

KEANE

**THE COST OF MEDICAL
MALPRACTICE
INSURANCE IS RISING**

HOW YOU CAN BE PREPARED

J. MONTE SHIELDS

WINTER 2019

MEDICAL MALPRACTICE PRO GUIDE

FOR DOCTORS & OFFICE MANAGERS



J. MONTE SHIELDS

THE KEANE INSURANCE GROUP

WINTER 2019

FORWARD

As the founder and President of The Keane Insurance Group I would like to take this opportunity to thank you for taking the time to access this report and keep up with the changes in the medical malpractice market. Whether you are a doctor, an office manager, or a network or facility administrator, I believe that being aware of the trends that we have identified and the projections outlined below will serve you and your organization well now and in the coming days.

But beyond knowing what to expect, I would also like to invite you to draw on the resources that the Keane Insurance Group has to offer. We are an industry leader with over 20 years of experience serving the healthcare community. We have a dedicated team of Healthcare Practice Consultants and an incredible service staff that can identify and provide solutions for your needs from professional and general liability insurance, to corporate and network benefits, to specialty lines, and healthcare practice services.

From the beginning, I created this organization to serve the healthcare community not only by offering the best insurance policies at the best rates, but also by functioning as an independent source of guidance, expertise, and solutions for our clients. To that end, we offer resources like this white paper—the fruits of our experience and expertise—so that you can stay informed and so that you can see that we are a partner you can trust to give you real, honest, guidance. We hope that by doing so we can help you remain confident and help your organization flourish.

C. John Keane Jr.
President
The Keane Group





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PHYSICIANS AND PRACTICE ADMINISTRATORS NEED TO PREPARE FOR THE INEVITABLE INCREASE IN MEDICAL MALPRACTICE INSURANCE PREMIUMS AT THE NEXT RENEWAL.

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1



COSTS ARE RISING

INTRODUCTION

RISING COSTS

THE MEDICAL MALPRACTICE INSURANCE MARKET IS CHANGING, AND PREMIUMS ARE GOING UP.

Physicians and practice administrators need to prepare for the inevitable increase in medical malpractice insurance premiums at the next renewal. If it doesn't happen this year, it will happen next year. The medical malpractice insurance market is changing, and premiums are going up in most cases.

Physicians, hospitals, facilities, and other healthcare provider groups have enjoyed a little over a decade of steadily decreasing malpractice insurance premiums. The medical malpractice insurance market is cyclical, and mid-way through 2018 it reached the bottom of the "soft market," making this year the beginning of a new cycle. This new "hard market" may not be as severe as in past decades, but the signs that it is coming are prominent: Increasing frequency of severe claims, rising rates due to higher loss ratios, fewer discounts available, tighter underwriting guidelines, and smaller, less stable insurance carriers collapsing or being acquired.

2



PREPARE YOUR PRACTICE

ONE

GET HELP

WORK WITH A BROKER WHO HAS ACCESS TO MULTIPLE MEDICAL MALPRACTICE INSURANCE CARRIERS.

- Working with a broker with access to several companies will give you a full representation of the choices available. Working directly with one company means you have one choice and no way to compare. A broker will submit your applications to all or most carriers and get quotes back to compare side-by-side. Then you or your group can make an educated decision based on the broker's knowledge and experience with each company.
- Brokers have relationships with the malpractice insurance carriers' underwriters, which means they can negotiate on your behalf and use their leverage to get you the best coverage at the best rate.
- A broker will take a consultative approach, learning the needs of the practice, and working alongside the decision makers to choose coverage that is right for the group.

TWO

ASK QUESTIONS

CHOOSE A FINANCIALLY SOLID,
QUALITY MALPRACTICE
INSURANCE CARRIER WITH
PLENTY OF CAPITAL.

HOW WELL DO YOU KNOW YOUR CARRIER?

- ❑ In the last 3 years more than a few small, regional, unrated malpractice insurance carriers have failed, leaving physicians and groups in difficult spots and in some cases without coverage. While these companies were drying up, practice administrators and doctors were scrambling to find new coverage or replace tail coverage that was already purchased.
- ❑ *Don't wait!* Do some research on your current insurance carrier. If they are not A-rated, with a sizable market share and a solid historical record it's worth asking some questions and maybe even shopping around. Better yet, speak with a broker or healthcare practice consultant about the financial stability of the carriers available in your area and practice specialty.

TWO

ASK QUESTIONS



- ❑ Ask key questions about the company that covers your practice:
 - ❖ What is the total annual premium?
 - ❖ How much money is in reserve to pay claims – current and future claims?
 - ❖ What is the current loss ratio? Has it changed in the last 3 – 5 years?
 - ❖ How much money is in surplus?
 - ❖ How long has the company been in the malpractice insurance market?
 - ❖ What are the historical rate trends with the company?
 - ❖ What is the company's long-term strategy?
 - ❖ How do all of these factors compare to the other carriers available?

- ❑ Again, keep in mind that rather than doing this research yourself you can speak with a broker or healthcare practice consultant who should be able to provide you with this information and more for any carriers you might want to consider.

THREE BUDGET

BUDGET FOR A PREMIUM INCREASE AT RENEWAL TIME

- ❑ At budget time, include an increase of 5% -- 20% in your practice's medical malpractice insurance expense category.
- ❑ Most medical malpractice insurance carriers are preparing for the change in the market. You should too. According to one of the largest malpractice insurance companies in the nation, the combined loss ratio of all malpractice insurance carriers from 2006 through 2015 was below 100 percent. However, in 2016 that same combined loss ratio rose above 100 percent and has continued to increase since. That means carriers are paying out more than they're collecting in premiums, which is eroding their surplus and reserves. There will be a reaction to this trend in the form of higher premiums. Some carriers may hold out for another year or so, but the increases are on the horizon.
- ❑ In 2019 we have already seen most of the larger carriers push rates up through fewer discounts and filing higher rates in some states. The increases range from 1% to 30% depending on the state, specialty, and loss history.
- ❑ As mentioned before, keep in mind that cost increases to customers may not take the form of direct premium increases, at least not at first. So make sure that you are asking about and paying attention to things like dropped or reduced discounts, higher deductibles, lower dividends, and reduced CE credits.

FOUR

MANAGE

MANAGE YOUR GROUP OR PRACTICE'S EXPECTATIONS.

- ❑ Whether you're a doctor, a practice manager, or a hospital administrator, if you are one of the decision makers prepare others in the group for the changes ahead. We've all enjoyed over a decade of low rates and few claims. Since 2009, most practices have reported that medical malpractice insurance cost is not one of their main concerns or highest expenses. About 15 – 20 years ago malpractice insurance was one of the largest expenses involved in practicing medicine. However, as rates consistently decreased over the last 10 – 12 years, most practices haven't even thought about it as a hot button issue. That is changing. Help your group understand what is changing, why it's changing, and what to expect in the next few years. And if you have questions yourself find a broker or consultant you trust who can answer your questions and who is willing to answer questions from of your colleagues, coworkers, or bosses as well.



3



REASONS FOR THE CHANGE

CONCLUSION

CAUSES

WHAT IS PUSHING THE CHANGE?

The main reasons for the change in the medical malpractice insurance market are the increase in the number of large payouts and the severity of those payouts. Additionally, there has been a significant shift of independent solo doctors and small physician groups to larger groups and hospital employment. In order to attract new clients and gain market share in this more competitive environment malpractice insurance carriers have been consistently reducing rates. And while these carriers have remained profitable for many years, the profits have been minimal for the last three years, and many carriers are beginning to see reserves eroding. If combined loss ratios continue above 100 percent, an adjustment will be necessary to keep the carriers solvent. As mentioned above, this has already started taking place as of late 2019.

The cyclical nature of the medical malpractice insurance market means that there will always be ups and downs, or “soft” and “hard” market trends. Insurance professionals agree that the recent soft market cycle lasted longer than expected—longer than has been typical historically—and physicians, groups, and hospitals have all benefited from lower rates and less risk for over a decade now. But as with any cyclical business market, things are never static but always changing. Physicians and administrators need to be ready for these changes as they plan for this year’s medical malpractice insurance renewal.

The brokers and consultants that are available through The Keane Group can help physicians and administrators navigate this changing environment. Connect with one of our experts by completing our simple online quote request today. We work with over 50 insurance carriers and have solutions for every specialty in every state.



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J. MONTE SHIELDS

MONTE SHIELDS HAS MORE THAN 20 YEARS EXPERIENCE IN THE HEALTHCARE AND INSURANCE INDUSTRIES.

Beginning as an agent for a national personal lines carrier, and then working as an independent broker, he has experience in all lines of coverage both in personal and commercial P&C insurance business. He came to The Keane Insurance Group in 2002 as a broker specializing in medical professional liability. His passion for the insurance business has always been in building strong relationships with clients and business partners. After 10 years working directly with physicians and administrators, Monte took the opportunity to lead the marketing department at Keane in 2012. Combining his degree in Journalism, a teaching degree in English, and a background in teaching with his insurance experience has enabled him to grow Keane's brand recognition and outward communication to clients and insurance carriers, while also taking opportunities to train others and introduce new lines of business to the agency.

The Keane Insurance Group, a HILB Group company, works with over 5,000 healthcare clients all over the country. Keane employs an exceptional team of Healthcare Practice Consultants and a customer service team specializing in and focused on healthcare clients. Physicians, hospitals, and administrators look to The Keane Insurance Group for solutions to complex risk management and insurance challenges. Keane has products for every specialty, situation, and state.