



# **AN INTRODUCTION TO MEDICAL MALPRACTICE INSURANCE**

## Summary of Current Medical Malpractice Insurance Market

In many parts of the country, the cost of medical malpractice insurance began to rise in the early 2000's due primarily to the growing number of malpractice claims (*frequency*) and the increased severity of the awards.

This led to shrinkage in available options after several major medical malpractice insurance carriers abruptly exited the market. The resulting hard market was inevitable in the presence of higher premiums (*affordability*) and fewer medical malpractice insurance carriers with an appetite/capacity for growth (*availability*).

The past six years have yielded a softer market (*lower premiums and more available options*) for medical malpractice insurance in many states due to:

- Tort Reform
- Drop in the frequency of claims
- Increased attention to Medical Errors and Patient Safety
- Increased capacity from insurance carriers

In 2009 the medical malpractice liability insurance business was profitable with a combined ratio of 82.6%. The combined ratio represents the percentage of premium dollars spent on claims and related expenses. The premiums that physicians pay fell by ~4% nationally in 2009 due to the similar positive performances in 2007 and 2008. A new survey by the [American Medical Association \(AMA\)](#) says that more than 60% of doctors over 55 have been sued at least once and that most physicians will be sued for medical malpractice at some point in their careers. While most of these claims are dropped or dismissed, it works out to an average of 95 medical malpractice lawsuits being filed for every 100 physicians now in practice according to the association. "Even though the vast majority of claims are dropped or decided in favor of the physicians, the understandable fear of merit less lawsuits can influence what specialty of medicine a physician practices, where they practice and when they retire," said Dr. James Rohack the immediate past president of AMA.