate filings in the primary medical malpractice market (physicians and surgeons) was negative (-10.8%). This is incomplete as some carriers did not file a change. Including those carriers, the average effect on the primary market was still substantially negative (approximately -8.2%).

Some specialized areas of medical malpractice did experience rate increases based on the 2009 rate filings - podiatrists, optometrists, chiropractors, and other specialized areas (+0.5%). Rate filings for dentists and professional nurses yielded a flat average of 0%. In total, there were 41 medical malpractice rate filings in 2009 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.

As required by the 2003 reforms, the Office developed a "presumed factor of savings" of 7.8%, which estimated the savings on future costs based on the 2003 Legislative modifications. There were no major legislative changes made to the medical malpractice laws in Florida during the 2010 Legislative Session.

Based on the trends found in this report, the 2003 changes to the law have benefited policyholders and strengthened the solvency of medical malpractice carriers.

In particular, the report finds:

- When the Florida market is compared to other large states;
  - Florida is the fifth largest market as measured by direct premium written,
  - Florida ranks sixth among the ten most populous states when measured by losses incurred to earned premium (31.7%).<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 with what they experienced in their other major markets,
  - The premium weighted effective average return on surplus was 6.6% in 2009, down from 9.5% in 2008, from 11.0% in 2007 and from 19.7% 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 2009 for the fourth year in a row, reversing a previous trend of adverse reserve development.
- Reviewing the rate filings received in 2009;
  - 41 medical malpractice rate filings were processed by the Office during 2009,
  - On average, rates for companies writing physicians and surgeons malpractice insurance in the admitted market decreased 8.2%.
- From the reported closed claims data files;
  - 3,087 claims were reported as closed during 2009, 1,577 for females, 1,510 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
  - An estimated \$736.9 million was paid in total; \$570.3 million in damages paid, and the remainder in loss adjustment expense.

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<sup>1</sup> The data for Health Care Indemnity Inc. (HCII) was excluded from this calculation. With HCII included Florida would rank 6th with a pure loss ratio of 30.0%

## **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.

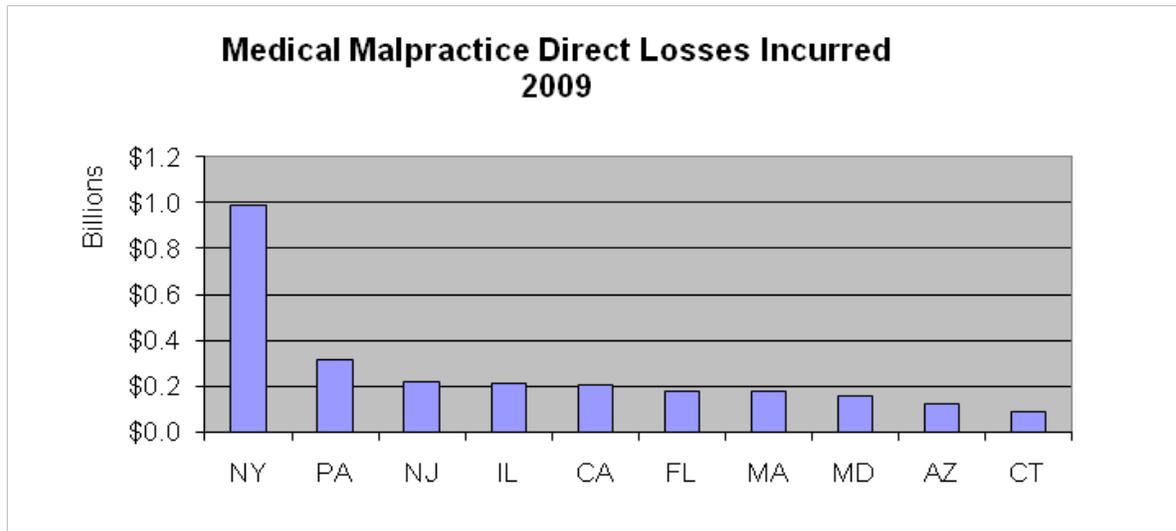
Since Florida's population ranks fourth in the country, it would be expected that Florida would represent one of the largest medical malpractice insurance markets. Although data was compiled for all 50 States and Territories (Appendix A), for purposes of comparison, this report compares Florida with other states in the top ten for most medical malpractice premium earned in the admitted market: New York, California, Pennsylvania, Illinois, Florida, New Jersey, Ohio, Texas, Massachusetts and Georgia. The report also compares Florida with other states in the top ten for most medical malpractice direct losses incurred: New York,

Pennsylvania, New Jersey, Illinois, California, Florida, Massachusetts, Maryland, Arizona, and Connecticut.

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.

□

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



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 second largest amount of premium earned. Other states appear in this top ten list despite not being ranked within the top ten states for premium: # 8 Maryland, # 9 Arizona, and #10 Connecticut. From the previous list – Ohio ranks # 14 (\$71million), Texas ranks # 17 with (\$65 million) and Georgia ranks #11 (\$84 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:

State	Inurred Losses/ Direct Premium Earned
New York	62.0%
Massachusetts	58.0%
Pennsylvania	45.2%
New Jersey	43.4%
Illinois	36.2%
<b>Florida</b>	<b>31.7%</b>
Georgia	29.1%
California	25.4%
Texas	19.7%
Ohio	18.6%

*These data has been adjusted to remove data from Health Care Indemnity Inc. (HCII).*

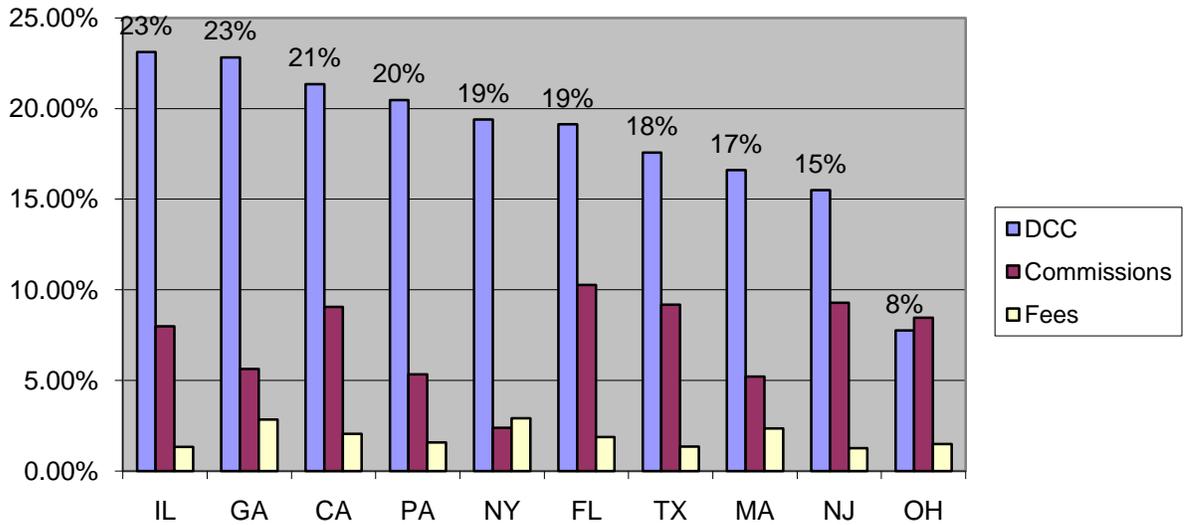
New York continues to lead this group followed by Massachusetts. The aggregate direct loss ratio for the Florida market has increased 9.3% since last year (from 22.4%) - and at 31.7% is roughly comparable to this peer group. The national average in 2009 for all states and territories is 36.5% (with HCII excluded) – an increase from the 35.5% loss ratio in 2008. Of the ten “largest” medical malpractice states, New York, Massachusetts, Pennsylvania, and New Jersey had loss ratios higher than the national average.

## Non-Loss Costs

Although direct losses from claims are 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 states with most medical malpractice premium earned in 2009:

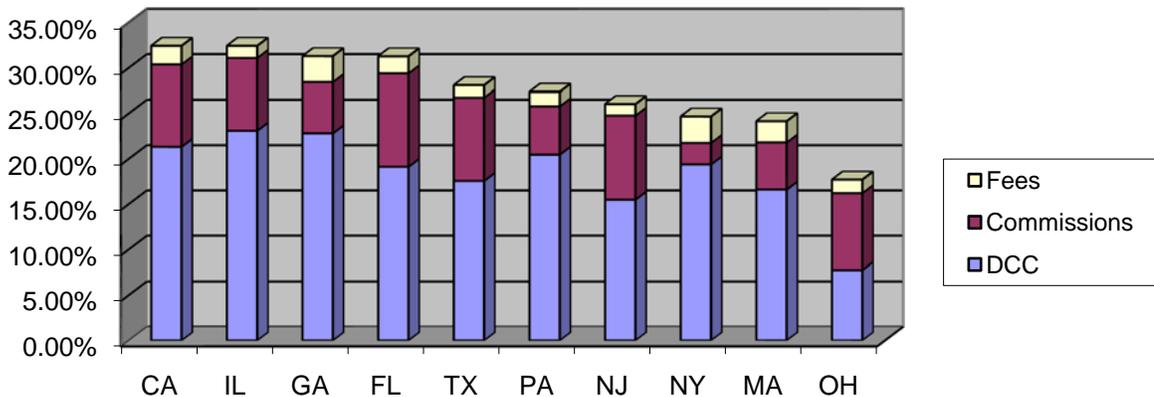
### Non-Loss Costs as Percentage of Direct Written Premium 2009



Data from HCII was removed from this analysis.

Clearly, for all ten states in this group, 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 sixth with a DCC expense ratio of 19.1%. Florida’s percent of earned premium paid on commissions (10.3%) was the highest in this group. Florida ranked fifth in the amount of earned premium paid for taxes, licenses, and fees at 1.9%.

### Combined Non-Loss Costs as a Percentage of Premium 2009



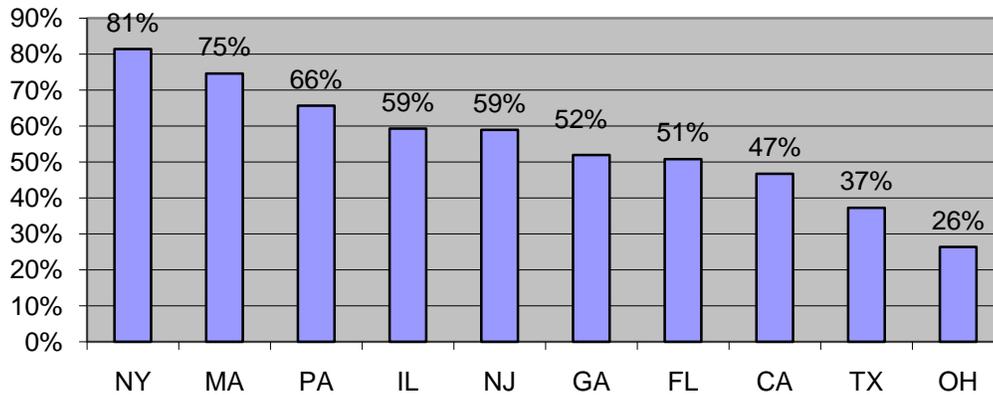
Data from HCII was removed from this analysis.

As the chart above shows, the Florida's DCC ratio is comparable to other states with most medical malpractice premium earned. The Tax/Fees percentage in Florida is roughly comparable to other states in this group, while the commissions percentage is the highest among the 10 states in the peer group. At 31.3%, Florida's non-loss costs as a percentage of premium are comparable for this group, and are also near the national average of 27.1%.

## 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.

**Medical Malpractice Loss & DCC Ratios  
2009**



*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 states with most medical malpractice premium earned. This ratio measure shows that the Florida market is profitable, and at 50.8%, is below the national average of 54.9%.

## Leading Writers of Medical Malpractice Insurance in Florida

Subsection (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.

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, includes:

- 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, 2008, and now 2009 reports. Eighty percent of the medical malpractice market 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 these caveats, the companies that comprise 80% of the medical malpractice insurance market in Florida include the following:

Rank	Company	Direct Premium Written	Market Share	Cumulative Market Share
1	First Professionals Insurance Company	\$122,757,236	22.31%	22.31%
2	Mag Mutual Insurance Company	\$59,203,304	10.76%	33.07%
3	Doctors Company, An Interinsurance Exchange	\$45,297,108	8.23%	41.30%
4	Proassurance Casualty Company	\$26,644,516	4.84%	46.15%
5	Florida Doctors Insurance Company	\$22,314,967	4.06%	50.20%
6	Lexington Insurance Company	\$20,548,841	3.73%	53.94%
7	The Medical Protective Company	\$17,832,578	3.24%	57.18%
8	Columbia Casualty Company	\$12,903,428	2.35%	59.52%
9	Continental Casualty Company	\$12,863,060	2.34%	61.86%
10	Evanston Insurance Company	\$11,957,111	2.17%	64.03%
11	American Casualty Company Of Reading, Pennsylvania	\$11,298,421	2.05%	66.09%
12	Darwin Select Insurance Company	\$9,195,015	1.67%	67.76%
13	Healthcare Underwriters Group Of Florida	\$9,139,246	1.66%	69.42%
14	Landmark American Insurance Company	\$8,408,052	1.53%	70.95%
15	Physicians Insurance Company	\$8,399,619	1.53%	72.47%
16	Anesthesiologists Professional Assurance Company	\$7,598,985	1.38%	73.86%
17	Physicians Professional Liability Risk Retention Group, Inc.	\$7,544,275	1.37%	75.23%
18	National Union Fire Insurance Company Of Pittsburgh, Pa.	\$7,100,621	1.29%	76.52%
19	Podiatry Insurance Company Of America	\$6,737,455	1.22%	77.74%
20	Ophthalmic Mutual Insurance Company (A Risk Retention Group)	\$5,926,454	1.08%	78.82%
21	Admiral Insurance Company	\$5,896,945	1.07%	79.89%
22	Samaritan Risk Retention Group, Inc.	\$5,518,878	1.00%	80.89%
<b>Top 80% Total</b>		<b>\$445,086,115</b>		
<b>Total Florida Market</b>		<b>\$550,211,219</b>		

In terms of organizational structure, 11 of the sample companies are admitted Property & Casualty insurers, six are surplus lines companies (#6 Lexington, #8 Columbia Casualty, #10 Evanston, #12 Darwin Select, #14 Landmark American, and #21 Admiral). There was two reciprocal insurers (#3 Doctor's Company and #13 Healthcare Underwriters of FL), and three Risk Retention Groups (#17 Physicians Professional Liability, #20 Ophthalmic Mutual, and #22 Samaritan).

The list shows some differences and similarities in the market when compared to the sample firms in the 2009 Annual Report. This year, achieving the 80% market share requirement again required the inclusion of 22 insurers as in the previous year; 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. 17 of the 22 companies are domiciled outside of Florida; five are Florida domiciled – 16 of the 22 companies were domiciled outside of Florida and six were Florida domiciled in the 2009 report.

Three companies appear on the list this year that were not part of the 80% group in last year's report -- #6 Lexington Insurance Company, #12 Darwin Select Insurance Company, and #22 Samaritan Risk Retention Group, Inc.

Another interesting finding is that the total medical malpractice insurance premium for the state of Florida dropped in 2009 for the fifth 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, the 2007 total was \$663 million, the 2008 total was \$596 million, and the 2009 total was \$550 million.

This represents a dramatic decrease (36%) in the overall medical malpractice premium reported in Florida in 2009 from what was reported in 2004. This is 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:

<b>Company</b>	<b>Occurrence</b>	<b>Claims Made</b>	<b>Other Liability - Claims Made</b>	<b>Total Direct Premium</b>
<b>Admiral Insurance Company</b>	\$245,595	\$79,754,072	\$76,633,773	\$354,789,858
<b>American Casualty Company Of Reading, Pennsylvania</b>	\$145,307,479	\$29,586,650	\$24,217,612	\$502,053,506
<b>Anesthesiologists Professional Assurance Company</b>	\$398,318	\$11,519,520	\$0	\$11,918,871
<b>Columbia Casualty Company</b>	\$2,849,771	\$135,552,438	\$370,461,645	\$733,205,970
<b>Continental Casualty Company</b>	\$99,210	\$183,206,532	\$958,721,140	\$4,058,476,303
<b>Darwin Select Insurance Company</b>	\$0	\$116,036,330	\$90,345,401	\$209,405,783
<b>Doctors Company, An Interinsurance Exchange</b>	\$20,322,423	\$535,811,000	\$0	\$556,156,000
<b>Evanston Insurance Company</b>	\$0	\$100,927,933	\$117,366,347	\$522,981,641
<b>First Professionals Insurance Company</b>	\$7,977,381	\$141,242,400	\$681,653	\$149,901,434
<b>Florida Doctors Insurance Company</b>	\$973,854	\$21,341,113	\$0	\$22,314,967
<b>Healthcare Underwriters Group Of</b>	\$162,048	\$8,977,196	\$0	\$9,139,244

<b>Company</b>	<b>Occurrence</b>	<b>Claims Made</b>	<b>Other Liability - Claims Made</b>	<b>Total Direct Premium</b>
<b>Florida</b>				
<b>Landmark American Insurance Company</b>	\$0	\$53,969,437	\$52,378,495	\$570,978,740
<b>Lexington Insurance Company</b>	\$27,701,200	\$373,872,232	\$831,157,116	\$5,401,912,114
<b>Mag Mutual Insurance Company</b>	\$19,835,358	\$245,281,781	\$360,826	\$272,974,376
<b>National Union Fire Insurance Company Of Pittsburgh, Pa.</b>	\$12,064,579	\$94,798,023	\$1,182,537,412	\$6,293,106,481
<b>Ophthalmic Mutual Insurance Company (A Risk Retention Group)</b>	\$671,064	\$41,039,023	\$732,005	\$42,442,092
<b>Physicians Insurance Company</b>	\$200,465	\$8,358,212	\$0	\$8,558,677
<b>Physicians Professional Liability Risk Retention Group, Inc.</b>	\$0	\$7,548,173	\$0	\$7,548,173
<b>Podiatry Insurance Company Of America</b>	\$2,671,033	\$76,649,550	\$210,853	\$79,531,436
<b>Proassurance Casualty Company</b>	\$6,305,388	\$110,869,952	\$12,409,839	\$129,674,977
<b>Samaritan Risk Retention Group, Inc.</b>	\$0	\$5,518,878	\$0	\$5,518,878
<b>The Medical Protective Company</b>	\$283,358,375	\$384,024,059	\$287,001	\$670,513,222

*Data from HCII was removed from this table.*

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 other liability – claims made insurance. Other than American Casualty Company of Reading, PA, 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

<b>Company</b>	<b>State 1</b>	<b>State 2</b>	<b>State 3</b>	<b>State 4</b>	<b>State 5</b>
First Professionals Insurance Company	<b>FL</b> \$122,757,236	GA \$11,767,390	AR \$10,115,795	OH \$26,884	AL \$6,544
Mag Mutual Insurance Company	GA \$117,995,084	<b>FL</b> \$59,203,304	NC \$46,224,842	SC \$16,780,795	VA \$14,554,053
Doctors Company, An Interinsurance Exchange	CA \$210,609,883	OH \$55,628,672	<b>FL</b> \$45,297,108	VA \$44,426,036	OR \$28,512,239
Proassurance Casualty Company	MI \$28,810,432	<b>FL</b> \$26,644,516	IL \$19,326,871	KY \$17,409,683	DE \$16,833,584
Florida Doctors Insurance Company	<b>FL</b> \$22,314,967				
Lexington Insurance Company	CA \$34,306,490	TN \$32,263,853	NJ \$30,835,815	NY \$27,904,571	<b>FL</b> \$20,548,841
The Medical Protective Company	PA \$94,000,897	OH \$76,898,909	NJ \$52,077,484	TX \$49,388,270	KY \$40,367,660
Columbia Casualty Company	TX \$14,048,942	CA \$12,916,150	<b>FL</b> \$12,903,428	TN \$6,230,090	NY \$5,559,720
Continental Casualty Company	OR \$32,762,190	WI \$16,579,264	CT \$13,361,979	<b>FL</b> \$12,863,060	CO \$11,526,783
Evanston Insurance Company	<b>FL</b> \$11,957,111	CA \$11,318,526	TX \$7,625,712	PA \$6,524,614	NY \$4,913,328
American Casualty Company Of Reading, Pennsylvania	CA \$15,596,052	NY \$11,920,199	<b>FL</b> \$11,298,421	PA \$10,362,236	TX \$8,684,824
Darwin Select Insurance Company	CA \$11,749,288	PA \$9,855,025	<b>FL</b> \$9,195,015	NY \$8,402,018	NJ \$7,682,117
Healthcare Underwriters Group Of Florida	<b>FL</b> \$9,139,246				
Landmark American Insurance Company	<b>FL</b> \$8,408,052	CA \$10,204,561	PA \$2,148,992	NY \$2,200,697	NJ \$2,639,691
Physicians Insurance Company	<b>FL</b> \$8,399,619				
Anesthesiologists Professional Assurance Company	<b>FL</b> \$7,598,985	TX \$1,819,306	AZ \$1,472,446	GA \$599,208	AL \$280,158
Physicians Professional Liability Risk Retention Group, Inc.	<b>FL</b> \$7,544,275				
National Union Fire Insurance Company of Pittsburgh, Pa.	NY \$20,573,760	CA \$19,314,217	PA \$7,597,419	<b>FL</b> \$7,100,621	IL \$5,447,410
Podiatry Insurance Company Of America	NY \$9,280,846	<b>FL</b> \$6,737,455	CA \$5,876,274	IL \$5,632,867	NJ \$5,146,200

Company	State 1	State 2	State 3	State 4	State 5
	<b>FL</b>	IL	CA	TX	VA
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	<b>\$5,926,454</b>	\$5,287,208	\$4,077,343	\$3,002,894	\$2,248,718
	CA	PR	TX	<b>FL</b>	GA
Admiral Insurance Company	\$14,348,053	\$9,709,183	\$6,846,725	<b>\$5,896,945</b>	\$3,833,933
Samaritan Risk Retention Group, Inc.	<b>FL</b>				
	<b>\$5,518,878</b>				

As the table shows, Florida is the largest market for 10 of the insurers. For five of these ten, Florida is their only market for medical malpractice insurance. The remainder show geographic diversification across their medical malpractice book of business.

## 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 2009

Company	State 1	State 2	State 3	State 4	State 5
First Professionals Insurance Company	<b>FL</b> 22.5%	GA 60.3%	AR 48.2%	OH 60.0%	AL 69.0%
Mag Mutual Insurance Company	GA 21.5%	<b>FL</b> 55.7%	NC 26.3%	SC -2.1%	VA 46.3%
Doctors Company, An Interinsurance Exchange	CA 10.0%	OH 80.3%	<b>FL</b> 27.9%	VA 43.3%	OR 44.1%
Proassurance Casualty Company	MI -2.0%	<b>FL</b> -1.7%	IL 55.3%	KY 30.7%	DE 57.9%
Florida Doctors Insurance Company	<b>FL</b> 52.3%				
Lexington Insurance Company	CA 8.8%	TN 1.8%	NJ 2.3%	NY 7.8%	<b>FL</b> 1.6%
The Medical Protective Company	PA 45.9%	OH 40.6%	NJ 56.2%	TX 37.6%	KY 40.1%
Columbia Casualty Company	TX -45.1%	CA 33.8%	<b>FL</b> -32.5%	TN -102.8%	NY 16.4%

<b>Company</b>	<b>State 1</b>	<b>State 2</b>	<b>State 3</b>	<b>State 4</b>	<b>State 5</b>
Continental Casualty Company	OR 51.7%	WI 40.3%	CT 64.3%	<b>FL</b> <b>45.1%</b>	CO 79.6%
Evanston Insurance Company	<b>FL</b> <b>46.4%</b>	CA 50.2%	TX 48.7%	PA 31.3%	NY 52.6%
American Casualty Company Of Reading, Pennsylvania	CA 61.0%	NY 87.3%	<b>FL</b> <b>67.0%</b>	PA 48.5%	TX 17.0%
Darwin Select Insurance Company	CA 33.8%	PA 37.1%	<b>FL</b> <b>32.4%</b>	NY 38.1%	NJ 26.7%
Healthcare Underwriters Group Of Florida	<b>FL</b> <b>10.0%</b>				
Landmark American Insurance Company	<b>FL</b> <b>45.4%</b>	CA 16.7%	PA 13.6%	NY 12.2%	NJ 10.1%
Physicians Insurance Company	<b>FL</b> <b>24.4%</b>				
Anesthesiologists Professional Assurance Company	<b>FL</b> <b>42.3%</b>	TX 42.0%	AZ 42.3%	GA 41.6%	AL 42.2%
Physicians Professional Liability Risk Retention Group, Inc.	<b>FL</b> <b>7.4%</b>				
National Union Fire Insurance Company of Pittsburgh, Pa.	NY -8.0%	CA 50.8%	PA 216.3%	<b>FL</b> <b>22.4%</b>	IL 120.0%
Podiatry Insurance Company Of America	NY 86.4%	<b>FL</b> <b>42.3%</b>	CA 30.0%	IL 79.6%	NJ 104.4%
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	<b>FL</b> <b>22.8%</b>	IL 50.9%	CA 7.2%	TX -12.8%	VA -7.3%
Admiral Insurance Company	CA 35.8%	PR 50.1%	TX 4.3%	<b>FL</b> <b>17.1%</b>	GA 22.1%
Samaritan Risk Retention Group, Inc.	<b>FL</b> <b>32.0%</b>				

## Medical Malpractice Insurance Loss Ratios by State

The sample companies' operating experience in Florida for 2009 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 Insurance Company	FL 47.3%	GA 100.4%	AR 80.4%	OH 98.4%	AL 115.0%
Mag Mutual Insurance Company	GA 48.0%	FL <b>75.8%</b>	NC 47.5%	SC 5.9%	VA 53.3%
Doctors Company, An Interinsurance Exchange	CA 35.1%	OH 92.3%	FL <b>48.5%</b>	VA 57.0%	OR 73.6%
Proassurance Casualty Company	MI 4.0%	FL <b>-19.4%</b>	IL 78.7%	KY 53.5%	DE 78.5%
Florida Doctors Insurance Company	FL <b>73.9%</b>				
Lexington Insurance Company	CA 19.4%	TN 70.1%	NJ 10.5%	NY 22.9%	FL <b>10.6%</b>
The Medical Protective Company	PA 65.5%	OH 52.3%	NJ 96.2%	TX 51.9%	KY 65.8%
Columbia Casualty Company	TX -32.6%	CA 42.8%	FL <b>-27.8%</b>	TN -103.3%	NY 26.9%
Continental Casualty Company	OR 63.6%	WI 42.3%	CT 88.4%	FL <b>64.6%</b>	CO 109.6%
Evanston Insurance Company	FL <b>54.0%</b>	CA 55.2%	TX 53.2%	PA 40.0%	NY 59.1%
American Casualty Company Of Reading, Pennsylvania	CA 76.5%	NY 98.7%	FL <b>91.5%</b>	PA 57.4%	TX 26.8%
Darwin Select Insurance Company	CA 58.5%	PA 45.7%	FL <b>48.3%</b>	NY 56.3%	NJ 39.5%

<b>Company</b>	<b>State 1</b>	<b>State 2</b>	<b>State 3</b>	<b>State 4</b>	<b>State 5</b>
Healthcare Underwriters Group Of Florida	<b>FL</b> <b>31.0%</b>				
Landmark American Insurance Company	<b>FL</b> <b>54.7%</b>	CA 28.3%	PA 21.1%	NY 18.0%	NJ 11.1%
Physicians Insurance Company	<b>FL</b> <b>50.7%</b>				
Anesthesiologists Professional Assurance Company	<b>FL</b> <b>65.0%</b>	TX 65.0%	AZ 65.0%	GA 65.0%	AL 65.0%
Physicians Professional Liability Risk Retention Group, Inc.	<b>FL</b> <b>23.5%</b>				
National Union Fire Insurance Company of Pittsburgh, Pa.	NY 8.2%	CA 66.0%	PA 242.6%	<b>FL</b> <b>45.3%</b>	IL 157.5%
Podiatry Insurance Company Of America	NY 107.3%	<b>FL</b> <b>71.4%</b>	CA 55.7%	IL 101.2%	NJ 138.2%
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	<b>FL</b> <b>30.4%</b>	IL 48.1%	CA 17.9%	TX -18.6%	VA -2.5%
Admiral Insurance Company	CA 52.0%	PR 68.7%	TX 3.7%	<b>FL</b> <b>23.1%</b>	GA 20.9%
Samaritan Risk Retention Group, Inc.	<b>FL</b> <b>55.6%</b>				

## 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

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

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 a “coverage period,” 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 might not result in health problems until as many as 5 to 10 years in the future).

As a result, the recent trend in the insurance industry is to offer medical malpractice insurance on a “claims made” basis – which covers the claims reported in a 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 once 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  
2009 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>
Admiral Insurance Company	\$245,595	\$709,000	\$954,595	\$914,927	\$39,668	95.8%
American Casualty Company Of Reading, Pennsylvania	\$145,307,479	\$0	\$145,307,479	\$145,307,479	\$0	100.0%
Anesthesiologists Professional Assurance Company	\$398,318	\$491,913	\$890,231	\$398,318	\$491,913	44.7%
Columbia Casualty Company	\$2,849,771	\$0	\$2,849,771	\$2,849,771	\$0	100.0%
Continental Casualty Company	\$99,210	\$148,524,258	\$148,623,468	\$134,714	\$148,488,754	0.1%
Darwin Select Insurance Company	\$0	\$0	\$0	\$0	\$0	N/A
Doctors Company, An Interinsurance Exchange	\$20,322,423	\$114,127	\$20,436,550	\$17,686,614	\$2,749,936	86.5%
Evanston Insurance Company	\$0	\$0	\$0	\$0	\$0	N/A
First Professionals Insurance Company	\$7,977,381	\$370,687	\$8,348,068	\$3,419,642	\$4,928,426	41.0%
Florida Doctors Insurance Company	\$973,854	\$0	\$973,854	\$343,410	\$630,444	35.3%
Health Care Indemnity Inc.	\$28,858,062	\$0	\$28,858,062	\$6,729,000	\$22,129,062	23.3%
Healthcare Underwriters Group Of Florida	\$162,048	\$0	\$162,048	\$11,561	\$150,487	7.1%
Landmark American Insurance Company	\$0	\$0	\$0	\$0	\$0	N/A
Lexington Insurance Company	\$27,701,200	\$4,489,446	\$32,190,646	\$12,199,830	\$19,990,816	37.9%
Mag Mutual Insurance Company	\$19,835,358	\$0	\$19,835,358	\$4,243,146	\$15,592,212	21.4%

<b>Company</b>	<b>Direct</b>	<b>Assumed</b>	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>	<b>Premium Ceded</b>
National Union Fire Insurance Company Of Pittsburgh, Pa.	\$12,064,579	\$29,992,050	\$42,056,629	\$34,177,989	\$7,878,640	81.3%
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	\$671,064	\$0	\$671,064	\$100,006	\$571,058	14.9%
Physicians Insurance Company	\$200,465	\$0	\$200,465	\$104,617	\$95,848	52.2%
Physicians Professional Liability Risk Retention Group, Inc.	\$0	\$0	\$0	\$0	\$0	N/A
Podiatry Insurance Company Of America	\$2,671,033	\$0	\$2,671,033	\$0	\$2,671,033	0.0%
Proassurance Casualty Company	\$6,305,388	\$45,545	\$6,350,933	\$56,434	\$6,294,499	0.9%
Samaritan Risk Retention Group, Inc.	\$0	\$0	\$0	\$0	\$0	N/A
The Medical Protective Company	\$283,358,375	\$637,863	\$283,996,238	\$143,558,114	\$140,438,124	50.5%

**Net Written Premium and Ceded Percentage  
2009 Nationwide Data  
CLAIMS-MADE**

<b>Company</b>	<b>Direct</b>	<b>Assumed</b>	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>	<b>Premium Ceded</b>
Admiral Insurance Company	\$79,754,072	\$0	\$79,754,072	\$5,358,907	\$74,395,165	6.7%
American Casualty Company Of Reading, Pennsylvania	\$29,586,650	\$0	\$29,586,650	\$29,586,650	\$0	100.0%
Anesthesiologists Professional Assurance Company	\$11,519,520	\$9,436,840	\$20,956,360	\$11,519,520	\$9,436,840	55.0%
Columbia Casualty Company	\$135,552,438	\$71,250	\$135,623,688	\$135,623,688	\$0	100.0%
Continental Casualty Company	\$183,206,532	\$205,876,708	\$389,083,240	\$59,881,335	\$329,201,905	15.4%
Darwin Select Insurance Company	\$116,036,330	\$2,859,115	\$118,895,445	\$109,461,919	\$9,433,526	92.1%
Doctors Company, An Interinsurance Exchange	\$535,811,000	\$40,093,764	\$575,904,764	\$23,977,209	\$551,927,555	4.2%
Evanston Insurance Company	\$100,927,933	\$8,399,148	\$109,327,081	\$28,424,793	\$80,902,288	26.0%
First Professionals Insurance Company	\$141,242,400	\$14,217,723	\$155,460,123	\$60,913,386	\$94,546,737	39.2%
Florida Doctors Insurance Company	\$21,341,113	\$0	\$21,341,113	\$2,632,883	\$18,708,230	12.3%
Health Care Indemnity Inc.	\$0	\$2,109,345	\$2,109,345	\$0	\$2,109,345	0.0%
Healthcare Underwriters Group Of Florida	\$8,977,196	\$0	\$8,977,196	\$759,203	\$8,217,993	8.5%
Landmark American Insurance Company	\$53,969,437	\$0	\$53,969,437	\$48,579,694	\$5,389,743	90.0%
Lexington Insurance Company	\$373,872,232	\$40,898,217	\$414,770,449	\$101,508,530	\$313,261,919	24.5%
MAG Mutual Insurance Company	\$245,281,781	\$1,133,327	\$246,415,108	\$55,018,609	\$191,396,499	22.3%
National Union Fire Insurance Company Of Pittsburgh, Pa.	\$94,798,023	-\$15,328,747	\$79,469,276	\$57,183,905	\$22,285,371	72.0%

<b>Company</b>	<b>Direct</b>	<b>Assumed</b>	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>	<b>Premium Ceded</b>
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	\$41,039,023	\$0	\$41,039,023	\$6,115,871	\$34,923,152	14.9%
Physicians Insurance Company	\$8,358,212	\$0	\$8,358,212	\$4,344,460	\$4,013,752	52.0%
Physicians Professional Liability Risk Retention Group, Inc.	\$7,548,173	\$0	\$7,548,173	\$1,003,203	\$6,544,970	13.3%
Podiatry Insurance Company Of America	\$76,649,550	\$585,802	\$77,235,352	\$143,682	\$77,091,670	0.2%
Proassurance Casualty Company	\$110,869,952	\$13,909,680	\$124,779,632	\$4,262,373	\$120,517,259	3.4%
Samaritan Risk Retention Group, Inc.	\$5,518,878	\$0	\$5,518,878	\$0	\$5,518,878	0.0%
The Medical Protective Company	\$384,024,059	\$2,047,931	\$386,071,990	\$194,498,025	\$191,573,965	50.4%

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>
American Casualty Company Of Reading, Pennsylvania	100.00%
Columbia Casualty Company	100.00%
Darwin Select Insurance Company	92.07%
Landmark American Insurance Company	90.01%
National Union Fire Insurance Company Of Pittsburgh, Pa.	75.18%
Anesthesiologists Professional Assurance Company	54.55%
Physicians Insurance Company	51.98%
The Medical Protective Company	50.45%
First Professionals Insurance Company	39.27%

<b>Company</b>	<b>Total Ceded %</b>
Evanston Insurance Company	26.00%
Lexington Insurance Company	25.44%
Mag Mutual Insurance Company	22.26%
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	14.90%
Florida Doctors Insurance Company	13.34%
Physicians Professional Liability Risk Retention Group, Inc.	13.29%
Continental Casualty Company	11.16%
Healthcare Underwriters Group Of Florida	8.43%
Admiral Insurance Company	7.77%
Doctors Company, An Interinsurance Exchange	6.99%
Proassurance Casualty Company	3.29%
Podiatry Insurance Company Of America	0.18%
Samaritan Risk Retention Group, Inc.	0.00%

*Note: Data for Health Care Indemnity Inc. is removed from the table above.*

Columbia Casualty Company and American Casualty Company of Reading, PA 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>
Darwin Select Insurance Company	0.00%	100.00%
Evanston Insurance Company	0.00%	100.00%
Landmark American Insurance Company	0.00%	100.00%
Physicians Professional Liability Risk Retention Group, Inc.	0.00%	100.00%
Samaritan Risk Retention Group, Inc.	0.00%	100.00%
Continental Casualty Company	0.05%	99.95%
Admiral Insurance Company	0.31%	99.69%
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	1.61%	98.39%
Healthcare Underwriters Group Of Florida	1.77%	98.23%
Columbia Casualty Company	2.06%	97.94%
Physicians Insurance Company	2.34%	97.66%

<b>COMPANY</b>	<b>OCCURRENCE</b>	<b>CLAIMS MADE</b>
Anesthesiologists Professional Assurance Company	3.34%	96.66%
Podiatry Insurance Company Of America	3.37%	96.63%
Doctors Company, An Interinsurance Exchange	3.65%	96.35%
Florida Doctors Insurance Company	4.36%	95.64%
First Professionals Insurance Company	5.35%	94.65%
Proassurance Casualty Company	5.38%	94.62%
Lexington Insurance Company	6.90%	93.10%
Mag Mutual Insurance Company	7.48%	92.52%
National Union Fire Insurance Company Of Pittsburgh, Pa.	11.29%	88.71%
The Medical Protective Company	42.46%	57.54%
American Casualty Company Of Reading, Pennsylvania	83.08%	16.92%

*Data from HCII was removed from this analysis.*

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, five companies write exclusively claims-made medical malpractice insurance.

## **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.

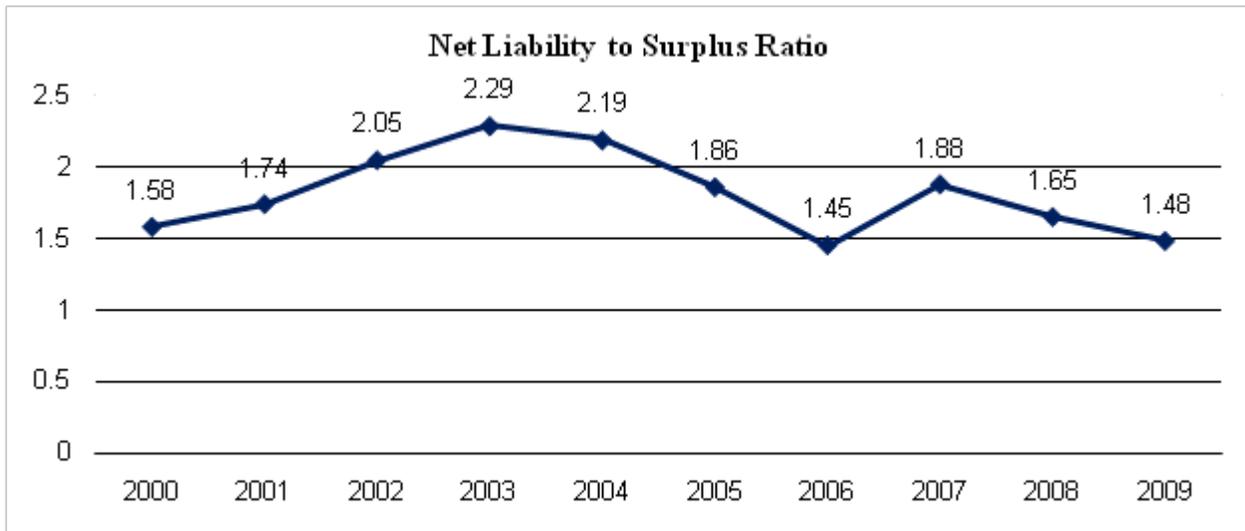
The first measure is the net liability to surplus ratio. "Net liability" is defined as the amount of losses plus loss adjustment expense for a given year. For this ratio, a lower number is more desirable. The data for the 22 sample companies are as follows:

<b>Company</b>	<b>Net Liability to Surplus Ratio</b>
Admiral Insurance Company	1.16
American Casualty Company Of Reading, Pennsylvania	0.00
Anesthesiologists Professional Assurance Company	1.47
Columbia Casualty Company	0.00
Continental Casualty Company	2.12
Darwin Select Insurance Company	0.36
Doctors Company, An Interinsurance Exchange	0.89
Evanston Insurance Company	2.60
First Professionals Insurance Company	1.17
Florida Doctors Insurance Company	1.38

Company	Net Liability to Surplus Ratio
Healthcare Underwriters Group Of Florida	0.92
Landmark American Insurance Company	0.41
Lexington Insurance Company	1.58
Mag Mutual Insurance Company	1.31
National Union Fire Insurance Company Of Pittsburgh, Pa.	1.07
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	0.42
Physicians Insurance Company	0.94
Physicians Professional Liability Risk Retention Group, Inc.	1.00
Podiatry Insurance Company Of America	1.52
Proassurance Casualty Company	1.80
Samaritan Risk Retention Group, Inc.	0.66
The Medical Protective Company	1.61
Grand Total	1.48

Data from HCII was removed from this analysis.

A graph of the weighted data for the top 80% of the market over the past eight years is shown below:



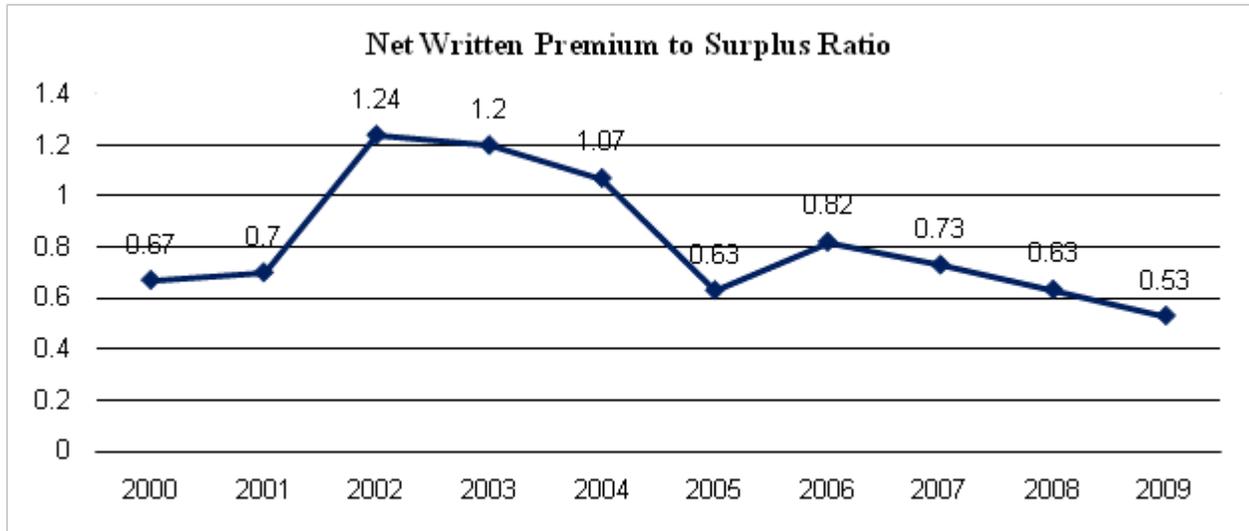
The second important solvency ratio examined is the net written premium to surplus ratio. Limits for this ratio are mandated by Section 624.4095, Florida Statutes. The ratio itself is not a straightforward calculation --- there are premium adjustments depending on the type of insurance per Section 624.4095(4), 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 monoline 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:

<b>Company</b>	<b>Net Written Premium to Surplus Ratio</b>
Admiral Insurance Company	0.42
American Casualty Company Of Reading, Pennsylvania	0.00
Anesthesiologists Professional Assurance Company	0.43
Columbia Casualty Company	0.00
Continental Casualty Company	0.63
Darwin Select Insurance Company	0.32
Doctors Company, An Interinsurance Exchange	0.52
Evanston Insurance Company	0.96
First Professionals Insurance Company	0.42
Florida Doctors Insurance Company	1.33
Healthcare Underwriters Group Of Florida	0.43
Landmark American Insurance Company	0.32
Lexington Insurance Company	0.59
Mag Mutual Insurance Company	0.45
National Union Fire Insurance Company Of Pittsburgh, Pa.	0.45
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	0.31
Physicians Insurance Company	0.54
Physicians Professional Liability Risk Retention Group, Inc.	0.38
Podiatry Insurance Company Of America	0.82
Proassurance Casualty Company	0.38
Samaritan Risk Retention Group, Inc.	0.76
The Medical Protective Company	0.46
<b>Grand Total</b>	<b>0.53</b>

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 the 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:

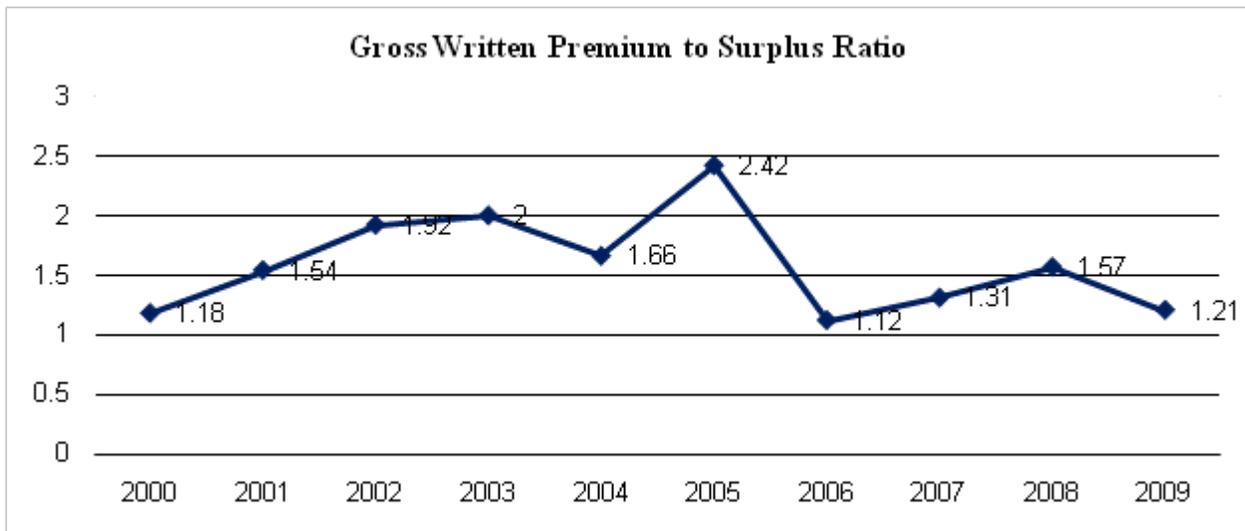


The third ratio is the gross written premium to surplus ratio. Gross written premium is defined as total direct written premium and assumed reinsurance premium. Section 624.4095 mandates that these ratios be within 10:1 for admitted carriers while retaining the same insurance multipliers from the previous 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 Written Premium to Surplus Ratio</b>
Admiral Insurance Company	0.45
American Casualty Company Of Reading, Pennsylvania	4.68
Anesthesiologists Professional Assurance Company	0.94
Columbia Casualty Company	2.94
Continental Casualty Company	0.82
Darwin Select Insurance Company	4.05
Doctors Company, An Interinsurance Exchange	0.56
Evanston Insurance Company	1.30
First Professionals Insurance Company	0.69
Florida Doctors Insurance Company	1.53
Healthcare Underwriters Group Of Florida	0.47
Landmark American Insurance Company	3.60
Lexington Insurance Company	1.20
Mag Mutual Insurance Company	0.58
National Union Fire Insurance Company Of Pittsburgh, Pa.	1.60
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	0.37

Company	Gross Written Premium to Surplus Ratio
Physicians Insurance Company	1.13
Physicians Professional Liability Risk Retention Group, Inc.	0.44
Podiatry Insurance Company Of America	0.82
Proassurance Casualty Company	0.40
Samaritan Risk Retention Group, Inc.	0.76
The Medical Protective Company	0.93
Grand Total	1.21

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:



In conjunction with the yearly charts shown for the other two solvency measures, this suggests that the malpractice insurance industry solvency is strong.

## 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 2009

Company	2009 Loss & LAE to Earned Premium Ratio
Admiral Insurance Company	75.1%
American Casualty Company Of Reading, Pennsylvania	NA
Anesthesiologists Professional Assurance Company	56.4%
Columbia Casualty Company	NA
Continental Casualty Company	80.6%
Darwin Select Insurance Company	53.6%
Doctors Company, An Interinsurance Exchange	58.1%
Evanston Insurance Company	57.4%
First Professionals Insurance Company	57.9%
Florida Doctors Insurance Company	69.2%
Healthcare Underwriters Group Of Florida	37.2%
Landmark American Insurance Company	34.8%
Lexington Insurance Company	75.4%
Mag Mutual Insurance Company	60.0%
National Union Fire Insurance Company Of Pittsburgh, Pa.	91.1%
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	11.9%
Physicians Insurance Company	32.0%
Physicians Professional Liability Risk Retention Group, Inc.	24.0%
Podiatry Insurance Company Of America	79.6%
Proassurance Casualty Company	41.0%
Samaritan Risk Retention Group, Inc.	55.6%
The Medical Protective Company	72.4%

*\* Columbia and, American Casualty reported 0 earned premium. Therefore this ratio could not be calculated. Data for HCII is removed from the table.*

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 2009 for the 22 sample companies follows:

### Return on Surplus 2009

Company	2009 Return on Surplus
Admiral Insurance Company	4.2%
American Casualty Company Of Reading, Pennsylvania	5.6%
Anesthesiologists Professional Assurance Company	14.5%
Columbia Casualty Company	1.3%
Continental Casualty Company	1.4%
Darwin Select Insurance Company	5.9%
Doctors Company, An Interinsurance Exchange	16.0%
Evanston Insurance Company	10.1%
First Professionals Insurance Company	8.9%
Florida Doctors Insurance Company	-3.4%
Healthcare Underwriters Group Of Florida	11.1%
Landmark American Insurance Company	10.6%
Lexington Insurance Company	12.1%
Mag Mutual Insurance Company	13.3%
National Union Fire Insurance Company Of Pittsburgh, Pa.	6.6%
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	18.8%
Physicians Insurance Company	5.9%
Physicians Professional Liability Risk Retention Group, Inc.	9.2%
Podiatry Insurance Company Of America	4.4%
Proassurance Casualty Company	17.6%
Samaritan Risk Retention Group, Inc.	25.8%
The Medical Protective Company	11.0%
Grand Total	6.6%

As the data above show, 2009 was a profitable year for the top 22 companies in the Florida market; in fact for the sixth 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 number 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 2009.

As the table above shows, the 2009 average return on surplus is 6.6%. Reported overall returns on surplus were 13% in 2005, 20% in 2006, 11.0% in 2007, and 9.5% in 2008. It appears that the trend causing significant industry concerns of the early 2000's has largely evaporated.

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
Return on Surplus	-7%	19%	-12%	10%	13%	20%	11%	10%	7%

Finally, the analysis compares other commonly used financial ratios obtained from the 2009 income statements. These ratios include the combined ratio, as well as the operating ratio on a pre-tax and post-tax basis:

### Financial Ratios - 2009 Income Statement

Company	Combined Ratio	Pre-Tax Operating Ratio	Post Tax Operating Ratio
Admiral Insurance Company	100.7%	14.2%	11.1%
American Casualty Company Of Reading, Pennsylvania	NA	NA	NA
Anesthesiologists Professional Assurance Company	88.9%	35.9%	32.0%
Columbia Casualty Company	NA	NA	NA
Continental Casualty Company	115.8%	2.8%	2.4%
Darwin Select Insurance Company	83.2%	32.8%	20.8%
Doctors Company, An Interinsurance Exchange	78.3%	39.9%	31.0%
Evanston Insurance Company	97.4%	11.9%	9.6%
First Professionals Insurance Company	89.6%	28.5%	20.0%
Florida Doctors Insurance Company	105.1%	-2.3%	-2.8%
Healthcare Underwriters Group Of Florida	78.4%	36.5%	24.4%
Landmark American Insurance Company	64.7%	54.1%	37.2%
Lexington Insurance Company	90.9%	21.1%	18.6%
Mag Mutual Insurance Company	80.8%	36.5%	28.4%
National Union Fire Insurance Company Of Pittsburgh, Pa.	114.8%	7.6%	13.9%
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	34.2%	84.0%	60.7%
Physicians Insurance Company	97.9%	16.0%	10.4%
Physicians Professional Liability Risk Retention Group, Inc.	83.7%	37.8%	24.1%
Podiatry Insurance Company Of America	100.4%	7.0%	5.5%
Proassurance Casualty Company	67.9%	68.2%	50.2%
Samaritan Risk Retention Group, Inc.	63.9%	57.0%	41.5%
The Medical Protective Company	91.1%	35.8%	23.8%
Grand Total	106.3%	12.4%	12.8%

\* Columbia and American Casualty all reported 0 earned premium. Therefore this ratio could not be calculated. Data for HCII is removed from the table above.

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 for All Lines of Business

Company	One-Year Development	Two-Year Development
Admiral Insurance Company	\$11,105	-\$17,906
American Casualty Company Of Reading, Pennsylvania	\$0	\$0
Anesthesiologists Professional Assurance Company	-\$1,504	-\$1,635
Columbia Casualty Company	\$0	\$0
Continental Casualty Company	-\$195,952	-\$322,785
Darwin Select Insurance Company	-\$1,094	-\$2,180
Doctors Company, an Interinsurance Exchange	-\$115,301	-\$197,219
Evanston Insurance Company	-\$34,380	-\$113,711
First Professionals Insurance Company	-\$14,330	-\$26,662
Florida Doctors Insurance Company	-\$543	-\$1,838
Healthcare Underwriters Group Of Florida	-\$3,399	-\$4,356
Landmark American Insurance Company	\$25	-\$3,339
Lexington Insurance Company	-\$142,424	-\$605,889
Mag Mutual Insurance Company	-\$72,588	-\$145,234
National Union Fire Insurance Company Of Pittsburgh, Pa.	\$794,007	\$754,117
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	-\$12,086	-\$23,709
Physicians Insurance Company	-\$2,903	-\$5,286
Physicians Professional Liability Risk Retention Group, Inc.	-\$4,813	-\$8,802
Podiatry Insurance Company Of America	-\$5,573	-\$6,716
Proassurance Casualty Company	-\$63,682	-\$120,628
Samaritan Risk Retention Group, Inc.	-\$841	-\$1,668
The Medical Protective Company	-\$57,878	-\$82,791

**Adverse / (Favorable) Reserve Development  
For Medical Malpractice Line of Business**

Company	One-Year Development	Two-Year Development
Admiral Insurance Company	-\$7,754	-\$14,694
American Casualty Company Of Reading, Pennsylvania	\$0	\$0
Anesthesiologists Professional Assurance Company	-\$1,503	-\$1,634
Columbia Casualty Company	\$0	\$0
Continental Casualty Company	-\$38,113	-\$34,789
Darwin Select Insurance Company	-\$783	-\$643
Doctors Company, An Interinsurance Exchange	-\$117,363	-\$200,078
Evanston Insurance Company	-\$16,319	-\$53,051
First Professionals Insurance Company	-\$14,331	-\$26,591
Florida Doctors Insurance Company	-\$543	-\$1,838
Healthcare Underwriters Group Of Florida	-\$3,399	-\$4,356
Landmark American Insurance Company	-\$436	-\$2,069
Lexington Insurance Company	-\$69,085	-\$247,685
Mag Mutual Insurance Company	-\$71,347	-\$141,458
National Union Fire Insurance Company Of Pittsburgh, Pa.	-\$12,407	-\$16,610
Ophthalmic Mutual Insurance Company (A Risk Retention Group)	-\$12,086	-\$23,688
Physicians Insurance Company	-\$2,903	-\$5,286
Physicians Professional Liability Risk Retention Group, Inc.	-\$4,813	-\$8,802
Podiatry Insurance Company Of America	-\$5,929	-\$6,932
Proassurance Casualty Company	-\$68,079	-\$121,539
Samaritan Risk Retention Group, Inc.	-\$841	-\$1,668
The Medical Protective Company	-\$56,573	-\$79,647

As can clearly be seen, 2009 showed favorable reserve development, following a similar finding in the previous three reports. In fact, when analyzing the two-year development for the 22 companies, 19 companies reduced their overall reserves and 20 companies reduced their medical malpractice reserves, the latter perhaps 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 2009

In the year 2009 physicians and surgeons malpractice rates continued the trend of downward movement. On the average, rates for the admitted market companies (the only companies required to file their rates) decreased slightly over 8%.

The Office processed 41 filings generating rate changes in 2009, up from 31 in 2008. Many of these rate filings were for specialized types of medical malpractice insurance including dentists, podiatrists, optometrists, chiropractors and other distinct fields. The primary market for medical malpractice insurance is for physicians and surgeons, for which 13 rate filings were approved. The physicians and surgeons rate changes approved for various companies are shown in Appendix C.

In reviewing the chart, the data shows that the approved rate changes varied widely, from a small increase to double digit rate decreases. There are other aspects of the impact of insurance on physicians that are not shown in the chart. First, it appears that no rate change was processed during Calendar Year 2009 for 24% of the market (by premium). So, the impact of the rate changes experienced for the calendar year for the average physician is somewhat diluted (as shown in the 'Average Rate Change for Doctors in Florida' row).

There have been a substantial number of rate filings so far in 2010. The table below shows the latest effective rate change for admitted carriers writing physicians and surgeons medical malpractice. Note that a substantial portion of the market has made very recent rate filings, from November 2009 through August 2010.

Rank	Company Name	Rate Change Effective Date	Earned Premium (\$ in 000's)	Cumulative Market Share	Policy Count	Final Rate Change
1	First Professionals Insurance Company	8/1/2010	108,913	31%	6,625	0.0%
2	Mag Mutual Insurance Company	6/1/2010	70,780	50%	1,373	-5.0%
3	Doctors Company An Interinsurance Exchange (The)	7/1/2010	48,176	64%	1,325	0.0%
4	Proassurance Casualty Company	9/1/2010	33,653	73%	1,538	0.5%
5	Florida Doctors Insurance Company	12/1/2009	20,130	79%	582	-12.0%
6	Medical Protective Company (The)	5/1/2010	17,144	84%	879	-2.7%
7	Physicians Preferred Insurance Company	9/1/2009	15,773	88%	1,303	-8.3%
8	Healthcare Underwriters Group of Florida	1/1/2010	9,826	91%	569	-5.0%
9	Physicians Insurance Company	12/1/2009	9,670	94%	1,431	-11.7%
10	Anesthesiologists Professional Assurance Company	8/1/2010	8,462	96%	469	0.0%
11	National Fire Insurance Company of Hartford	2/1/2008	4,700	97%	102	0.0%
12	Florida Medical Malpractice JUA	7/1/2010	4,217	99%	276	-3.1%
13	Health Care Indemnity Inc. (Related)	1/1/2008	3,696	100%	0	0.0%
14	Health Care Indemnity Inc. (Contracted Physicians)	12/3/2009	815	100%	30	-10.5%
15	Proassurance Indemnity Company Inc.	5/1/2008	600	100%	10	-11.2%

Rank	Company Name	Rate Change Effective Date	Earned Premium (\$ in 000's)	Cumulative Market Share	Policy Count	Final Rate Change
16	Valiant Insurance Company	9/1/2010	126	100%	16	-8.6%
17	American Casualty Company of Reading Pennsylvania	5/1/2010	0	100%	0	0.0%
18	Cincinnati Indemnity Company	11/15/2009	0	100%	0	0.0%
19	Cincinnati Insurance Company	11/15/2009	0	100%	0	0.0%
21	Continental Casualty Company	5/1/2010	0	100%	0	0.0%
	Continental Insurance Company	5/1/2010	0	100%	0	0.0%
	<b>Totals:</b>					
	<b>Item Counts</b>		<b>\$356,681</b>		<b>16,528</b>	
	<b>Premium Weighted Average Rate Change</b>					<b>-2.7%</b>
	<b>Policy Count Weighted Average Rate Change</b>					<b>-2.9%</b>

When the latest approved rates are taken together, as in the table above, overall physician and surgeons medical malpractice rates have fallen by almost 3%.

A portion of the physicians insured in Florida (loosely estimated, given the data available, at around 20%) are insured by either 'surplus lines' carriers or risk retention groups, neither of which are required to file rates in Florida. Further, physicians operating within a large hospital or chain of hospitals often effectively receive coverage through the hospital's insurance program or policy. Physicians also have the option of posting collateral with the Department of Business and Professional Regulation in lieu of purchasing insurance. The impact of reforms on the premiums or cost paid by those physicians could not be quantified.

The medical malpractice market includes classes other than physicians. Nurses, podiatrists, and other professionals also purchase malpractice insurance although they represent a relatively small volume of premium. There is a significant amount of coverage sold to hospitals. That coverage often involves very large deductibles or so-called self-insured retentions. Therefore, the actual volume of claims experienced by the hospitals is likely far higher than the portion of the claims covered by their insurance. That is likely to be especially true for large hospitals.

Lastly, some insurance companies made changes that did not actually change their existing rates. For the most part, these involved adding rates for new classes or adding new deductibles or other options. Details are shown below:

### Non-Rate Change Physicians' Rate Filings Approved in 2009

Company Name	Impact of Filing	Approval Date
Proassurance Casualty Co.	Clarification of new doctor discount for group practices	8/14/2009
Proassurance Indemnity Co.	Clarification of new doctor discount for group practices	8/14/2009

Although the average rate change for the primary market resulted in a substantial decrease, the same was not necessarily true for the secondary medical malpractice markets. The weighted average rate change for dentists was near zero, the average for professional nurses was zero, while the average rate change for other healthcare professionals including podiatrists, optometrists, therapists, chiropractors and other specialties was +0.5%. Exhibits showing the rate filings for the primary and secondary medical malpractice markets are included in Appendix C.

## New Writers Entering the Florida Medical Malpractice Market

During 2009, ten “new” medical malpractice writers entered the Florida medical malpractice insurance market. A “new” writer can be a start-up company or other entity, an entity operating in another state expanding to Florida, or an established entity already writing in Florida that expanded its lines of business to include medical malpractice insurance.

During 2009, the following “new” writers entered, or expanded into, the medical malpractice insurance market in Florida:

<b>Company</b>	<b>Type of Entity</b>	<b>Domiciliary State</b>
Berkley Insurance Company	Property And Casualty Insurer	DE
Doctors Indemnity Risk Purchasing Group, Llc	Risk Purchasing Group	FL
First Nonprofit Insurance Company	Property And Casualty Insurer	IL
Florida Orthopedic Risk Purchasing Group, Inc.	Risk Purchasing Group	FL
Greenwich Insurance Company	Property And Casualty Insurer	DE
Lake Sumter Billing Services, Inc.	Risk Purchasing Group	FL
Lewis & Clark Ltc Risk Retention Group, Inc.	Risk Retention Group	NV
Liberty Insurance Underwriters Inc.	Property And Casualty Insurer	NY
Obstetricians & Gynecologists Risk Retention Group Of America, Inc.	Risk Retention Group	MT
Starnet Insurance Company	Property And Casualty Insurer	DE

During the same time, Florida had only two companies that had their medical malpractice insurance authority withdrawn, suspended, or surrendered.<sup>2</sup>

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

<sup>2</sup> Financial Guaranty Insurance Company was suspended in Florida effective March 9, 2009. MetLife Insurance Company of Connecticut surrendered their certificate of authority on August 27, 2009.

## Analysis of the Closed Claim Database

The 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, 2009 to December 31, 2009 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 2009, 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 2009, the average difference between occurrence and when the claim was filed was 463 days, and the difference between when a claim was filed and when the claim was closed was 823 days.

This reported data is not intended to evaluate the profitability, solvency, or the adequacy of rates of a specific company. The database does not include the entire universe of outstanding claims.

This portion of the report is divided into two sections: 1) The statewide data; and, 2) The data for the 22 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 2009, 3,087 closed claims were reported. Of these 3,087 claims closed in 2009, 1,577 claims were filed by females and 1,510 claims were filed by males.

### Injury Location

The injury location for claims closed in 2009 is distributed as follows:

Location	Number of Claims
Hospital Inpatient Facility	1,399
Physician's Office	622
Emergency Room	469
Other Outpatient Facility	192
Hospital Outpatient Facility	138
Other Location	103
Patient's Home	58
Other Hospital/Institution	42
Prison	39
Nursing Home	25
<b>Total</b>	<b>3,087</b>

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 2009.

**Severity**

The reporting data also contains 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 2009:

Severity	Number of Claims
1	179
2	178
3	482
4	263
5	374
6	285
7	219
8	124
9	983
<b>Total:</b>	<b>3,087</b>

Category “9,” meaning death, is the leading category for medical malpractice claims settled, and accounted for over 30% of all of the claims closed in 2009.

**Geographic Distribution**

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 2009 were:

	<b>County</b>	<b>Number of Claims</b>
1	Dade	444
2	Broward	355
3	Palm Beach	310
4	Hillsborough	229
5	Pinellas	211
6	Orange	130
7	Duval	129
8	Pasco	90
9	Volusia	78
10	Lee	74

There was at least one closed claim in 58 of Florida's 67 counties during 2009. Unlike the previous two years, the category for out-of-state residents was not in the top, ranking 28 with 26 closed claims during 2009.

### **Entities Reporting the Most Closed Claims**

In 2009, 152 entities reported closed medical malpractice claims. Of those reporting, 44 closed either one or two claims. Fifty-one (51) entities reported ten or more claims. They are:

<b>Rank</b>	<b>Name</b>	<b>Number of Claims</b>
1	<b>First Professionals Insurance Company, Inc</b>	<b>518</b>
2	<b>Health Care Indemnity, Inc.</b>	<b>377</b>
3	<b>Lexington Insurance Company</b>	<b>252</b>
4	<b>Mag Mutual Insurance Company</b>	<b>197</b>
5	<b>Doctors' Company, An Interinsurance Exchange (The)</b>	<b>193</b>
6	<b>Proassurance Casualty Company</b>	<b>114</b>
7	<b>Continental Casualty Company</b>	<b>81</b>
8	<b>Medical Protective Company (The)</b>	<b>74</b>
9	Florida Medical Malpractice Jua	63
10	<b>Podiatry Insurance Company Of America</b>	<b>58</b>
11	Physicians Preferred Insurance Company	57
12	Baptist Health South Florida, Hospital	42
13	<b>Anesthesiologists Professional Assurance Company</b>	<b>41</b>
14	Everest Indemnity Insurance Company	41
15	Fortress Insurance Company	40
16	Florida Healthcare Providers Insurance Exchange	32
17	Lee Memorial Health System, Hospital	29
18	Applied Medico-Legal Solutions Risk Retention Group, Inc.	27
19	<b>Healthcare Underwriters Group Of Florida</b>	<b>26</b>

20	Public Health Trust Of Miami-Dade County, Hospital	26
21	<b>Columbia Casualty Company</b>	<b>23</b>
22	Mount Sinai Medical Center, Hospital	22
23	<b>Florida Doctors Insurance Company</b>	<b>21</b>
24	Not Provided, Medical Practitioner	21
25	National Fire Insurance Company Of Hartford	18
26	Lexington Insurance, Uch Cells A And B, Hospital	17
27	North Broward Hospital District Self Insurance Trust, Hospital	17
28	South Broward Hospital District, Hospital	17
29	Florida Hospital, Hospital	16
30	Hudson Specialty Insurance Company	16
31	<b>National Union Fire Insurance Co. Of Pittsburgh, Pa</b>	<b>16</b>
32	<b>Physicians Insurance Company</b>	<b>16</b>
33	North Shore Medical Center, Hospital	15
34	Truck Insurance Exchange	15
35	Oms National Insurance Company, Risk Retention Group	14
36	University Of South Florida Health Sciences Center, Medical Practitioner	14
37	American Insurance Company (The)	13
38	Delray Community Hospital, Hospital	13
39	<b>Evanston Insurance Company</b>	<b>13</b>
40	Halifax Medical Center, Hospital	13
41	University Of Florida Jhmhc Self-Insurance Program, Medical Practitioner	13
42	<b>Admiral Insurance Company</b>	<b>12</b>
43	Orlando Regional Healthcare, Hospital	12
44	Palmetto General Hospital, Hospital	12
45	South Pinellas Medical Trust	12
46	St. Mary's Hospital, Hospital	12
47	Care Risk Retention Group, Inc.	11
48	Holy Cross Hospital, Inc., Hospital	11
49	Catlin Insurance Company Ltd.	10
50	National Fire And Marine Insurance Company	10
51	Preferred Professional Insurance Company	10

The companies in bold type are among the 22 companies comprising 80% of the direct written premium in Florida in 2009. 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 2009. This could be in part due to the long-tailed nature of the business. It should be noted however, that 17 of the 51 entities with the most closed claims in 2009 are in the sample of 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 2009 were as follows:

Category of Payment	Amount
Indemnity Paid	\$570,322,129
LAE Paid to Defense Counsel	\$129,387,693
All other LAE Paid	\$37,154,083
Non-Economic Loss	\$203,280,231
Economic Loss - Incurred	\$68,642,796
Economic Loss - Anticipated	\$389,207,205

The total of the indemnity and LAE categories is \$736,863,905, which represents the total amount paid by reporting entities for claims closed in 2009. It is important to remember that in many instances, approximately 43% of the time, the claims closed showed indemnity payments of \$0 to the plaintiff. However, even in such instances the parties may have incurred other expenses.

The other area of the financial data segregates the amount that the entity paid for economic versus non-economic damages to plaintiffs. The data reported in the 2009 closed claims shows \$203,280,231 in non-economic loss and combined incurred and anticipated economic loss of \$457,850,001.

## Closed Claims for the 22 Largest Florida Writers

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, some data is not included. Legal settlements do not necessarily apportion the final settlement amount between economic and 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, 20 of the 22 leading writers of medical malpractice insurance in Florida reported the following average times:

Company	Total days	Report to Disposition	Occurrence to Report
Admiral Insurance Company	1,027	437	590
Anesthesiologists Professional Assurance Company	1,344	1,126	218
Columbia Casualty Company	1,748	1,241	507
Continental Casualty Company	1,218	699	519
Darwin Select Insurance Company	552	267	285
Doctors' Company, An Interinsurance Exchange (The)	1,245	646	599
Evanston Insurance Company	887	298	589
First Professionals Insurance Company, Inc	1,524	975	549
Florida Doctors Insurance Company	868	403	464
Healthcare Underwriters Group Of Florida	1,159	729	430
Lexington Insurance Company	1,154	771	387
MAG Mutual Insurance Company	1,424	823	601
Medical Protective Company (The)	1,699	1,093	606

Company	Total days	Report to Disposition	Occurrence to Report
National Union Fire Insurance Co. Of Pittsburgh, PA	730	246	484
Ophthalmic Mutual Insurance Company (A R.R.G.)	2,417	1,676	741
Physicians Insurance Company	1,105	634	472
Physicians Professional Liability Risk Retention Group, Inc.	1,365	950	416
Podiatry Insurance Company Of America	1,375	781	594
Proassurance Casualty Company	1,521	1,010	511
Samaritan Risk Retention Group, Inc.	783	218	564

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. For all claims closed in 2009, the total number of days between occurrence and final disposition averaged 1,286 days (3.52 years) with a range from six months disposition to a maximum of 4,852 days (13.3 years).

### 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:

Company	Claims with Indemnity Payments	Total Claims	Percentage with Indemnity Payments
Admiral Insurance Company	6	12	50.00%
Anesthesiologists Professional Assurance Company	27	41	65.85%
Columbia Casualty Company	15	23	65.22%
Continental Casualty Company	50	81	61.73%
Darwin Select Insurance Company	7	8	87.50%
Doctors' Company, An Interinsurance Exchange (The)	69	193	35.75%
Evanston Insurance Company	12	13	92.31%
First Professionals Insurance Company, Inc	266	518	51.35%
Florida Doctors Insurance Company	14	21	66.67%
Healthcare Underwriters Group Of Florida	11	26	42.31%
Lexington Insurance Company	139	252	55.16%
MAG Mutual Insurance Company	70	197	35.53%
Medical Protective Company (The)	32	74	43.24%
National Union Fire Insurance Co. Of Pittsburgh, Pa	6	16	37.50%
Ophthalmic Mutual Insurance Company (A R.R.G.)	2	5	40.00%
Physicians Insurance Company	15	16	93.75%
Physicians Professional Liability Risk Retention Group, Inc.	4	4	100.00%
Podiatry Insurance Company Of America	33	58	56.90%

<b>Company</b>	<b>Claims with Indemnity Payments</b>	<b>Total Claims</b>	<b>Percentage with Indemnity Payments</b>
Proassurance Casualty Company	55	114	48.25%
Samaritan Risk Retention Group, Inc.	3	5	60.00%

### 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 2009 resulted in the following claim payments:

<b>Company</b>	<b>Indemnity Payment</b>	<b>LAE</b>	<b>Other</b>
Admiral Insurance Company	\$603,620	\$733,084	\$12,331
Anesthesiologists Professional Assurance Company	\$9,468,803	\$1,439,400	\$957,150
Columbia Casualty Company	\$15,923,000	\$1,495,642	\$278,617
Continental Casualty Company	\$54,499,384	\$2,369,096	\$322,940
Darwin Select Insurance Company	\$480,039	\$1,173,619	\$17,493
Doctors' Company, An Interinsurance Exchange (The)	\$13,052,107	\$6,513,123	\$24,836
Evanston Insurance Company	\$2,095,000	\$509,972	\$2,750
First Professionals Insurance Company, Inc	\$60,906,833	\$18,936,476	\$11,377,492
Florida Doctors Insurance Company	\$2,384,500	\$443,742	\$0
Healthcare Underwriters Group Of Florida	\$805,100	\$850,623	\$322,683
Lexington Insurance Company	\$42,616,451	\$7,999,905	\$532,271
MAG Mutual Insurance Company	\$22,849,415	\$7,006,529	\$3,372,543
Medical Protective Company (The)	\$5,396,000	\$2,807,904	\$1,465,798
National Union Fire Insurance Co. Of Pittsburgh, Pa	\$1,570,300	\$341,476	\$3,041
Ophthalmic Mutual Insurance Company (A R.R.G.)	\$1,097,250	\$0	\$0
Physicians Insurance Company	\$1,974,000	\$603,913	\$294,307
Physicians Professional Liability Risk Retention Group, Inc.	\$120,000	\$108,418	\$0
Podiatry Insurance Company Of America	\$3,074,631	\$1,980,182	\$450,402
Proassurance Casualty Company	\$14,745,499	\$4,454,375	\$2,278,912
Samaritan Risk Retention Group, Inc.	\$750,000	\$93,413	\$119,677

## **Summary**

In accordance with Senate Bill 2-D, enacted in 2003, the Office has drawn upon three data resources for this report:

- 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.

Based on the analysis contained in this report, it appears that the solvency of the medical malpractice insurers has been enhanced by the introduction of the legislative reforms. Further, it appears that physicians malpractice premiums have generally decreased significantly since the reforms were implemented.

**Appendix A**  
**Medical Malpractice Insurance Data by State**  
**2009**

2009 Rank	2008 Rank	State	Direct Premium Written	Direct Premium Earned	Incurred Losses	D.C.C. Incurred
1	1	New York	\$1,585,156,885	\$1,598,364,164	\$991,059,502	\$309,882,917
2	2	California	\$821,290,683	\$810,105,652	\$204,424,677	\$172,793,036
3	3	Pennsylvania	\$710,114,749	\$698,083,973	\$315,456,297	\$142,888,808
4	4	Illinois	\$584,015,682	\$587,655,975	\$212,508,212	\$135,796,950
<b>5</b>	<b>5</b>	<b>Florida</b>	<b>\$550,211,219</b>	<b>\$564,076,372</b>	<b>\$169,195,903</b>	<b>\$107,323,796</b>
6	6	New Jersey	\$509,572,768	\$508,945,532	\$221,044,284	\$78,836,409
7	7	Ohio	\$359,840,822	\$383,341,680	\$71,309,970	\$29,731,924
8	8	Texas	\$326,708,396	\$335,902,914	\$62,603,347	\$58,877,393
9	10	Massachusetts	\$303,395,445	\$302,199,972	\$175,355,446	\$50,197,014
10	11	Maryland	\$283,867,049	\$285,186,138	\$160,699,641	\$50,586,549
11	9	Georgia	\$281,448,351	\$291,113,537	\$84,432,890	\$66,357,359
12	12	Tennessee	\$272,293,313	\$276,873,305	\$48,861,307	\$80,532,232
13	13	Arizona	\$245,430,346	\$245,051,836	\$121,998,808	\$41,678,738
14	14	North Carolina	\$234,440,676	\$241,587,314	\$56,178,708	\$46,170,862
15	15	Virginia	\$230,819,874	\$231,188,278	\$72,060,868	\$29,019,097
16	16	Michigan	\$196,039,291	\$208,015,305	-\$63,604,699	\$3,576,256
17	17	Connecticut	\$195,075,548	\$195,900,383	\$90,731,144	\$21,184,887
18	19	Missouri	\$179,899,492	\$179,894,152	\$70,717,306	\$70,959,798
19	18	Washington	\$176,899,993	\$178,782,530	\$69,729,883	\$31,350,571
20	20	Colorado	\$161,931,340	\$163,943,777	\$58,686,726	\$40,820,229
21	22	Alabama	\$144,685,901	\$137,182,444	\$23,717,761	\$7,011,529
22	21	Kentucky	\$143,467,557	\$146,202,134	\$48,223,664	\$28,459,387
23	23	Indiana	\$120,061,257	\$121,600,501	\$36,204,477	\$33,232,065
24	24	Oklahoma	\$114,545,747	\$116,018,892	\$79,945,343	\$25,151,371
25	25	Oregon	\$102,317,254	\$108,991,957	\$41,713,498	\$14,917,924
26	29	Louisiana	\$94,237,896	\$95,574,410	\$7,953,885	\$29,826,856
27	26	Wisconsin	\$91,956,494	\$93,484,861	\$41,566,869	\$17,844,652
28	27	Nevada	\$87,451,863	\$88,408,542	\$37,639,894	\$25,399,875
29	28	Minnesota	\$78,540,443	\$83,813,419	\$11,433,907	\$15,835,315
30	33	Iowa	\$76,151,738	\$77,256,002	\$16,990,991	\$15,967,419
31	30	Kansas	\$75,953,519	\$76,492,977	\$27,383,210	\$12,258,394
32	35	Puerto Rico	\$71,008,828	\$62,378,193	\$10,210,528	\$8,848,486
33	31	Arkansas	\$70,732,004	\$75,221,460	\$30,158,195	\$19,921,839
34	32	West Virginia	\$67,988,548	\$70,837,657	\$25,096,595	\$9,961,660
35	34	Utah	\$66,954,933	\$66,462,769	\$20,431,923	\$18,492,045
36	39	Mississippi	\$47,433,153	\$49,827,226	\$9,232,229	\$4,750,734
37	36	Maine	\$45,283,690	\$47,960,398	\$18,476,337	\$7,541,467
38	38	South Carolina	\$44,729,757	\$45,858,385	\$27,755,824	\$8,470,443
39	40	Rhode Island	\$40,885,120	\$39,392,878	\$15,071,197	\$3,954,412
40	37	New Mexico	\$37,958,794	\$41,956,637	\$21,416,754	\$9,436,378

2009 Rank	2008 Rank	State	Direct Premium Written	Direct Premium Earned	Incurred Losses	D.C.C. Incurred
41	41	Montana	\$34,475,480	\$35,051,479	\$15,189,550	\$6,274,172
42	45	District Of Columbia	\$33,852,222	\$29,068,392	\$8,097,308	\$2,536,730
43	47	Nebraska	\$32,492,617	\$33,380,798	\$10,220,088	\$6,900,390
44	44	Delaware	\$30,858,575	\$30,809,696	\$12,383,459	\$4,218,070
45	43	Idaho	\$29,187,094	\$32,624,059	\$6,801,979	\$4,371,575
46	42	New Hampshire	\$28,661,681	\$29,075,632	\$12,090,811	\$3,736,789
47	46	Hawaii	\$26,716,553	\$26,747,199	\$19,549,649	\$4,820,766
48	48	Wyoming	\$22,920,867	\$22,703,256	\$7,900,936	\$3,779,573
49	51	South Dakota	\$19,047,294	\$19,918,422	\$3,804,073	\$2,104,685
50	49	Vermont	\$17,732,862	\$17,354,298	-\$1,877,586	\$1,051,720
51	50	Alaska	\$17,541,128	\$17,527,864	\$1,979,611	\$2,220,198
52	52	North Dakota	\$8,578,458	\$9,048,217	-\$7,860,777	\$1,052,593
53	54	Guam	\$103,617	\$142,157	\$9,792	\$3,236
54	56	U.S. Virgin Islands	\$16,069	\$15,152	\$9,170	\$1,426
55	53	Other Territories <sup>3</sup>	-\$4,530,636	-\$4,530,636	\$2,445,748	\$75,564
		<b>Grand Total</b>	\$10,696,333,332	\$10,758,412,231	\$3,903,574,245	\$1,986,111,898

The data above reflects the official data reported to the NAIC (including HCII).

<sup>3</sup> Other territories include the American Samoa and Northern Marianna Islands

**Appendix B**  
**Medical Malpractice Loss + DCC (Profitability) by State**  
**2009**

2009 Rank	2008 Rank	State	DCC+Loss Ratio
1	46	Hawaii	91.11%
2	9	Oklahoma	90.59%
3	3	New York	81.39%
4	1	South Carolina	79.00%
5	35	Missouri	78.76%
6	11	Massachusetts	74.64%
7	17	Maryland	74.09%
8	10	New Mexico	73.54%
9	25	Nevada	71.31%
10	55	U.S. Virgin Islands	69.93%
11	37	Arizona	66.79%
12	39	Arkansas	66.58%
13	12	Pennsylvania	65.66%
14	47	Wisconsin	63.55%
15	38	Montana	61.23%
16	30	Colorado	60.70%
17	8	Illinois	59.27%
18	22	New Jersey	58.92%
19	7	Utah	58.57%
20	26	Connecticut	57.13%
21	16	Indiana	57.10%
22	19	Washington	56.54%
23	4	New Hampshire	54.44%
24	18	Maine	54.25%
25	5	Delaware	53.88%
26	14	Kentucky	52.45%
27	41	Oregon	51.96%
28	48	Kansas	51.82%
29	29	Georgia	51.80%
30	21	Wyoming	51.45%
31	20	Nebraska	51.29%
32	28	West Virginia	49.49%
<b>33</b>	<b>32</b>	<b>Florida</b>	<b>49.02%</b>
34	6	Rhode Island	48.30%
35	15	Tennessee	46.73%
36	36	California	46.56%
37	31	Virginia	43.72%
38	23	Iowa	42.66%
39	45	North Carolina	42.37%
40	52	Louisiana	39.53%

<b>2009 Rank</b>	<b>2008 Rank</b>	<b>State</b>	<b>DCC+Loss Ratio</b>
41	40	District of Columbia	36.58%
42	44	Texas	36.17%
43	51	Idaho	34.25%
44	13	Minnesota	32.54%
45	49	Puerto Rico	30.55%
46	42	South Dakota	29.66%
47	53	Mississippi	28.06%
48	34	Ohio	26.36%
49	50	Alaska	23.96%
50	33	Alabama	22.40%
51	54	Guam	9.16%
52	2	Vermont	-4.76%
53	27	Michigan	-28.86%
54		Other Territories	-55.65%
55	24	North Dakota	-75.24%
		<b>National Average</b>	<b>54.74%</b>

*The data above reflects the official data reported to the NAIC (including HCII).*

**Appendix C**  
**Medical Malpractice Rate Filings in 2009 Including those in the**  
**Secondary Markets**



### Rate Impact on Secondary Market Segment-Nurses

Company Name	Policy Count	Rate Change Indicated	Rate Change Approved	Approval Date
Cincinnati Ins. Co.	68	0.90%	0.00%	2/2/2009
Cincinnati Indemnity Co.	0	0.90%	0.00%	2/2/2009
Medical Protective Co.	0	0.00%	0.00%	8/7/2009
Ponce De Leon RRG Inc.	0	0.00%	0.00%	11/19/2009

**Average Approved Rate Change**                    **0%**

### Rate Impact on Secondary Market Segment-Hospitals/Facilities

Company Name	Policy Count	Rate Change Indicated	Rate Change Approved	Approval Date	Program
First Professionals Ins. Co.	80	0.00%	0.00%	11/5/2009	Miscellaneous Medical Facilities
Cincinnati Ins. Co.	34	0.90%	0.00%	2/2/2009	Miscellaneous Medical Facilities
Florida Med Mal JUA	5	-2.40%	0.00%	4/30/2009	Hospitals
Health Care Indemnity Inc.	2	-13.10%	-6.90%	4/13/2009	Hospitals
Cincinnati Indemnity Co.	0	0.90%	0.00%	2/2/2009	Miscellaneous Medical Facilities
Cincinnati Indemnity Co.	0	1.80%	0.00%	2/2/2009	Hospitals
Cincinnati Ins. Co.	0	1.80%	0.00%	2/2/2009	Hospitals
Ponce De Leon RRG	0	0.00%	0.00%	5/28/2009	Miscellaneous Medical Facilities

**Average Approved Rate Change**                    **-0.11%**

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

<b>Company Name</b>	<b>Policy Count</b>	<b>Rate Change Indicated</b>	<b>Rate Change Approved</b>	<b>Approval Date</b>	<b>Program</b>
American Casualty Co. of Reading PA	23,729	0.70%	0.70%	11/16/2009	Healthcare Providers Services Org. RPG
Ace American Ins. Co.	2,400	0.30%	0.00%	8/3/2009	Psychologists
First Professionals Ins. Co.	567	-29.70%	-29.70%	2/19/2009	Optometrists
Ace American Ins. Co.	299	54.50%	50.00%	4/1/2009	Chiropractors
Ace American Ins. Co.	255	3.90%	0.00%	8/3/2009	Allied Health
Ace American Ins. Co.	55	5.30%	5.00%	8/24/2009	Podiatrists
Cincinnati Ins. Co.	34	0.90%	0.00%	2/2/2009	Other Healthcare Providers
Cincinnati Indemnity Co.	0	0.90%	0.00%	2/2/2009	Other Healthcare Providers
Medical Protective Co.	0	0.00%	0.00%	8/7/2009	Physician Assistants
Ponce De Leon RRG	0	0.00%	0.00%	11/19/2009	Home Health Care and Hospice

**Average Approved Rate Change**

**0.55%**