New England Regional Healthcare Risk Management Conference

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Navigating Risk in the Sea of Change

Unpacking Healthcare Nuclear Verdicts

Impact, Risks and Strategies for Mitigation

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Moderator

Presenter(s)

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SVP, Producer

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SVP, Healthcare Market Leader

Scott Martin
SVP, Senior Client Executive

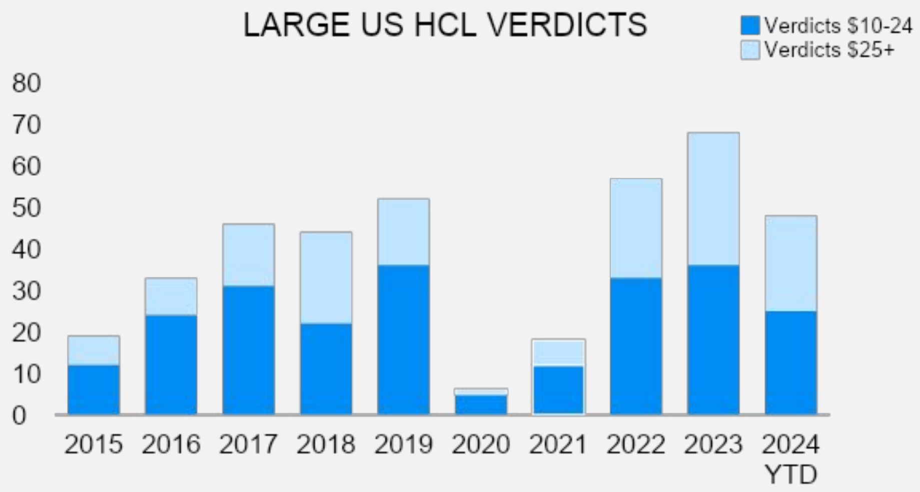
Please refer to the Presenters' Bios available on the table and online for more information.

Agenda

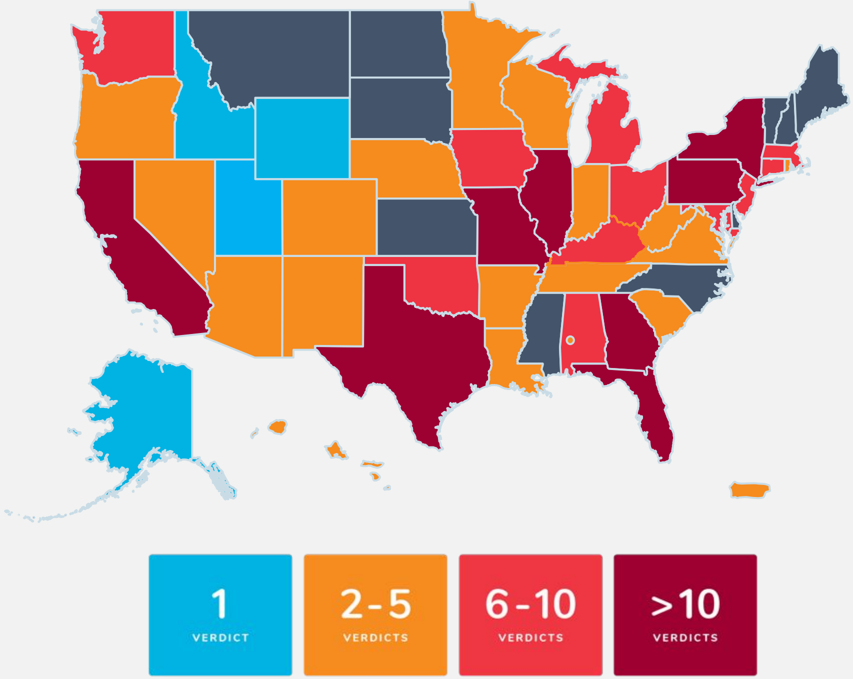
01	Nuclear Verdict Trends
02	Factors Driving Nuclear Verdicts
03	Impact: Carrier Profitability
04	Response: Market Trends
05	Risk Mitigation Strategies

Healthcare Liability: Severity Trend –
Nuclear Verdicts ($10M+)

Claims activity continues to deteriorate – The frequency of severity (large verdicts & settlements) is still on the rise and has been for several years. **2023 saw a new record 60+ verdicts >$10M** thus contributing to >100% combined ratios for the industry and the trend has continued into 2024.



Average verdict amount									
$23	$21	$23	$39	$27	$16	$20	$30	$39	$46



Nuclear verdicts ($10+) have returned to (and surpassed) pre-pandemic levels … nationwide

Source: TransRe and various internet articles with publication dates between 01/01/2015 and 11/08/2024. 2020 and 2021 materially impacted by CV19.

Severity & Social Inflation

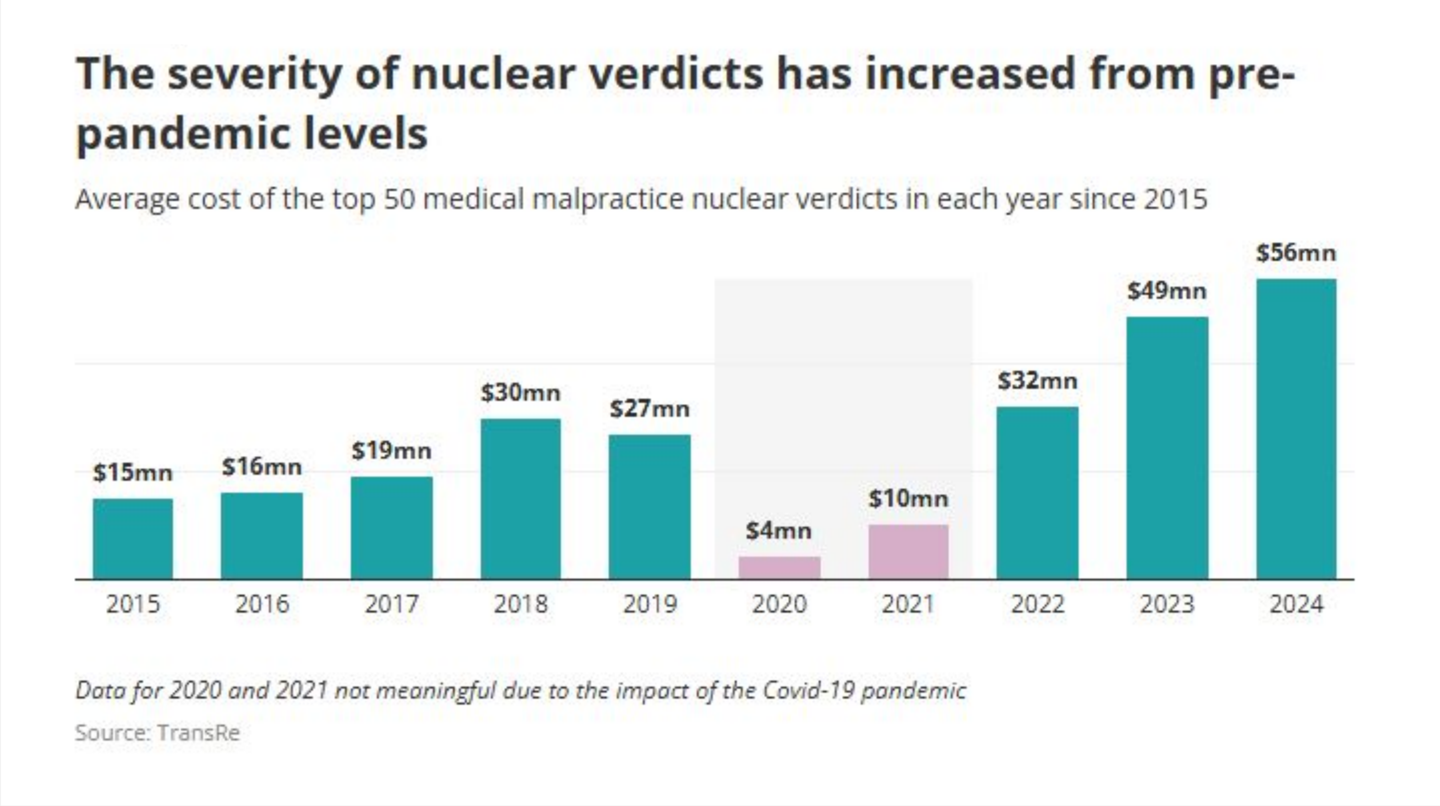
Top 50 largest verdicts, 2016-2024

2024	IL	Unknown, Behavior Health	$535
2023	NM	Caregivers, Treatment Foster Care	$485
2024	VA	Hospital	$300
2023	FL	Pediatrics, Hospital	$261
2019	MD	Obstetrics, Hospital	$230
2023	PA	Obstetrics, Hospital	$183
2018	MI	Pediatric Orthopedic Surgery, Hospital	$137
2018	MI	Nuclear Medicine Technicians, Hospital	$131
2024	MI	Obstetrics, Hospital	$120
2023	NY	Neurology, Hospital	$120
2022	GA	Caregivers, Personal Care Home	$118
2022	MN	Orthopedic Surgery, Hospital	$111
2019	NY	Unknown, Hospital	$111
2018	FL	Gynecology, Hospital	$109
2018	CA	Naturopathic Practitioner	$105
2019	IL	Obstetrics, Nursing, Hospital	$101
2024	FL	Obstetrics	$100
2022	IA	Obstetrics, Hospital	$97
2022	TX	Dentist, None	$96
2018	NY	Obstetrics, Hospital	$84
2023	OK	Nurse, Correctional Health	$82
2022	NY	Obstetrics, Hospital	$80
2018	NY	Obstetrics, Hospital	$79
2022	GA	Unknown, Addiction Treatment Center	$78
2024	IL	Obstetrics, Hospital	$76
2022	GA	Emergency Medicine, Radiology, Hospital	$75
2018	NM	Obstetrics, Hospital	$73
2022	FL	Critical Care Medicine, Hospital	$69
2024	NM	Nursing, Hospital	$68
2018	CA	Cardiovascular Surgery, Hospital	$68
2017	RI	Internal Medicine, Oncology, Hospital	$62
2018	GA	Plastic Surgery, n/a	$60
2024	TX	Emergency Medicine, Hospital	$60
2019	NY	Neurosurgery, Hospital	$56
2023	IL	Obstetrics, Residents, Hospital	$56
2016	IL	Obstetrics, Hospital	$52
2018	IL	Obstetrics, Hospital	$50
2024	GA	Dentist	$50
2016	IL	Unknown, Hospital	$50
2016	NY	Obstetrics, Hospital	$50
2021	CA	Paramedic, Ambulance	$50
2022	IL	Radiology, Hospital	$49
2019	NV	Unknown, Hospital	$49
2018	NY	Obstetrics, Hospital	$48
2023	FL	Obstetrics, Hospital	$48
2017	IL	Pediatrics	$48
2018	IL	Unknown, Hospital	$48
2017	IL	Pediatrics	$48
2018	PA	Neonatology, Hospital	$47
2024	GA	Infectious Disease, Hospital	$47

70% (7) of top 10 and **50%** (25) top 50 occurred since 2022

Sources: TransRe and various internet articles with publication dates between 01/01/2016 and 05/15/2024.

$40M increase in the average value of the top 50 Med Mal verdicts in 10 years



Healthcare Liability:
The Hard Market Continues

FACTORS IMPACTING THE COST OF MEDICAL MALPRACTICE PREMIUMS

Healthcare Delivery Changes

Changes in Tort Law

Changes in the Litigation environment

Deteriorating Loss Environment

Economic Inflation

- **Liability pricing continues to rise** for many buyers, but at a more predictable pace.
  - *Rate increases persist in all segments, 10% is average for primary layers with umbrella/excess layers seeing anywhere from 10% to 25%.*
- Clients can expect additional **underwriter scrutiny**
- Carriers pushing **for higher retentions** and increased attachment points
- **Reduction in capacity** in excess layers common
- More carriers are exiting than entering
- Abuse coverage increasingly difficult to secure

Social Inflation

Many interrelated causes, difficult to manage

INSURANCE CLAIM COSTS

- Increasing propensity to sue
- Courts/juries favoring plaintiffs
- Growing distrust of large corps.
- Litigation financing
- Aggressive, well-organized plaintiff bar
- Changes in regulatory and legal environment

Applied to a seemingly limitless number of issues, these drivers are pushing tort costs (and therefore, claim costs) upward.

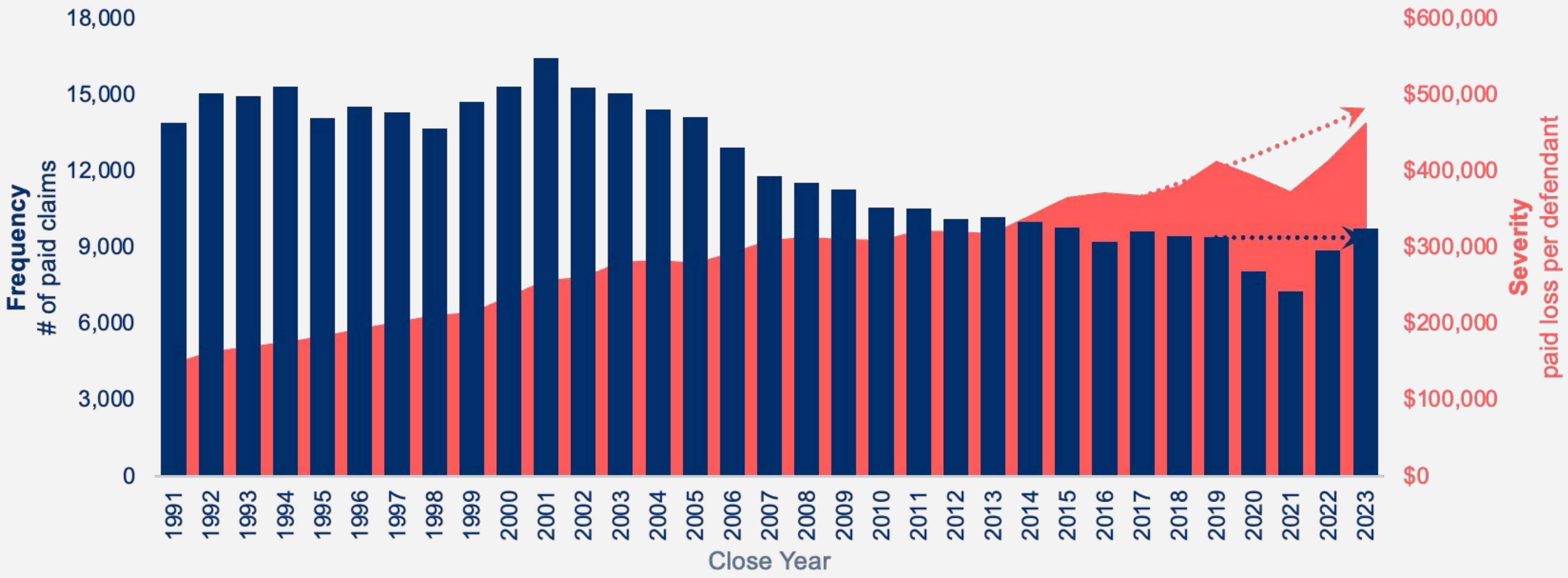
Source: Risk and Uncertainty Management Center, Univ. of South Carolina, adapted from Verisk "Social Inflation" presentation.

Severity & Social Inflation

Loss Trends

<u>INDUSTRY TRENDS:</u> Frequency flat & severity up (excl. impact of CV19).

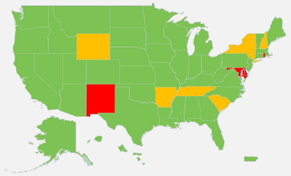
Will general economic inflation impact these trends?



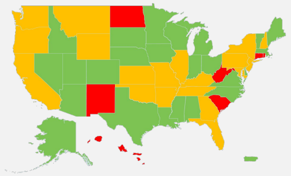
Source: National Practitioner Data Bank Public Use Data File, December 2023, Physicians, Surgeons and all other professions, except for Chiropractors, Dentists, Optometrists, and Podiatrists Countrywide

Increasing HCL Industry Losses

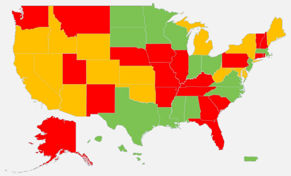
2011-2013: 90%



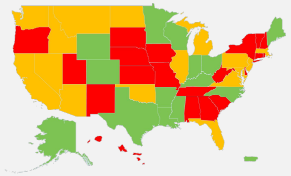
2014-2016: 104%



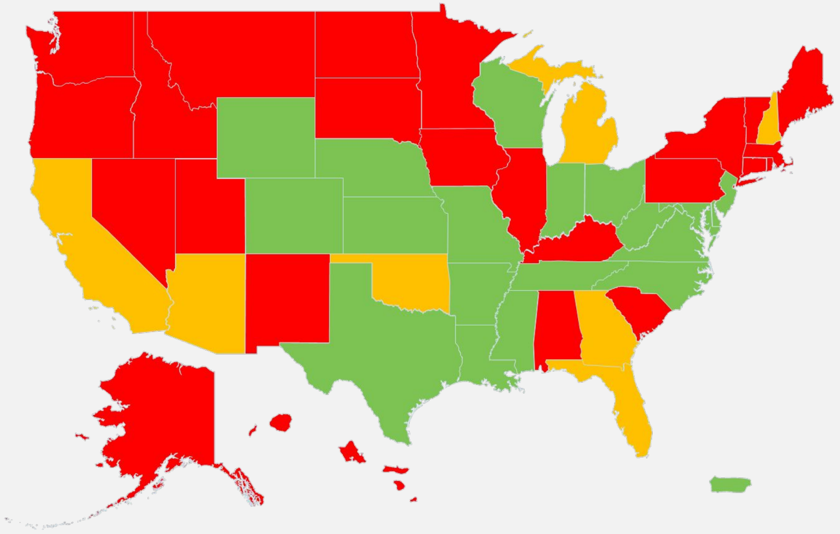
2017-2019: 106%



2020-22: 108%



2023: 110%



<= 95%

96-109%

110+%

Sources: S&P Global Market Intelligence. State Page Data and Ins. Exp. Exhibit – Allocation to Lines of Direct Business Written Data. Calendar Year results. HCL Combined Ratio before reinsurance. Countrywide CR% net of reinsurance. Competitor dividends included.

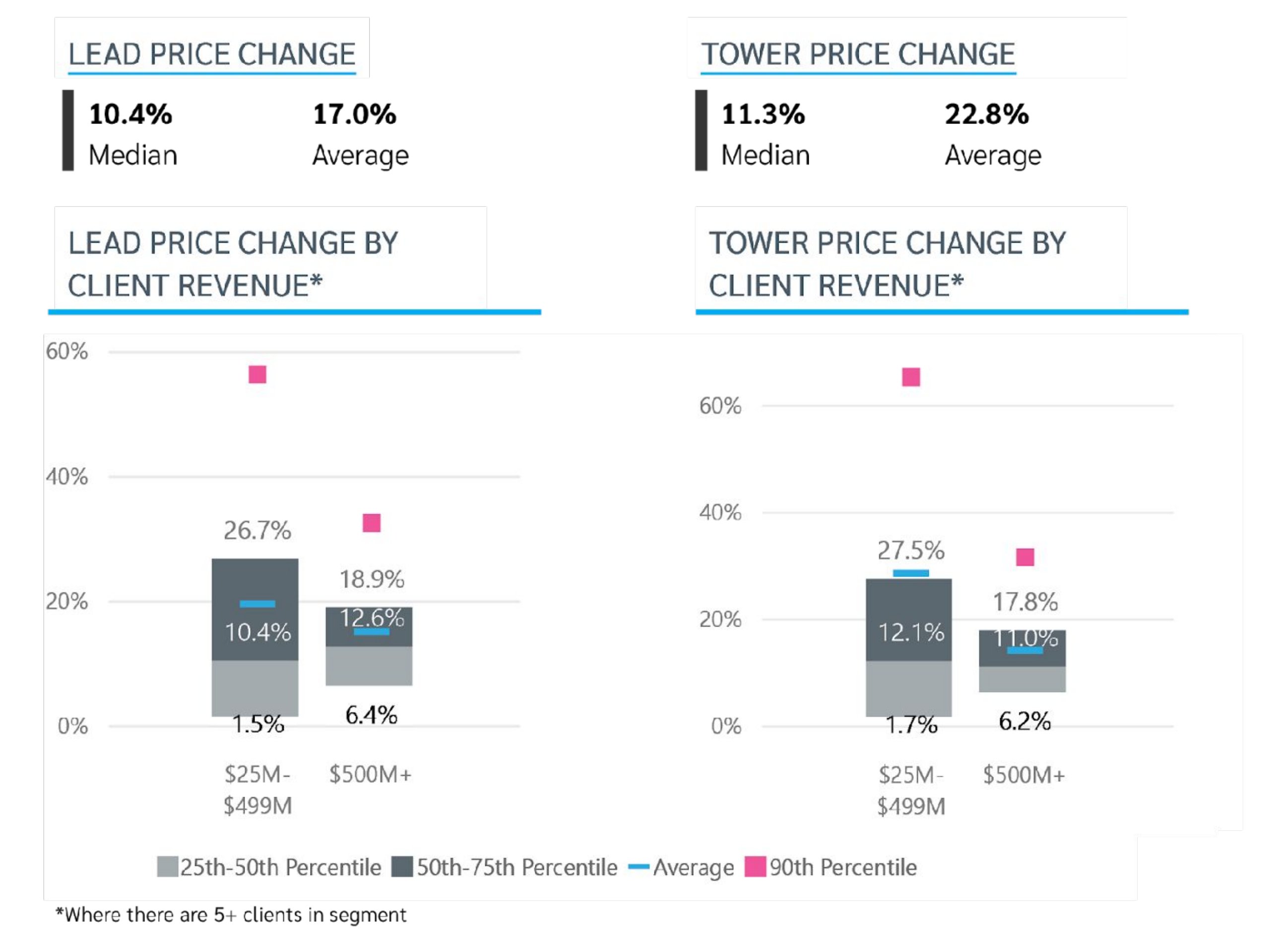
Domestic Healthcare Liability (HCL) Industry

	Premium						Combined Ratios					
	2019	2020	2021	2022	2023	Market Share 2023	2019	2020	2021	2022	2023	5-Yr CR% Average
MedPro Group	1,481	1,448	1,731	1,689	1,698	13%	98%	97%	94%	94%	92%	95%
TDC Group	920	963	1,071	1,129	1,174	9%	105%	100%	102%	92%	93%	98%
CNA	559	609	639	636	698	5%	115%	135%	114%	109%	107%	116%
ProAssurance	861	796	739	717	692	5%	152%	131%	119%	108%	116%	125%
MagMutual	369	406	457	480	581	5%	113%	109%	110%	114%	110%	111%
Coverys	488	523	575	527	508	4%	126%	129%	118%	114%	113%	120%
Curi	335	330	371	395	395	3%	101%	119%	112%	104%	113%	110%
Liberty Mutual	218	263	308	329	383	3%	102%	133%	115%	89%	71%	102%
MLMIC	352	300	294	297	309	2%	87%	103%	105%	104%	99%	99%
Chubb	139	151	201	209	224	2%	69%	142%	129%	120%	102%	112%
ISMIE	156	166	174	201	216	2%	131%	137%	134%	127%	120%	130%
W.R. Berkley	125	143	181	199	200	2%	103%	91%	87%	103%	88%	94%
EmPro	170	170	170	176	176	1%	42%	75%	79%	98%	96%	78%
COPIC	90	103	116	135	169	1%	106%	107%	119%	127%	118%	115%
Physicians Insurance	124	137	131	144	160	1%	112%	116%	114%	105%	116%	113%
Market Total	**10,336**	**10,611**	**11,714**	**12,396**	**12,743**		**112%**	**113%**	**108%**	**102%**	**110%**	**107%**

<= 95%	96-109%	110+%

Source: S&P Global Market Intelligence, Company Financial Statements, MedPro Group & MLMIC scorecard combined ratio.
Premium reported Pro Forma as if owned since 01/01/2005.

Market Trends

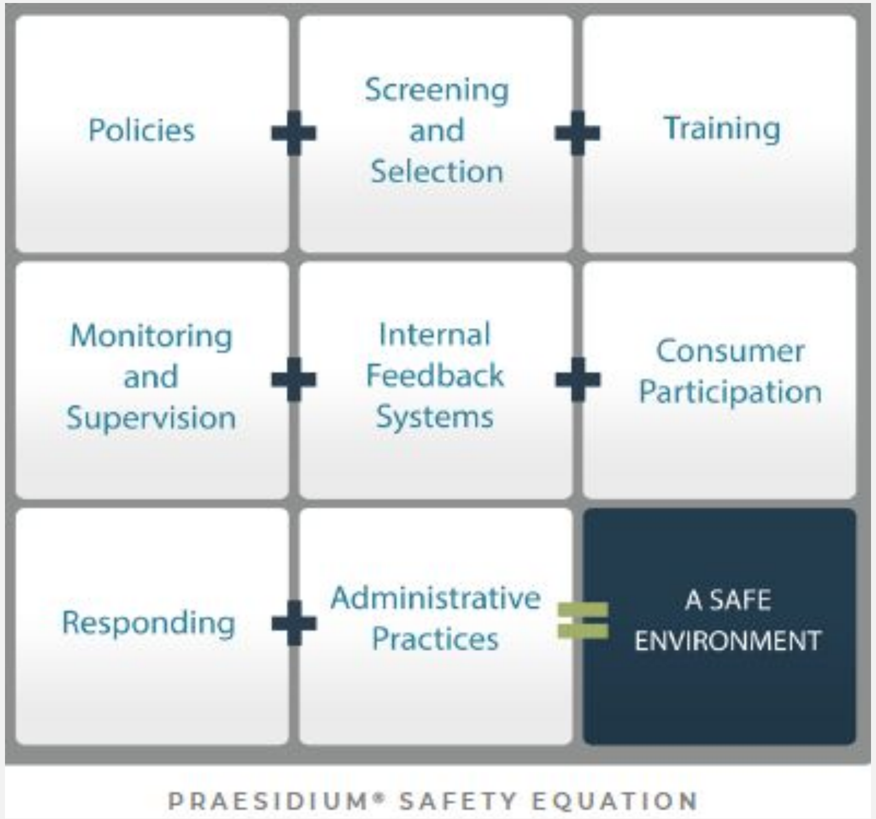


- **Focus**
  - *Continue to expect increases in retentions and premiums.*
  - *Expect abuse and molestation terms to further tighten.*
  - *Expect insurers to continue to minimize capacity deployed.*

Risk Strategies

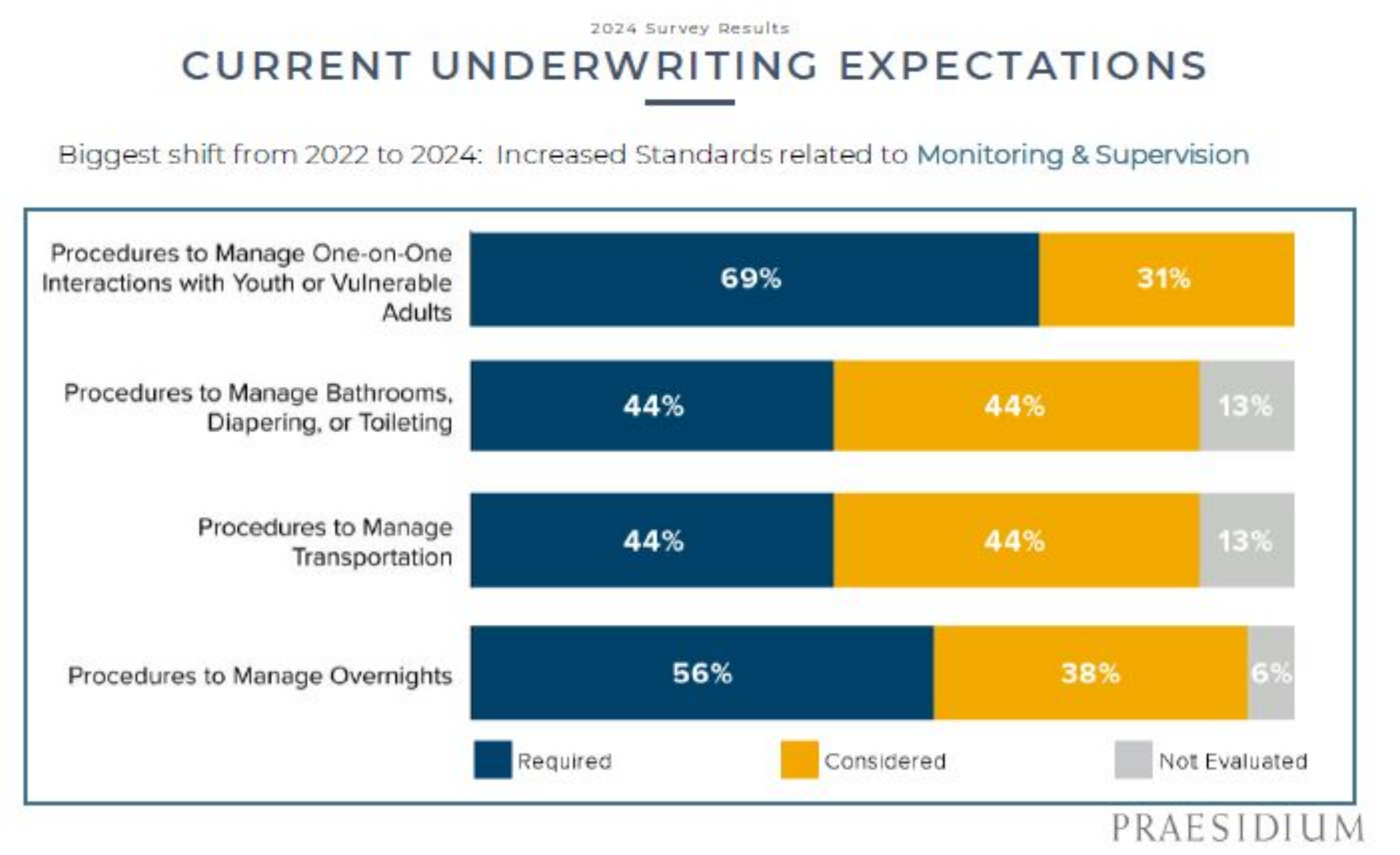
- Proactive approach
  - Tell your own story
- Engage risk control resources
  - Broker and carrier offerings
    - Wheelchair and stair lift ergonomic assessments (Push/Pull)
- Auto Liability
  - HNOA- Personal auto requirements
  - Pressure sensing devices
  - 3D Virtual driver training

Sexual Abuse & Molestation



It's More Than
A Chaperone Policy

SAM- Underwriting Considerations



- **88%** Requirements for monitoring & supervising high-risk situations
- **88%** Screening protocols, including background checks for staff and volunteers
- **94%** Abuse prevention Policies
- **94%** Training protocols for employees, specifically in abuse prevention
- **81%** Organizational response protocols for both incidents and allegations

Additional Resources

- Medical Professional Liability Market Update
- Key Cyber Security Controls
- Private Equity Investments In Healthcare
- Regulatory Outlook For 2025

Questions/Discussion

Get in Contact!

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