MEDICAL MALPRACTICE

HEARING ON THE QUESTION OF COMPETITION IN THE PHYSICIAN, SURGEON AND HOSPITAL MARKET

November 19, 2014

SUBMITTED MATERIALS
ACCOMPANYING THE PRESENTATION OF

SALLY MACFADDEN
P&C ACTUARY
NEW HAMPSHIRE INSURANCE DEPARTMENT

Exhibit 1a

NEW HAMPSHIRE INSURANCE DEPARTMENT

Premium and Market Share in 2013
Medical Professional Liability

	2013	2012
HHI Incl JUA*	**1,190**	**1,304**
HHI excl JUA*	**1,322**	**1,468**
HHI for Regulated Companies only incl JUA	**2,151**	**2,396**
HHI for Regulated Companies only excl JUA	**2,537**	**2,900**

Group Code	Cocode	Company Name	State of Domicile	Type of Company	2013 Direct Written Premiums	2013 Market Share	2012 Direct Written Premiums	2012 Market Share
1154	10638	Proselect Ins Co	Massachusetts		$11,022,269	26.6%	$12,173,111	28.5%
4775	36277	Medical Mut Ins Co Of ME	Maine		$6,483,567	15.6%	$7,079,006	16.6%
12	19437	Lexington Ins Co	Delaware	S	$3,905,977	9.4%	$3,502,366	8.2%
		NH JUA			$2,971,053	7.2%	$3,562,387	8.3%
31	11843	Medical Protective Co	Indiana		$2,842,186	6.9%	$2,156,455	5.0%
785	39020	Essex Ins Co	Delaware	S	$1,179,825	2.8%	$147,034	0.3%
218	20427	American Cas Co Of Reading PA	Pennsylvania		$1,087,214	2.6%	$1,035,849	2.4%
4743	36234	Preferred Professional Ins Co	Nebraska		$1,075,729	2.6%	$1,146,659	2.7%
4509	25445	Ironshore Specialty Ins Co	Arizona	S	$950,878	2.3%	$1,158,533	2.7%
4770	13756	CMIC RRG	DC	RRG	$805,262	1.9%	$548,849	1.3%
218	31127	Columbia Cas Co	Illinois	S	$757,987	1.8%	$800,692	1.9%
	44083	Preferred Physicians Medical RRG	Missouri	RRG	$698,046	1.7%	$754,831	1.8%
3786	41718	Endurance Amer Specialty Ins Co	Delaware		$680,000	1.6%	$0	0.0%
218	20443	Continental Cas Co	Illinois		$660,563	1.6%	$700,360	1.6%
1279	21199	Arch Specialty Ins Co	Nebraska	S	$572,557	1.4%	$855,258	2.0%
31	20079	National Fire & Marine Ins Co	Nebraska	S	$559,533	1.3%	$613,390	1.4%
508	44121	OMS Natl Ins Co RRG	Illinois	RRG	$452,427	1.1%	$458,425	1.1%
111	19917	Liberty Ins Underwriters Inc	Illinois		$404,146	1.0%	$371,518	0.9%
2638	15865	NCMIC Ins Co	Iowa		$387,782	0.9%	$365,461	0.9%
4574	15989	Catlin Specialty Ins Co	Delaware	S	$339,781	0.8%	$879,500	2.1%
1129	34452	Homeland Ins Co of NY	New York	S	$292,802	0.7%	$174,385	0.4%
831	34495	Doctors Co An Interins Exch	California		$291,798	0.7%	$322,962	0.8%
626	22667	Ace Amer Ins Co	Pennsylvania		$275,720	0.7%	$271,348	0.6%
626	27960	Illinois Union Ins Co	null	S	$251,977	0.6%	$272,940	0.6%
	12373	Caring Communities Recip RRG	DC	RRG	$224,346	0.5%	$20,743	0.0%
	10115	Eastern Dentists Ins Co RRG	Vermont	RRG	$206,850	0.5%	$203,654	0.5%
212	26387	Steadfast Ins Co	Delaware	S	$193,578	0.5%	$1,174,032	2.7%
	35904	Health Care Ind Inc	Colorado		$175,914	0.4%	$123,016	0.3%
2698	14460	Podiatry Ins Co Of Amer	Illinois		$144,197	0.3%	$132,191	0.3%
	44105	Ophthalmic Mut Ins Co RRG	Vermont	RRG	$127,592	0.3%	$171,517	0.4%
98	24856	Admiral Ins Co	Delaware	S	$126,197	0.3%	$123,970	0.3%
244	10677	Cincinnati Ins Co	Ohio		$125,868	0.3%	$132,053	0.3%
12	19445	National Union Fire Ins Co Of Pitts	Pennsylvania		$119,107	0.3%	$216,356	0.5%
	11710	Allied Professionals Ins Co RRG	Arizona	RRG	$111,263	0.3%	$111,652	0.3%
3239	16624	Darwin Natl Assur Co	Delaware		$99,839	0.2%	$91,507	0.2%
1129	27154	Atlantic Specialty Ins Co	New York		$99,194	0.2%	$11,563	0.0%
501	35157	Fair Amer Ins & Reins Co	New York		$88,031	0.2%	$0	0.0%
501	33138	Landmark Amer Ins Co	Oklahoma	S	$70,566	0.2%	$17,374	0.0%
361	19720	American Alt Ins Corp	Delaware		$63,267	0.2%	$65,111	0.2%
	10232	American Assoc Of Othodontists RRG	Arizona	RRG	$54,536	0.1%	$58,438	0.1%
	11598	Applied Medico Legal Solutions RRG	Arizona	RRG	$50,045	0.1%	$45,647	0.1%
	11513	Physicians Specialty Ltd RRG	South Carolina	RRG	$42,738	0.1%	$0	0.0%
361	10786	Princeton Excess & Surplus Lines Ins	Delaware	S	$38,450	0.1%	$56,800	0.1%
	37540	Beazley Ins Co Inc	Connecticut		$35,230	0.1%	$35,023	0.1%
88	12833	AIX Specialty Ins Co	Delaware	S	$33,573	0.1%	$8,565	0.0%
	11846	Peace Church RRG Inc	Vermont	RRG	$32,583	0.1%	$32,491	0.1%
3239	24319	Darwin Select Ins Co	Arkansas	S	$32,500	0.1%	$126,075	0.3%
	12189	Oceanus Ins Co A RRG	South Carolina	RRG	$29,346	0.1%	$5,462	0.0%
12	23809	Granite State Ins Co	Pennsylvania		$24,243	0.1%	$24,372	0.1%
	18767	Church Mut Ins Co	Wisconsin		$20,427	0.0%	$14,585	0.0%
3239	19489	Allied World Assur Co US Inc	Delaware	S	$16,956	0.0%	$29,831	0.1%
457	39993	Colony Ins Co	Virginia	S	$16,783	0.0%	$5,200	0.0%
4725	44776	Torus Specialty Ins Co	Delaware		$16,320	0.0%	$0	0.0%
176	25143	State Farm Fire & Cas Co	Illinois		$14,347	0.0%	$16,319	0.0%
3494	12203	James River Ins Co	Ohio	S	$11,710	0.0%	$782	0.0%
866	37982	Tudor Ins Co	New Hampshire		$11,432	0.0%	$7,173	0.0%
	11941	Green Hills Ins Co RRG	Vermont	RRG	$9,990	0.0%	$20,180	0.0%
98	25224	Great Divide Ins Co	North Dakota		$9,854	0.0%	$2,237	0.0%
111	24732	General Ins Co Of Amer	New Hampshire		$6,871	0.0%	$7,837	0.0%
775	13714	Pharmacists Mut Ins Co	Iowa		$6,227	0.0%	$5,827	0.0%
785	35378	Evanston Ins Co	Illinois	S	$6,192	0.0%	$1,944	0.0%
508	10801	Fortress Ins Co	Illinois		$5,194	0.0%	$4,641	0.0%
4681	13677	Affiliates Ins Recip a RRG	Vermont	RRG	$5,177	0.0%	$5,246	0.0%
783	37974	MT Hawley Ins Co	Illinois		$5,157	0.0%	$0	0.0%
12	19380	American Home Assur Co	New York		$5,147	0.0%	$5,012	0.0%
158	37079	Hudson Specialty Ins Co	New York		$3,500	0.0%	$0	0.0%
	11798	Continuing Care RRG Inc	South Carolina	RRG	$3,250	0.0%	$17,588	0.0%
761	22810	Chicago Ins Co	Illinois		$3,144	0.0%	$24,361	0.1%
244	13037	The Cincinnati Specialty Underwriter	Delaware	S	$2,530	0.0%	$2,410	0.0%
	11832	Health Care Industry Liab Recip Ins	DC		$1,450	0.0%	$1,363	0.0%
244	23280	The Cincinnati Ind Co	Ohio		$932	0.0%	$854	0.0%
	12934	Academic Medical Professionals Risk R	Vermont	RRG	$175	0.0%	$0	0.0%
1129	21970	OneBeacon Ins Co	Pennsylvania		$0	0.0%	$80,399	0.2%
212	16535	Zurich Amer Ins Co	New York		$0	0.0%	$53,917	0.1%
31	37362	General Star Ind Co	Delaware	S	$0	0.0%	$50,444	0.1%
866	13196	Western World Ins Co	New Hampshire	S	$0	0.0%	$9,632	0.0%
98	17370	Nautilus Ins Co	Arizona	S	$0	0.0%	$1,515	0.0%
12	26883	Chartis Specialty Ins Co	Illinois	S	$0	0.0%	$134	0.0%
212	21326	Empire Fire & Marine Ins Co	Nebraska		$0	0.0%	$0	0.0%
761	22829	Interstate Fire & Cas Co	Illinois	S	$0	0.0%	$0	0.0%
4509	23647	Ironshore Ind Inc	Minnesota		$0	0.0%	$0	0.0%
984	42374	Houston Cas Co	Texas	S	$0	0.0%	$0	0.0%
		Total Regulated Carrier			**$29,266,919**	**70.6%**	**$30,240,833**	**70.8%**
		Total Surplus Lines Carrier			**$9,360,352**	**22.6%**	**$10,012,806**	**23.4%**
		Total Risk Retention Group			**$2,853,626**	**6.9%**	**$2,454,723**	**5.7%**
		GRAND TOTAL			**$41,480,897**	**100.0%**	**$42,708,362**	**100.0%**

* HHI: Herfindahl-Hirschman Index. An index below 1000 indicates an unconcentrated market, an index from 1000 to 1800 indicates moderate concentration and an inde: above 1800 indicates high concentration.

Exhibit 1b

NEW HAMPSHIRE INSURANCE DEPARTMENT

Regulated Insurers doing Business in New Hampshire in 2013
with more than $100,000 in Medical Professional Liability Written Premium

Company Name	2013 MedMal Written Premium NH	2013 MedMal Written Premium Countrywide	NH Med Mal / CW Med Mal	2013 All Lines Written Premium NH	NH Med Mal / NH All Lines	2013 All Lines Written Premium Countrywide	NH Med Mal / CW All Lines	Market Commentary
Proselect Ins Co	11,022,269	160,551,844	6.9%	11,218,967	98.2%	163,114,974	6.8%	Regional, Parent is ProMutual - Northeast Focus
Medical Mut Ins Co Of ME	6,483,567	41,243,890	15.7%	6,626,530	97.8%	42,041,033	15.4%	Regional
NH JUA	2,971,053	2,971,053	100.0%	2,971,053	100.0%	2,971,053	100.0%	NH MedMal Only
Medical Protective Co	2,842,186	575,419,391	0.5%	2,842,186	100.0%	579,537,956	0.5%	National
Preferred Professional Ins Co	1,075,729	79,385,755	1.4%	1,089,161	98.8%	100,445,684	1.1%	National (Catholic Healthcare, Physicians & Hospital)
American Cas Co Of Reading PA	1,087,214	176,618,042	0.6%	2,089,820	52.0%	568,492,091	0.2%	National
Continental Cas Co	660,563	142,729,317	0.5%	15,069,118	4.4%	5,096,613,143	0.0%	National
Liberty Ins Underwriters Inc	404,146	50,234,300	0.8%	3,343,015	12.1%	1,025,132,683	0.0%	National
NCMIC Ins Co	387,782	62,515,835	0.6%	387,782	100.0%	62,320,522	0.6%	National - Chiropractors
Doctors Co An Interins Exch	291,798	716,270,609	0.0%	291,798	100.0%	715,980,597	0.0%	National - Physician owned
Ace Amer Ins Co	275,720	57,194,523	0.5%	10,416,866	2.6%	3,601,521,765	0.0%	National
National Union Fire Ins Co Of Pitts	119,107	56,547,766	0.2%	14,792,245	0.8%	5,897,826,124	0.0%	National
Podiatry Ins Co Of Amer	144,197	74,796,365	0.2%	144,197	100.0%	74,888,030	0.2%	National - Podiatrists
Cincinnati Ins Co	125,868	29,738,711	0.4%	14,233,934	0.9%	3,297,204,777	0.0%	National
Health Care Ind Inc	175,914	29,738,711	0.6%	175,914	100.0%	40,743,637	0.4%	National

Exhibit 1c

NEW HAMPSHIRE INSURANCE DEPARTMENT

Insurers Entering and Exiting the NH Market

1. Insurers entering the New Hampshire Medical Malpractice Market between 2005 and 2013

Company Name	Type	2012 Premium	2013 Premium
Medical Protective Co *		$2,156,455	$2,842,186
Preferred Professional Ins Co		$1,146,659	$1,075,729
Catlin Specialty Ins Co	S	$879,500	$339,781
CMIC RRG	RRG	$548,849	$805,262
Liberty Ins Underwriters Inc		$371,518	$404,146
National Fire & Marine Ins Co *	S	$613,390	$559,533
Illinois Union Ins Co	S	$272,940	$251,977
Allied World Assur Co US Inc **	S	$29,831	$16,956
Darwin Select Ins Co **	S	$126,075	$32,500
Ironshore Ind Inc ***		$0	$0
11 Other Regulated (2012 premium < $100,000)		$209,641	$264,575
11 Other Surplus (2012 premium < $100,000)	S	$179,619	$109,238
6 Other RRG (2012 premium < $100,000)	RRG	$114,866	$322,154

* Medical Protective and National Fire& Marine are part of the same insurance group.
** Allied World and Darwin Select are part of the same insurance group. Both Companies exited NH in 2011.
*** Ironshore also exited in 2011.

2. Insurers exiting the New Hampshire Medical Malpractice Market between 2005 and 2013

Company Name	Type	2005 Premium	2013 Premium
Health Care Ind Inc *		$2,070,000	$175,914
Admiral Ins Co *	S	$1,593,000	$126,197
1st Specialty Ins Corp	S	$879,000	$0
Executive Risk Specialty Ins Co	S	$255,000	$0
Executive Risk Ind Co	S	$204,000	$0
Interstate Fire & Cas Co	S	$78,000	$0
Platte River Ins Co		$35,000	$0
Westport Ins Co		$25,000	$0
American Ins Co		$23,000	$0
Campmed Cas & Ind Co Inc		$20,000	$0
Medical Liability Mutual		$15,000	$0

3. Insurers exiting the New Hampshire Medical Malpractice Market in 2012

Company Name	Type	2012 Premium	2013 Premium
None			

* Includes Companies with substantially reduced writings (80% or more).

Exhibit 2a

PHYSICIANS AND SURGEONS
MEDICAL MALPRACTICE INSURANCE RATE COMPARISON
CURRENT MARKET LEADERS IN NEW HAMPSHIRE

Rates for $1 mil / $ 3 mil Limits:

Specialty	ISO Class	Occurrence Premium NHJUA	Occurrence Premium MMICof ME	Occurrence Premium ProSelect	Claims Made - 1 NHJUA	Claims Made - 1 MMICof ME	Claims Made - 1 ProSelect	Claims Made - Mature NHJUA	Claims Made - Mature MMICof ME	Claims Made - Mature ProSelect
Family Practice - NS	80420	8,531	n/a	12,573	3,478	3,773	3,637	9,937	13,973	12,124
Radiology	80280	12,800	n/a	22,004	5,219	7,047	6,365	14,911	26,199	21,218
Cardiology - NS	80255	8,531	n/a	12,573	3,478	4,056	3,637	9,937	15,021	12,124
General Surgery	80143	36,521	n/a	49,998	14,888	14,525	14,463	42,541	53,796	48,212
Neurosurgery	80152	74,869	n/a	119,111	30,522	27,352	34,456	87,208	101,304	114,857
OB / GYN	80153	56,608	n/a	80,878	23,079	18,675	23,397	65,938	69,166	77,990

POTENTIAL ADJUSTMENTS TO REFLECT PRIOR CLAIMS ACTIVITY

NHJUA

- paid claims - previous 10 years
- indemnity only - no expense
- points as follows per claim:
  - $ 50K - $250K one point
  - $250K - $750 K two points
  - $750K + three points
- surcharge schedule:

Pts.	Surcharge
1	0%
2	10%
3	30%
4	60%
5	100%
6	150%
7	200%
8	250%
9+	300%

MMIC of ME

- Standard Program Premium Surcharges
  - Chargeable claims
    - in judgement of company underwriting committee negligence on the part of the physician is reasonably clear
    - subject to a 10% surcharge for each chargeable claim for two policy years
  - Hospital Disciplinary Action
    - physicians under punitive or disciplinary observation, preceptorship or sponsorship in a hospital subject to surcharge - amount determined by Underwriting Committee
  - Other
    - physician displays characteristics or patterns of practice not reflective of established norms
    - surcharge ranges from 10 to 50%
- Loss Free Discount
  - loss = indemnity payment of $15 K or more
  - 1% discount for each consecutive year a physician is insured with MMIC and loss free
  - maximum of 15%

ProSelect

- Individual and Group Practice Schedule Rating plan
  - overall credit or debit of - 40% to +25%
  - based on schedule of specific characteristics not reflected in the experience for the class:
    - acceptance of risk management provisions
    - professional liability loss history - freq. or severity
    - unusual risk characteristics
    - office surgery inspection by an approved org.
    - continuing education
  - for Group, schedule reflects:
    - qualification and experience of insured
    - office appraisal
    - adequacy of staffing, selection, supervision and experience of staff
    - past loss history
    - effective risk management
- Claim-Free Program
  - minimum of 3 years claim free
  - "claim free" means no paid claims of more than $10,000
  - 1% discount for each year up to 15
- Experience Rating Plan available to groups of 3 or more

RATE ACTIVITY - RECENT YEARS

Company	Most Recent Date	Most Recent Amount	1st Prior Date	1st Prior Amount	2nd Prior Date	2nd Prior Amount	COMPANIES
MMICof ME	9/1/2014	5.2%	11/1/2011	-2.2%	10/1/2010	5.0%	Medical Mutual Insurance Company of Maine
ProSelect	10/1/2013	9.2%	10/1/2012	8.4%	10/1/2011	6.0%	part of the ProMutual Group
JUA	1/1/2014	4.0%	1/1/2013	3.5%	1/1/2012	12.0%	New Hampshire Medical Malpractice JUA

Source: NH Insurance Dept Rate Filings

Exhibit 2b

NEW HAMPSHIRE INSURANCE DEPARTMENT

MEDICAL MALPRACTICE LIABILITY INSURANCE

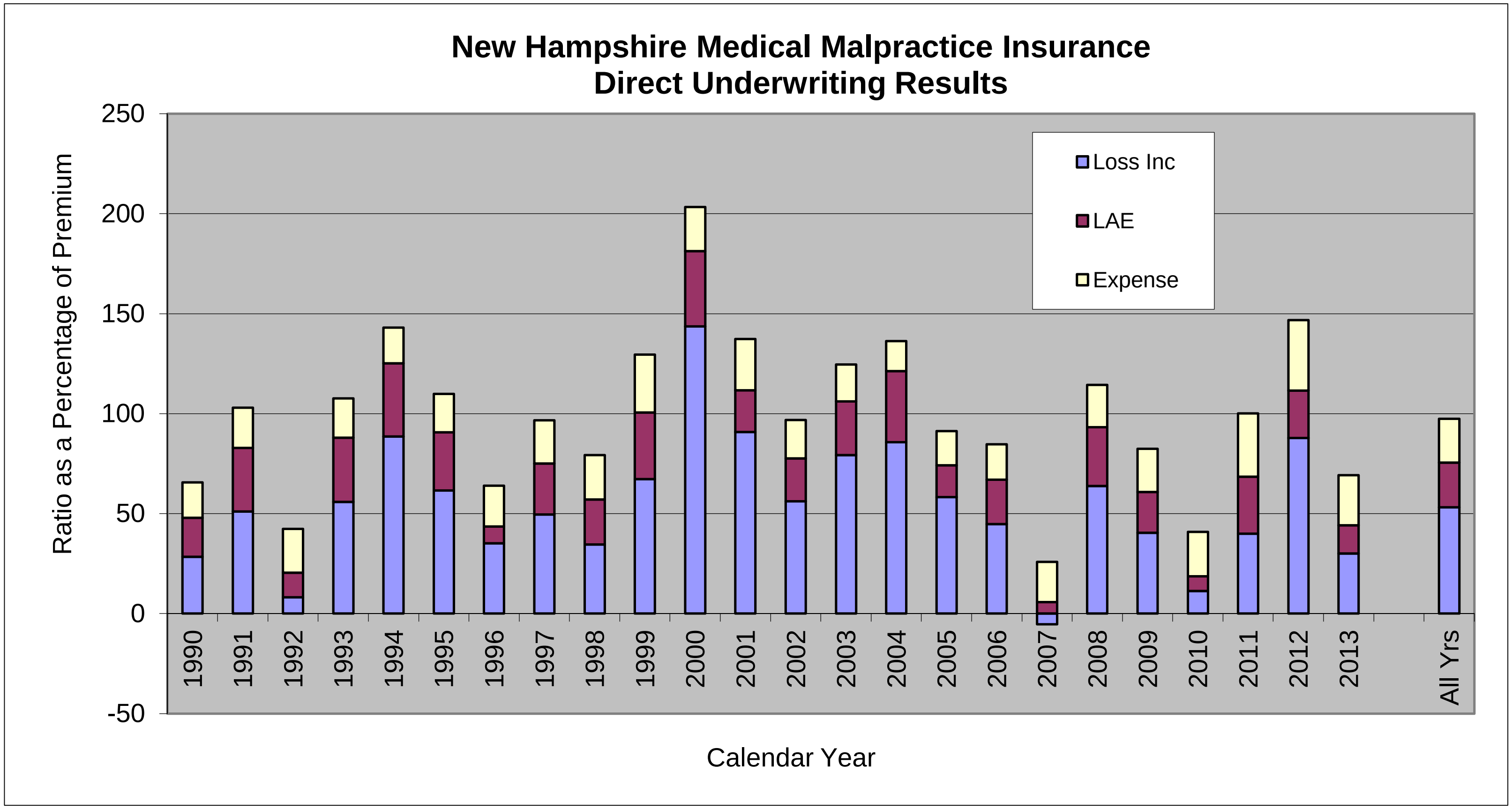
RATE HISTORY BEGINNING 1/1/2001
Physicians and Surgeons

	Medical Mutual Ins. Co. of ME		Proselect Insurance Company		NH Med Mal JUA	
Year	**Eff. Date**	**Amt of Chg.**	**Eff. Date**	**Amt of Chg.**	**Eff. Date**	**Amt of Chg.**
2001	10/1/2001	11.6%				
2002	6/1/2002	25.0%	10/1/2002	10.0%		
	10/1/2002	3.2%				
2003	6/1/2003	25.0%	10/1/2003	12.4%	1/1/2003	30.0%
2004			10/1/2004	6.0%		
2005	8/1/2005	25.0%	10/1/2005	17.5%		
2006	7/1/2006	3.9%	10/1/2006	12.0%		
2007					1/1/2007	3.0%
2008	10/1/2008	-8.6%	10/1/2008	-1.5%	1/1/2008	12.2%
2009			10/1/2009	4.0%		
2010	10/1/2010	5.0%				
2011	11/1/2011	-2.2%	10/1/2011	6.0%		
2012			10/1/2012	8.4%	1/1/2012	12.0%
2013			10/1/2013	9.2%	1/1/2013	3.5%
2014	9/1/2014	5.2%			1/1/2014	4.0%
	Count	**Avg Annual Change**	**Count**	**Avg Annual Change**	**Count**	**Avg Annual Change**
All Years	10	6.6%	10	6.3%	6	4.7%
2001 to 2005	5	17.6%	4	9.0%	1	5.4%
2006 to 2010	3	-0.1%	3	2.8%	2	2.9%
2011 to current	2	0.7%	3	5.8%	3	4.8%
		Total Chg over period		**Total Chg over period**		**Total Chg over period**
2001 to 2005		124.9%		54.0%		30.0%
2006 to 2010		-0.3%		14.7%		15.6%
2011 to current		2.9%		25.5%		20.6%

Cumulative Rate Change Summary	**130.8%**	**121.7%**	**81.1%**

Note: MMIC-ME, ProSelect and the JUA Program comprise approximately 52% of the total Medical Malpractice market in NH and 70% of the regulated market.

Exhibit 3a

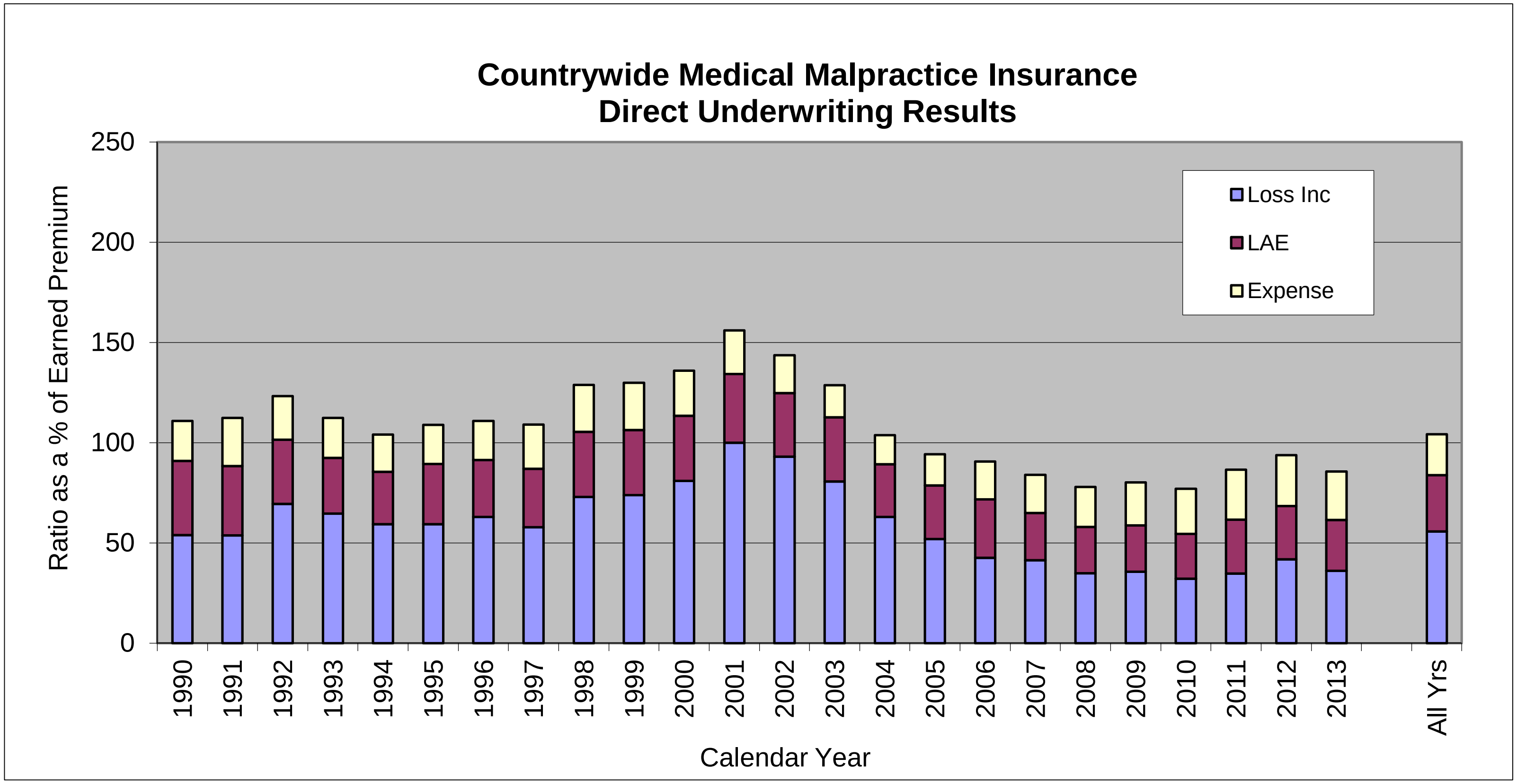


* Data excludes the NH JUA

Source: NAIC Profitability Report by Line by State

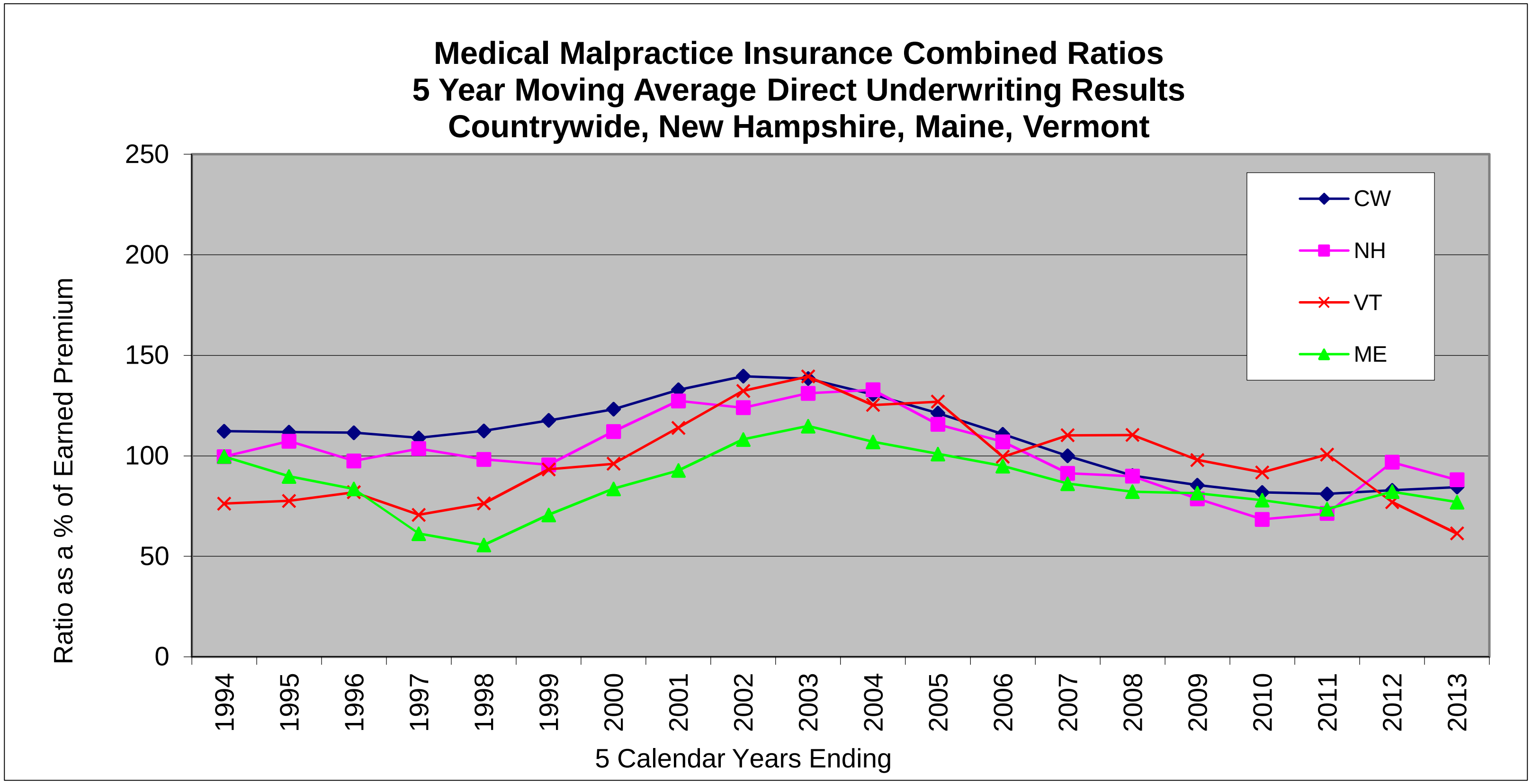
NHID 11/19/2014

Exhibit 3b



* Data excludes the NH JUA

Exhibit 3c



* Data excludes the NH JUA

Source: NAIC Profitability Report by Line by State

NHID 11/19/2014

Exhibit 3d

MEDICAL MALPRACTICE INSURANCE
Profitability Results

Year	Earned Premium (000)	Loss Ratio	LAE Ratio	Expense Ratio	UW Profit
New Hampshire Results					
1990	10,354	28.4	19.5	17.7	34.4
1991	10,253	51.0	31.8	20.1	-2.9
1992	10,536	8.2	12.3	21.9	57.6
1993	13,244	55.9	32.0	19.7	-7.6
1994	18,770	88.5	36.6	18.0	-43.1
1995	20,699	61.6	29.0	19.2	-9.8
1996	19,802	35.2	8.3	20.5	36.0
1997	19,769	49.6	25.5	21.5	3.4
1998	19,666	34.6	22.4	22.3	20.7
1999	18,499	67.2	33.4	28.9	-29.5
2000	17,333	143.6	37.7	22.0	-103.3
2001	19,296	90.8	20.8	25.8	-37.4
2002	31,792	56.1	21.5	19.2	3.2
2003	38,220	79.3	26.8	18.4	-24.5
2004	45,464	85.7	35.5	15.1	-36.3
2005	44,674	58.3	15.9	17.0	8.8
2006	43,470	44.8	22.1	17.7	15.4
2007	42,748	-5.3	5.7	20.2	79.4
2008	42,024	63.8	29.4	21.1	-14.3
2009	42,795	40.4	20.4	21.6	17.6
2010	42,796	11.3	7.4	22.1	59.2
2011	41,272	40.0	28.4	31.8	-0.2
2012	42,708	87.7	23.7	35.4	-46.8
2013	39,715	30.1	14.1	25.0	30.8
All Yrs	695,900	53.1	22.4	21.9	2.6
10 Year Total	427,667	46.1	20.3	22.6	11.0

Comparing New Hampshire Results to Other States and Countrywide - 10 Year Total

New Hampshire	**427,667**	**46.1**	**20.3**	**22.6**	**11.0**
Maine	**515,767**	**39.4**	**19.9**	**20.3**	**20.3**
Vermont	**227,851**	**47.8**	**18.0**	**21.8**	**12.4**
Countrywide	**107,274,895**	**41.8**	**25.3**	**20.4**	**12.5**

* Data excludes the NH JUA

Source: NAIC Profitability Report by Line by State

NHID 11/19/2014

Exhibit 4

NEW HAMPSHIRE INSURANCE DEPARTMENT

Direct Loss Experience for Calendar Year 2013 *
Leading Insurers in NH Compared to ME and VT

New Hampshire

Company	Premium Earned	Market Share**	Losses Incurred	Loss Ratio
ProSelect Ins Co	12,292,899	26.6%	5,889,925	47.9%
Medical Mutual of Maine	6,834,813	15.6%	293,590	4.3%
Lexington Ins Co	3,588,809	9.4%	2,843,760	79.2%
NHMMJUA	2,851,859	9.4%	-1,047,970	-36.7%
Subtotal	25,568,380	61.0%	7,979,305	31.2%
All Companies	39,715,143		11,944,927	30.1%

Maine

Company	Premium Earned	Market Share**	Losses Incurred	Loss Ratio
ProSelect Ins Co	4,854,317	12.4%	2,220,929	45.8%
Medical Mutual of Maine	28,011,909	60.8%	261,661	0.9%
Lexington Ins Co	473,541	0.9%	-48,705	-10.3%
Subtotal	33,339,767	74.1%	2,433,885	7.3%
All Companies	43,998,726		5,974,274	13.6%

Vermont

Company	Premium Earned	Market Share**	Losses Incurred	Loss Ratio
ProSelect Ins Co	6,178,672	34.7%	4,298,375	69.6%
Medical Mutual of Maine	7,950,547	38.2%	-84,926	-1.1%
Lexington Ins Co	387,357	0.4%	-30,578	-7.9%
Subtotal	14,516,576	73.3%	4,182,871	28.8%
All Companies	19,164,516		5,069,133	26.5%

* Loss Experience reflects loss only; ALAE and ULAE is not included;
** Market share is based on Direct Premium Written

Source: NAIC Market Share Report

NHID 11/19/2014

MEDICAL LIABILITY
MONITOR
PUBLISHING NEWS ABOUT MALPRACTICE ISSUES SINCE 1975

ANNUAL RATE SURVEY ISSUE

OCTOBER 2014 VOL 39, NO 10

METHODOLOGY

RATE REPORT PRESENTS STATE-BY-STATE VIEW OF CHANGING MARKET

In this issue, we bring you our 24th *Annual Rate Survey*. This issue provides a continuing overview of changing rates for physicians' medical professional liability insurance. It is a snapshot in time, reporting rates effective July 1, 2014.

It is a picture we paint state by state, county by county because where physicians practice largely determines the premiums they pay. This is because insurers base their rates on the aggregate claims experience in a particular geographic area. Because state insurance departments may regulate rates, state tort reforms can affect the cost and patient compensation funds may influence the total premium, it is impossible to project a common national picture.

Each year, we survey the major writers of liability insurance for physicians. We ask for manual rates for specific mature, claims-made specialties with limits of $1 million/$3 million—by far the most common limits. These are the rates reported unless otherwise noted.

We report on three specialties to reflect the wide range of rates charged: internal medicine, general surgery and obstetrics/gynecology.

With the exception of Medical Protective, Princeton and Physicians' Reciprocal Insurers, all rates shown were volunteered by their respective companies. Those companies' rates published herein were obtained through inde-

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THE SLINKY EFFECT

WITH MEDICAL PROFESSIONAL LIABILITY INSURANCE RATES CONTINUING TO - SLOWLY AND STEADILY - DECLINE DURING THIS MOST RECENT SOFT MARKET, IT APPEARS IT WILL TAKE SEVERAL MORE YEARS BEFORE THE MARKET HARDENS AND RATES ACCELERATE UPWARD

by Chad C. Karls, FCAS, MAAA
Annual Rate Survey Editor

During the past six years of Medical Liability Monitor *Annual Rate Surveys*, we have offered various, whimsical metaphors to describe the unusual nature of the modern medical professional liability (MPL) insurance market. We've characterized it as everything from a hard chocolate candy bar with a soft center to a sailboat listlessly drifting on a becalmed sea.

This year—as MPL companies' rates continue to slowly erode—we see the market behaving similar to the iconic Slinky. Not so much the spiral spring toy invented by Richard James in the 1940s as the stop-and-go highway traffic pattern transportation experts have dubbed "the Slinky Effect."

It's a Long Road that has No Turning

Like most old Irish sayings, "It's a long road that has no turning" is both an expression of hope and a sigh of frustration. It can mean "things can't go on in the same way forever." Eventually there is always a turn, a change for the better (or worse). But it can also mean "It's a long, boring road without variety in it."

Both meanings can apply to the recent MPL market, which has been going along the same straight path of lower rates, lower levels of written premium—and yet healthy profits—for nearly a decade.

This begs the question: *How long does an anomalous trend have to continue—year after year—before it stops being anomalous?* No one in the industry believes the current situation can continue forever. Eventually something will happen to cause a turn in the road. Either rates will eventually, if slowly, drop so far as to become unsustainable or some unexpected, unpredictable Black Swan event will spark a sudden rush to raise rates aggressively.

And, yes, this past decade's market has also become anxiously tedious, despite its historically high annual profits. Never has a winning streak engendered so much ambivalence.

Every year we search for indications that a 'turn ahead' sign is on the horizon—rising frequency, higher severity—something, anything to reveal the inevitable return to normal is about to happen. It's simply not intuitive—nor is it likely, based on historical precedent—for any property-and-casualty (P&C) insurance sector to make so much profit while rates fall and consolidation shrinks the customer base. Yet, according to a May 2013 special report in A.M. Best, MPL results have been outpacing the entire P&C composite for many years now.

Significant Changes from Last Year's Annual Rate Survey Results

In this market, the slightest changes can appear significant. We note that 84 percent of 2014 respondents indicated a non-renewal rate of less than one percent, a 20 point increase from last year.

Supporting our belief that frequency has bottomed and may have started to inch upwards, only four percent of respondents

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to last year's *Survey* saw an increase in frequency, and 16 percent saw a decrease during the previous two years. This year, not a single respondent reported a decrease in frequency during the last 24 months, and nearly three times as many (11 percent) experienced an increase.

Also, almost three times as many respondents to this year's *Survey* (11 percent in 2014 vs. 4 percent in 2013) indicated they had refined their underwriting approach beyond specialty and territory to include such additional factors as age, gender, procedure or visit volume.

Finally, the percentage of respondents saying reinsurance costs have increased during the past few years dropped 11 percent this year, indicating a continued soft reinsurance market.

The Last 10 Years vs. the Previous 20

To understand why many in the industry are anxious about the future, it's useful to consider how very different things were during the first years of the previous decade and earlier. As we turned the corner into the 21st Century, MPL companies were reeling from a string of significant losses. Two of the largest players—The St. Paul Companies and Farmers Insurance—withdrew from the market, as did many other smaller companies, voluntarily or otherwise.

The companies that remained stepped on the gas, racing to raise rates as much as 100 to upwards of 200 percent between 2000 and 2004. After peaking around 2006, rates began to moderate and have been in a slow and steady decline ever since.

Also declining for seven straight years has been overall direct written premium, which dropped by almost $2.5 billion between 2006 and 2013 (a 20 percent reduction) with 2014 expected to further that decline. To put this into perspective, consider that during the entire 35-year history of the modern MPL industry, no other period of decreasing premiums has lasted for more than two years, and the greatest consecutive-year premium reduction was just 7 percent.

In 2010 the MPL industry's operating ratio reached its lowest point, 56 percent—based on a Milliman analysis of 38 of the largest MPL writers, using statutory data obtained from SNL Financial—a 44 percent pre-tax profit for the industry based on the composite.

By 2013, that ratio had risen to 70 percent, driven primarily by deteriorating rate levels and lower reserve releases. During the same period, underwriting expense ratios continued to inch up, while investment income tapered down. Combine these trends with stubbornly low rates and reduced written premium, and we see the industry's operating profits have declined—slightly, but definitely—each year since 2010. Despite this, profits remain high by historical standards.

Three Core Factors Keep Profits High

MPL Profits have remained healthy for the

→ CONTINUED ON PAGE 3

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METHODOLOGY

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pendent research and are believed to be accurate.

The rates reported should not be interpreted as the actual premiums an individual physician pays for coverage. They do not reflect credits, debits, dividends or other factors that may reduce or increase premiums. Rates reported also do not include other underwriting factors that can increase premiums.

States without compensation funds, by far the largest group, are reported first. Patient compensation fund states are grouped at the end of the survey.

In patient compensation fund states, physicians pay surcharges that range from a modest percentage to more than the base premium. Also, limits of coverage can differ in these states, which is noted with each PCF state.

When we contact survey participants, we ask them to provide data on all the states in which they actively market to physicians. We only report rates for companies that maintain filed and approved rates for each state in which they sell medical professional liability insurance. We try to capture the leading, active writers in each state, but every writer may not be included.

In comparing this year's report with previous reports, it is evident that the market is always changing. Many companies formerly included no longer sell physicians' malpractice insurance in certain states, do not currently entertain new business, have withdrawn from this line of insurance or no longer exist. The companies shown were available for business as of July 1, 2014.

We estimate that this survey represents companies that comprise 65 to 75 percent of the market; as such, it is the most comprehensive report on medical professional liability rates available.

The expanded rate report could not have been completed without the cooperation of the many people who work in the companies surveyed. Their cooperation is invaluable in providing this information to all who have an interest in medical professional liability.

→ CONTINUED FROM PAGE 2

past eight years—despite rates and written premium levels that continue to creep downward—for three primary reasons: **1.** Frequency continues to be exceptionally low on a historical basis; **2.** Indemnity severity has remained flat the past several years; and, perhaps most significantly, **3.** Reserve releases have fueled the industry's operating results.

Chart No. 1

Overall Average Rate Change by Range

Range	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
> +100%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
+70.0 to +99%	0.6	0.0	0.6	0.0	0.1	0.0	0.0	0.0	0.0	0.0
+50.0 to +69.9%	0.7	0.0	0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0
+25.0 to +49.9%	6.5	2.3	0.5	0.6	0.0	0.0	0.3	0.1	0.3	0.0
+10.0 to +24.9%	28.5	5.6	5.9	1.2	1.9	0.8	4.8	0.2	2.4	0.1
+0.1 to +9.9%	29.3	22.6	8.2	5.6	5.7	13.4	9.4	14.8	11.0	12.1
0.0%	24.0	46.6	53.1	49.9	54.2	67.0	55.1	59.2	57.6	65.0
-9.9 to -0.1%	8.4	15.1	21.0	20.8	22.1	14.9	27.8	15.7	17.2	16.9
-19.9 to -10.0%	2.1	5.1	6.5	15.6	12.0	3.6	2.2	7.9	7.8	2.2
-29.9 to -20.0%	0.0	1.3	2.3	5.2	3.7	0.3	0.2	2.0	2.6	1.1
< -30.0%	0.0	1.4	0.0	1.1	0.2	0.0	0.1	0.1	1.2	2.6

MPL companies have to be wondering how long the profitable results will continue. Of even more concern is the specter of some sudden, game-changing event that will render the last few years of low rates and high profits a true historic anomaly.

Two of the three factors that have contributed to the recent run of healthy profits—the sudden fall-off and continued low levels of claim frequency as well as stable indemnity severity—remain largely unexplained.

Proponents of tort reform claim the success of their efforts in enacting caps on noneconomic damages are the reason frequency and indemnity severity are down. Advocates of patient safety initiatives and better risk management say it is because healthcare workers have become more cautious, employing pre-operation checklists and other risk mitigating tactics.

The truth is no one knows with certainty which factors may have led to the significant decline in claim frequency. It is likely the result of a combination of tort reform, patient safety advancements, better medical care and—perhaps—some other causal factor or factors we cannot discern. And since no one knows why frequency fell, no one knows when—or if—it might revert back towards historical levels.

Internal Medicine saw an average rate reduction of 1.6 percent. General Surgery had a 1.3 percent total drop this year, while OB/Gyns saw their rates fall by 1.7 percent overall.

There are two looming wildcards that could have a substantial effect on claim frequency as well as severity: **1.** Full implementation of the Affordable Care Act and the unknown consequences thereof, as well as **2.** The movement afoot to undo the various tort reform measures enacted across the U.S. during the past decade.

The potential impact to claim frequency from the Affordable Care Act has been discussed and debated in numerous forums since its passage in March of 2010. Opinions vary widely on its expected effect. In the short term, it seems to us that tens of millions of people now having greater access to healthcare will lead to more patients seeking more care. That, in turn, is likely to result in more medical misadventures and, ultimately, more MPL claims.

Efforts across the country to reverse the various tort reform measures could also have a significant impact. This debate is best encapsulated by the impending ballot-box battle in California known as Proposition 46. Next month, California voters will decide whether or not to modify their state's 1975 Medical Injury Compensation Reform Act's (MICRA) cap on noneconomic damages, raising the cap from its current level of $250,000 to $1.1 million effective Jan. 1, 2015. If that were to occur, the prospect of higher payouts is likely to encourage more lawsuits, raising frequency in the state. California is large and populous, often a bell-weather of national trends. If the state's long-standing, noneconomic damage cap—often held out by proponents of tort reform as a model—is significantly modified, additional momentum might build in other states to overturn or raise their caps. Some states, such as Florida, Illinois, New Hampshire, Missouri and Georgia, have already done so.

We cannot know at this point what the consequences of a fully implemented Affordable Care Act or the results of California's ballot initiative will be. The one thing we do know for certain is that the third major factor propping up profits—past reserve releases—will not continue to fuel profitability on a calendar-year basis forever.

Because of the three-to-five year payment lag, it is only during the past several years that companies have begun to completely see the impact of the lower reported frequency on actual claim payments. This has allowed the industry to continue benefitting from favorable reserve releases, which have nevertheless started to somewhat diminish.

Historically, favorable calendar-year reserve development has continued two or three years past the point when reserves were subsequently found to be adequate. So if levels are considered precisely adequate now, history suggests, we will see favorable reserve development on a calendar-year basis for the next few years, followed by adverse development—at least for the older coverage years in subsequent calendar years.

Another, somewhat less impactful, factor is the slow decline of investment income and realized capital gains. The Milliman MPL specialty company composite investment gain ratio of 21 percent in 2013 was down from 2010's decade-long high of 27 percent. The realized capital gain ratio hit its high of 6 percent of net earned premium, also in 2010, and ended 2013 at 2 percent.

All of these factors have been chipping away at the industry's profitability, contributing to uncertainty about the adequacy of current rates. Nevertheless, companies continue to aggressively compete for business—in part by lowering their rates, principally through scheduled credits. One company will lower its rates and others will follow suit, creating the Slinky effect mentioned earlier.

Those who played with a Slinky as a child (and who didn't?) will remember how the bundle of spiraled metal would walk down a flight of stairs, one step after another. The individual coils would—slowly and steadily—move forward one after the other until such point where the pile of coiled metal remaining behind became too light to hold its position and would—quickly and suddenly—spring forward, setting-up another cycle of the slow-and-steady descent to the next step.

In the Slinky Effect, as it is used to describe traffic, a leading car slows down from normal highway speed to, for example, 45 miles per hour. The next car in line must then slow down to at least 44 to increase the spacing in order to avoid the chance of hitting the slowing car in front of it. The third car then must slow to 43 or less. Some 40 cars later, what started out as a momentary 10-mile-per-hour reduction in speed has resulted in a number of cars backed up and going nowhere.

This frustrating effect always feels as if it's the other cars' fault, even though each car has, perhaps unwittingly, participated in creating the delay by slowing down just a little more than the car in front of it. Finally and mercifully, the traffic jam ends and the cars begin to speed up again, but this time the change in speed occurs much more quickly, to the point where many cars will actually go beyond the speed limit and even beyond their normal driving speed. For some, this may be to make up for lost time; for others, it may be the result of releasing the frustration that was built up during the slow, painful decline in speed. For still others, they may speed simply because they can, as the road and other drivers allow, and may even encourage it through their actions.

Could it be that today's multi-billion dollar MPL market can be modeled, not with advanced actuarial Monte Carlo stochastic simulation techniques, but rather with a toy from the 1940s that can still be purchased at Toys"R"Us for $4.99? As has been witnessed during the course of many years, the MPL industry's rates tend to—slowly and steadily—decline in soft markets for an extended period of time, until the point at which the hard market finally arrives and companies respond by—quickly and suddenly—increasing rates for a brief period of time.

RATE RESULTS FROM THE SURVEY: THE NUMBERS, PLEASE...

The rate change results of the most recent *Annual Rate Survey* show basically the same story we have seen repeated since 2008. Overall rates fell slightly, by an average of 1.5 percent in 2014, a little less than 2013's 1.9 percent average drop. This is the seventh-straight year that rates have fallen, dropping 13 percent overall since 2008, an average annual fall-off of 1.9 percent. Rates rose only minimally in the two preceding years, 2006 and 2007, rising less than one percent in each. So, in effect, the current soft market on rates has been going on for nearly a decade.

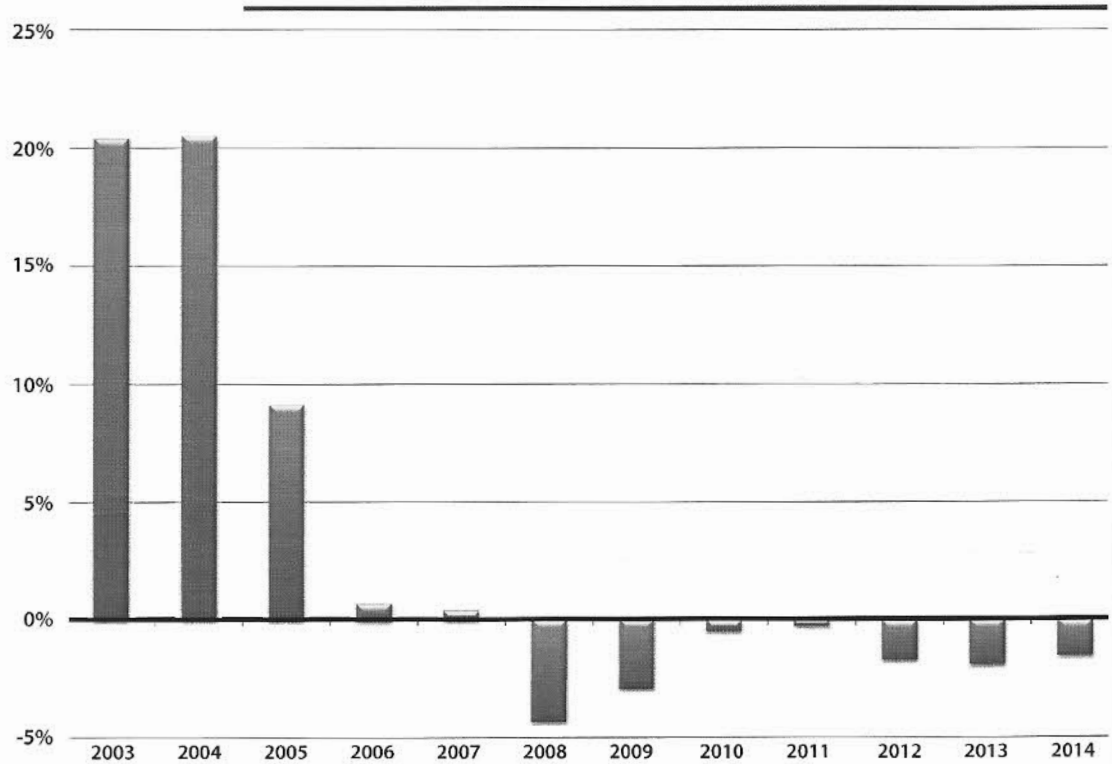
Internal Medicine saw an average rate reduction of 1.6 percent. General Surgery had a 1.3 percent total drop this year, while OB/Gyns saw their rates fall by 1.7 percent overall.

While most rate reductions were on the small side, rate drops in excess of 30 percent were seen in Nevada and Texas. Nevada showed a hefty overall average rate decrease of 34.8 percent, while Texas' overall average rate decreased 9.6 percent. There were only two companies reporting rates in Nevada and as a result the large reduction noted above may be somewhat skewed.

Overall, a majority of rates did not change—up or down—in

Chart No. 2

Overall Average Rate Change (2003 - 2014)



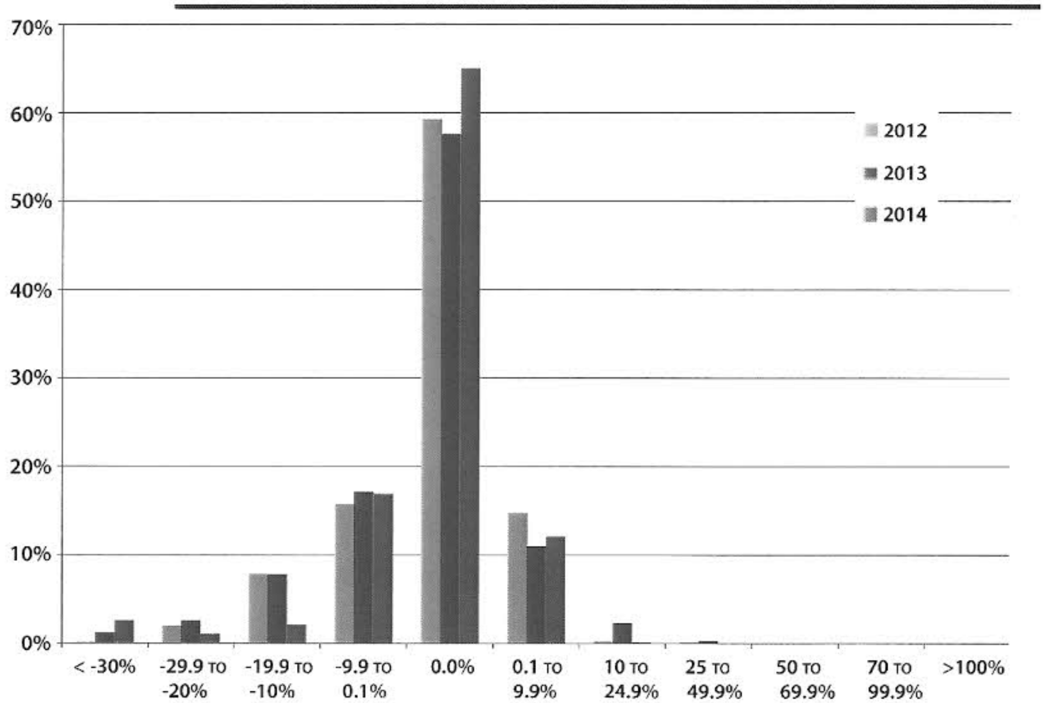
2014. Sixty-five percent of all manual rates stayed the same, a 7.4 point increase from the percentage that did not budge in 2013. As they have since 2006, rate declines significantly outnumbered, and were generally more severe, than rate increases.

For the tenth-straight year, most increases were in the 0.1 to 9.9 percent range (12.1 of the 12.2 percent of total increases), a slight increase from the 11 percent of all increases residing in that range last year. A scant 0.1 percent of rates increased in the 10 to 24.9 percent increase range, significantly lower than 2012's 2.4 percent rise for this range. There were no rate increases in any of the larger ranges this year, whereas a very small 0.3 percent of 2013 rates increased in the 25 to 49.9 percent range.

Bar Chart No. 2 (on page 4) shows the percentage of reported rate changes in the *Survey* from 2003 through 2014; Chart No. 3 (at right) illustrates the distribution of rate changes for the years 2012-2014.

Chart No. 3

Distribution of Rate Changes by Range (2012 - 2014)



There was also little change in the size and nature of rate changes regionally, although there were some anomalies worth pointing out in each of the four regions—Northeast, West, Midwest and South.

Massachusetts saw the largest drop in the Northeast region, down 4.9 percent. As mentioned earlier, Nevada's massive 34.8 percent drop in rates in the West was driven by just two companies. In the Midwest, Missouri registered a 5.2 percent drop in rates, while the South's average was pulled down by Texas' nearly 10 percent drop (9.6 percent).

As has been witnessed during the course of many years, the MPL industry's rates tend to—slowly and steadily—decline in soft markets for an extended period of time, until the point at which the hard market finally arrives and companies respond by—quickly and suddenly—increasing rates for a brief period of time.

On a regional basis, the Northeast was once again the only area of the U.S. to see an average increase in rates: an underwhelming 0.1 percent, lower than last year's 0.7 percent regional increase. New Hampshire (which had last year's second highest increase in the Northeast) led its cohort this year, with a 3.4 percent rise in rates, followed by Maine with its 2.7 percent increase (slightly less than Maine's 3 percent rise last year). New York, which showed the highest rate increase last year, had the second largest decrease in 2014—down 3.1 percent. Connecticut had no change in rates. Rhode Island, which showed no increase last year, increased its rates 1.7 percent in 2014; Vermont's 1.9 percent rise was a reduction from 2013's 3.1 percent increase. New Jersey was down 0.1 percent this year, compared with a 0.8-percent decrease in 2013, and Pennsylvania had a significantly smaller decrease in 2014 (0.7 percent) when compared to last year's 8.4 percent drop for the Keystone State.

The Western states experienced a 4.1 percent average rate decrease, a noticeably larger fall than the 1.2 percent drop recorded in 2013. As mentioned above, Nevada's freakishly large 34.8 percent fall in rates, based on only two reporting companies, distorts the West's overall average. If Nevada is taken out of the picture, the West would have only a 1.5 percent drop in rates (still the largest average decrease for the four regions). Utah and Hawaii tied for second place with rates for both states dropping 5 percent. This was the same as last year for Utah, but a much larger rate drop for Hawaii, which had no change—up or down—last year. Wyoming, which showed no rate change in 2013, took third place this year, with a 4.6-percent cut in rates. Colorado followed with a 3.8-percent drop, a slightly larger decrease when compared to last year's 3.4 percent fall in rates. Montana, which had no change last year, was down 1.2 percent. Idaho was the only state to show an increase in the West this year, with rates rising 1.3 percent, an increase from 2013's 1.6-percent reduction in rates. There were no rate changes reported this year in Alaska, Arizona, California, New Mexico, Oregon or Washington.

The Midwest, which experienced the largest average rate decrease last year, came in second behind the West for 2014 with an average 0.7-percent drop, far lower than last year's 3.6 percent average decline. This year, only one state in the Midwest showed a substantial rise in rates (Indiana, at 4.5 percent) and only one had a significant drop (Missouri, with a decline of 5.2 percent). Illinois had a modest 1.2 percent rise in overall rates, while Ohio had a noteworthy decline of 2.9 percent. The remaining four states showing declines were all at 2 percent or less (Kansas, down 1.8 percent; South Dakota, down 1.7 percent; Michigan, down 0.9 percent; and Wisconsin, 2-percent lower than last year). Four states showed no change in rates (Iowa, Minnesota, Nebraska and North Dakota), up from three states last year.

The South, which had 0.7 percent average rate drop overall in 2013, came in with another 0.7-percent drop in 2014. Also similar to last year, nine Southern states and the District of Columbia showed no change in rates, but this year it was a different list.

In 2014 Alabama, Arkansas, Delaware, Florida, Georgia, Mississippi, North Carolina, South Carolina and West Virginia were the no-change states. Once again Texas showed the largest drop in rates, but this year's 9.6-percent drop is nearly double the state's 4.9-percent decline in 2013. Kentucky, which had no change last year, saw a small increase of 1.2 percent. Louisiana had a 2-percent decline in 2014, slightly less than the state's 2.6 percent drop last year. Maryland had no change last year and a small increase (1.3 percent) in 2014. Oklahoma, which had no change in 2013, saw its rates decline about one half a percent (0.6 percent) in 2014. After no change last year, Tennessee had a 2.5-percent decline in rates this time around. Virginia, which showed no change last year, had just under a 1-percent (0.9) rise in rates.

In it's most recent 'MPL Segment Review' report, A.M. Best estimated a net undiscounted reserve redundancy of $3.5 billion for the MPL industry as a whole. Taking this estimate relative to the industry's premium suggests that there is another one-and-a-half to two years of reserve releases at the same level as has been released of late. This implied time period would be extended if the reserve releases are proportionally reduced as the perceived overall redundancy begins to wane.

Noteworthy Responses, Quotes from the 2014 Annual Rate Survey

As usual, the written comments to the *Survey* exposed many of the issues insurers are most concerned about.

Last year's major concerns focused on market consolidation, the rise of accountable care organizations (ACOs), the impact of the ongoing implementation of electronic medical records (EMRs) and competitors who may be driving down rates to unsustainable levels in an attempt to increase their share in a shrinking market. This year was no different. Some of the comments we found most revealing and interesting are:

• In assessing an ACO's risks, one respondent indicated the major underwriting consideration to be "the ability to insure all aspects of the risk," while another respondent indicated the major underwriting considerations were "capitalization, care coordination, data quality on their pricing and motivations of providers."

• Concerning the continued roll out of the Affordable Care Act, several *Survey* respondents echoed the sentiment presented by a respondent, who wrote: "More patients with access to regular healthcare and a relatively constant supply of physicians in the short run will lead to greater patient frustration and dissatisfaction with waiting times and appointments."

• Comments on the implementation of EMRs ran from one end of the spectrum to the other. They ranged from the positive, "It should enhance the entire file management process," to the negative, "EMRs appear to impact productivity and have a large learning curve upon initial implementation which may impact patient care," to the inconclusive, "Too soon to say."

• Some of the other concerns *Survey* respondents expressed in their comments include, "... the increased use and responsibility of healthcare extenders ... the aggregation of physicians into larger groups, hospital employment or similar arrangements ... and the formation of ACOs" as well as "telehealth/telemedicine" and "tort reform challenges ... smaller share of practitioners in private practice and MPL company expense ratio issues."

• Many respondents continue to see, "Hospital acquisition of physician practices" as the biggest threat to their market share.

In addition to those listed above, there were also several respondents this year who expressed frustration with the soft market and the actions of others, reporting that "Incumbent carriers will do 'whatever it takes' to renew business" and "We are seeing rate reductions as well as additional crediting from our competitors." In other words, why is it that the other cars always create the traffic jam I'm now caught up in when I had nothing to do with creating it?

Conclusion

In its most recent "MPL Segment Review" report, A.M. Best estimated a net undiscounted reserve redundancy of $3.5 billion for the MPL industry as a whole. Taking this estimate relative to the industry's premium suggests that there is another one-and-a-half to two years of reserve releases at the same level as has been released of late. This implied time period would be extended if the reserve releases are proportionally reduced as the perceived overall redundancy begins to wane.

If the industry continues to release reserves beyond the point at which reserve levels are later deemed precisely adequate—as has been the P&C industry's history—that, too, would extend the time period of expected reserve releases implied by A.M. Best's estimate.

So long as the industry's calendar-year, reserve-release-supported financial results remain strong, one can expect continued slow and steady weakening in rate levels.

While the expectation is that this current soft market will continue for the foreseeable future, there are some indications that the back-up of cars is starting to slowly build, though we are likely to continue to apply the brakes and slow down for several more years before reaching the end of the soft market's traffic jam. Once we do reach the end, will we react the way frustrated drivers tend to and stomp on the accelerator to make up for lost time?

Chad C. Karls is a Principal and Consulting Actuary at the Milwaukee office of Milliman, Inc., specializing in medical professional liability insurance. He served as guest editor for the 2008 Medical Liability Monitor Annual Rate Survey, *and has done the same for every Annual Rate Survey since 2010.*