

Policy Research Perspectives

Prevalence of Medical Liability Premium Increases Unseen Since 2000s Continues for Third Year in a Row

By José R. Guardado, PhD

Introduction

This Policy Research Perspective (PRP) summarizes changes in medical professional liability insurance (MPL) premiums and provides examples of premium levels for select geographic areas from 2012 to 2021. The data are from the Annual Rate Survey Issues of the *Medical Liability Monitor* (MLM), including the latest from October 2021. The MLM conducts an annual survey of major U.S. liability insurers and is considered the most comprehensive source of data on MPL premiums from a national perspective. Despite its comprehensiveness, however, the data should be interpreted with some caution. The MLM reports *manual* premiums, which could differ from the final premiums paid by physicians.¹ It reports them for three specialties—obstetrics/gynecology (OB/GYN), general surgery and internal medicine—in each state where those insurers provide coverage. In some states, insurers price their policies differently across geographic areas within a state and report premiums to the MLM for each of those sub-state areas. Thus, insurers and states with more rating areas are overrepresented in the data. Finally, the data may not reflect all liability insurers in a market.

The Annual Rate Survey Issue of the MLM lists the current and previous year manual premiums of participating insurers in each specialty and geographic area for which they report data. The percentage change in an insurer's premium from the previous year to the current year is also provided as well as a table that summarizes distributions of those changes.² The MLM does not provide summary information on premium *levels*, such as averages or medians. Rather, it is a useful indicator of whether premiums in the aggregate have been changing, in which direction, and by how much.

The most important finding in this PRP is that in the last three years (2019-2021), the proportions of premiums that increased year-to-year reached highs not seen since the 2000s. In 2019, this share almost doubled from what it was in 2018, then also went up in 2020, when more than 30% of premium changes were in the upward direction. Once again, and despite a small dip in 2021, almost 30% of premiums increased from the previous year.

¹ A “manual” premium does not reflect credits, debits, dividends, or other factors that may reduce or increase the actual premiums that individual physicians pay for coverage. The manual premiums that insurers report to MLM are typically for policies with \$1 million/\$3 million limits.

² For example, the table might show that 25% of premiums reported to the MLM were higher than in the previous year, 25% were lower, and 50% stayed the same.

Annual changes in premiums, 2012-2021

Each year, the MLM compares an insurer's reported premium in a given geographic area and specialty to the amount reported in the previous year. Exhibit 1 of this PRP summarizes those comparisons over the 2012-2021 period.³ For each year, it shows the percentages of premiums that *i*) remained the same, *ii*) increased, *iii*) decreased, or *iv*) changed by more or less than 10%.

Exhibit 1 shows that premiums had been increasingly stable until 2018, when 80.8% remained the same as in the previous year. Since then, however, stability has been on a downswing. Despite a small increase from 60.8% in 2020 to 64.0% in 2021, the proportion of premiums that remained the same is still lower than it had been since 2013, when 57.6% of premiums did not change from the prior year.

Premium decreases have become less frequent over time and are now less likely to occur than premium increases. In 2012, the proportion of premiums that fell was 25.7%. In contrast, only 6.5% of premiums went down in 2021.

The main and most significant finding for three years in a row is that more premiums have increased than in any year since the 2000s. The proportion of premiums that went up in 2018 almost doubled in 2019—from 13.7% to 26.5%. In 2020, this share grew to 31.1% of premiums that increased from the previous year. This percentage was higher than in any year since 2005. Once again, and despite a small dip in 2021, almost 30% (29.5%) of premiums increased from the previous year—still higher than in any year since 2006.

Moreover, not only are premium increases of any size on the upswing, but there has also been a rise in large increases as well. In 2021, 7.5% of all premiums increased by 10% or more—up from 3.9% in 2018 and 3.6% in 2019.

Exhibit 2 presents the 12 states with the largest increases in premiums (10% or more). They are ranked by the share of comparisons that reflected increases of that size. Those states and their shares are Illinois (58.9%), West Virginia (41.7%), Missouri (29.6%), Oregon (20.0%), South Carolina (16.7%), Idaho (11.1%), Kentucky (7.4%), Delaware (6.7%), Washington (6.7%), Michigan (5.4%), Texas (4.9%) and Georgia (3.7%).

Eight of the 12 states in Exhibit 2 were also in the Exhibit that presented similar information in last year's PRP. This indicates they have experienced large increases in premiums for at least the last two years.⁴ These states are Illinois, Missouri, Oregon, South Carolina, Kentucky, Michigan, Texas, and Georgia.

Focusing on big increases only tells part of the story. Another telling measure is the proportion of premiums that went up by any amount. To give a more complete picture, Exhibit 2 also presents those shares, as well as the size of the largest increase and the number of comparisons (N) in each

³ Exhibits 1 and 2 in this report reflect a few corrections to estimates first published in the October 2021 issue of the MLM.

⁴ These data were not readily available to the author in 2019, so we can only make this statement for the last two years.

state. With this we see that in Washington, for example, although only 6.7% of reported premiums increased by 10% or more, 60% increased by any amount. Similarly, while only 3.7% of the premiums reported for Georgia were large, almost half (44.4%) of its premiums went up. Interestingly, Illinois further stands out on this list because more than 80% of its premiums increased from the previous year. In fact, more than half of its premiums have increased in each of the last *three* years.

There were six states in which at least half of reported premiums went up in 2021. Of these, only one—New Mexico—is not already listed in Exhibit 2. In fact, *all* of that state's reported premiums increased by at least some amount.⁵ Notably, in 2020 all of New Mexico's premiums went up as well.

In addition to those six states, there were another 26 where fewer than half the premiums rose, for a total of 32 states where premium increases were reported. In 2020, this was the case in 33 states. Twenty-four states experienced premium increases in both 2020 and 2021.⁶

Premium increases were concentrated in a few states. Nearly three quarters (73.0%) of the 2021 increases occurred in 10 states and about half were reported in 9. In fact, almost a quarter (23.5%) of the 2021 premium increases occurred in Illinois which had by far the largest number of increases among all the states in each of the last two years. In 2020, 81 of the premiums in Illinois increased and 104 went up in 2021. Part of the reason for these large numbers is that Illinois has many premiums reported to begin with.

Premium levels in select areas, 2012-2021

To illustrate premium levels and their variation across states and specialties and to get a general sense of how premiums have been changing over time, Exhibit 3 reports 2012 to 2021 premiums for the three specialties in the MLM. Those premiums are reported for seven geographic areas and for one selected insurer per state based on data availability throughout the study period. For each area, the reported figures are for the *same insurer* over time, though the insurers can differ between states. Despite the number of data points in the MLM survey, there are relatively few areas in which the same insurer can be tracked over the entire 2012-2021 period. Thus, Exhibit 3 only includes 21 trends (7 areas per specialty), which are not necessarily state or nationally representative and cannot fully reflect the *trends* in Exhibit 1. In addition, because each state's premiums in Exhibit 3 are those of only one selected insurer, those premium levels and the changes over time do not necessarily reflect the experience of each state as a whole.⁷ The selected premiums, however, clearly demonstrate the wide geographic and specialty variation in premium *levels*. For better visualization, those data are also presented graphically in Exhibits 4 through 6 separately for each specialty.

⁵ New Mexico is a patient compensation fund (PCF) state, where physicians pay "surcharges" in addition to the base premium. Some of its premium increases were entirely driven by increases in the surcharges.

⁶ These data were not readily available to the author in 2019, though it's plausible that premium increases were widespread across the U.S. in 2019 as well.

⁷ For example, although the Illinois premiums reported in Exhibit 3 did not change in 2020 and 2021, the experience in the state as a whole was vastly different. In contrast, Exhibit 2 shows that Illinois had the highest proportion of premiums (58.9%) that had increases of 10% or more, and that over 80% of its premiums went up by any amount. The selected insurer in Exhibit 3 was one of the few insurers that did not increase their premiums in 2021.

The wide geographic variation in premiums is striking. For example, general surgeons and OB/GYNs faced 2021 manual premiums ranging from \$41,775 and \$49,804, respectively, in Los Angeles County, California to \$215,649 (for both specialties) in Miami-Dade County, Florida, which is about 4 to 5 times greater. The difference between the two areas is even higher among internists. In that specialty, premiums in Miami-Dade are 6½ times greater than in Los Angeles. There is wide variation between the other areas as well.

There is also wide premium variation by specialty, though this is perhaps less surprising due to known differences in liability risk.⁸ In each of the selected geographic areas, the manual premiums for general surgeons were above those for internists, and OB/GYNs' were higher than general surgeons', with one exception. OB/GYNs and general surgeons faced the same premiums in Miami-Dade. To illustrate the wide variation across specialties, consider that premiums in Nassau County, New York, were \$32,159 for internists, \$146,353 for general surgeons and \$165,824 for OB/GYNs, and in Cook County, Illinois, they ranged from \$41,272 for internists to \$179,497 for OB/GYNs.

Exhibits 4 through 6 help visualize how the premiums reported for the selected areas and insurers changed over time. There appears to be more stability in the middle part (roughly the middle third) of the 10-year period, and more changes in the first and last parts (thirds) of that period. These findings are roughly consistent with Exhibit 1, which shows that stability in premiums increased in the first part of the period, hit a peak, and has fallen in the last few years.

Conclusion

For several years, observers have been wondering when the next hard market will materialize. The last hard market—also referred to as the liability “crisis”—took place about 20 years ago, in the early 2000s. It was characterized by dramatic increases in premiums. In 2003 and 2004, respectively, 77.4% and 82.1% of premiums increased from their levels in the previous years. Some general surgeons in Miami-Dade County, Florida faced manual premiums that increased from \$110,068 in 2000 to \$277,241 in 2004.⁹

That period was followed by a soft market during which a growing number of premiums started to decrease. Since then, however, fewer premiums have fallen over time, and decreases have become less common than premium increases. The major trend after the last hard market had generally been one of increasing stability, though stability has been on a downswing since 2019.

Also in 2019 for the first time since the last hard market, the share of premiums that increased year-to-year went up significantly. Then in 2020, an even higher proportion increased, when 31.1% of premiums went up from the previous year. In fact, this was the highest proportion observed since 2005. Once again in 2021 and despite a small dip, almost 30% of premiums increased from the previous year—the highest proportion observed since 2006.

⁸ Guardado J. *Medical Liability Claim Frequency Among U.S. Physicians*. Chicago, IL: American Medical Association; 2017. Policy Research Perspectives No. 2017-5. <https://www.ama-assn.org/sites/ama-assn.org/files/corp/media-browser/public/government/advocacy/policy-research-perspective-medical-liability-claim-frequency.pdf>

⁹ Guardado J. *Professional Liability Insurance Rates and Distributions of Rate Changes, 2003-2007*. Chicago, IL: American Medical Association; 2007. Policy Research Perspectives No. 2007-2. These numbers for Miami-Dade are not directly comparable to those in Exhibit 3 of the present PRP because they are for different insurers.

According to some actuaries, we were already in the early stages of a hard market in 2020, as insurers started raising premiums in response to deteriorating underwriting results, lower loss reserve margins, and lower returns on investment. Thus, it was expected that insurers would sustain or even push for higher premiums in 2021.¹⁰ The 2021 MLM data suggests that this is coming to fruition. Although large increases were concentrated in certain states, small increases in premiums were more widespread. In 2020, premium increases were observed in 33 states and in 2021, they were reported in 32 states. Twenty-four states saw increases in both of those years. Although there is not a hard market yet in the U.S. as a whole, there appears to be a hard market in certain states, such as Illinois, which has experienced premium increases of 10% or more and where over half of its premiums have increased in each of the last three years. Some Illinois general surgeons have faced cumulative premium increases of more than 30% between 2019 and 2021 and, in some cases, even between 2020 and 2021. To put it in perspective, however, at this stage the current hard market still pales in comparison to the one from 20 years ago.

The responsiveness of MPL premiums to changes in their underlying factors takes considerable time. Thus, the long-term effect of the pandemic is still unknown. Some insurers responded to the reductions in health care provision due to the pandemic by offering premium discounts and rebates and special dividends. However, those healthcare reductions were relatively short-lived and were somewhat offset by the switch to telemedicine by some providers. Thus, while it is still unknown whether the pandemic will have a long-term significant impact, it appears it has not affected base premiums for the time being.¹¹

It is not atypical for there to be hard and soft markets, for premiums to go up and down, as this is part of the insurance cycle. How severe and widespread the current hard market will become—how many premiums will increase, how high they will go and whether other states will follow suit in seeing their premiums go up—is still uncertain. The next edition of the MLM data will help enlighten these critical questions.

¹⁰ Burns B., Gittleman A. *Rate Increases – Just What the Doctor Ordered. Medical Professional Liability in 2020.* Medical Liability Monitor, Annual Rate Survey Issue, Vol. 45 (10). October 2020.

¹¹ Burns B., Erickson, D. *If You Want a Hard Market, You Have to Go Get It. Medical Professional Liability in 2021.* Medical Liability Monitor, Annual Rate Survey Issue, Vol. 46 (10). October 2021.

Exhibit 1. Distributions of year-to-year comparisons of medical liability premiums, 2012-2021

Size of change in premium	Premium comparisons									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Increased										
10% or more	0.3%	2.7%	0.1%	5.8%	1.0%	0.1%	3.9%	3.6%	5.2%	7.5%
Less than 10%	14.8%	11.0%	12.1%	11.5%	14.5%	13.3%	9.7%	22.8%	25.9%	22.0%
Any increase	15.1%	13.7%	12.2%	17.2%	15.4%	13.4%	13.7%	26.5%	31.1%	29.5%
No change	59.2%	57.6%	65.0%	69.1%	75.2%	74.2%	80.8%	68.4%	60.8%	64.0%
Decreased										
Less than 10%	15.7%	17.2%	16.9%	8.8%	5.0%	7.3%	4.5%	3.3%	4.4%	4.9%
10% or more	10.0%	11.5%	5.9%	4.8%	4.4%	5.2%	1.0%	1.8%	3.7%	1.7%
Any decrease	25.7%	28.7%	22.8%	13.6%	9.4%	12.4%	5.6%	5.1%	8.1%	6.5%
Observations	954	1014	1023	1056	1107	1143	1149	1296	1416	1500

Notes:

1. Sources: 2012-2020 Medical Liability Monitor (MLM) Rate Survey Issues and author's analysis of 2021 data from the Medical Liability Monitor.
2. The table reports year-to-year comparisons of manual premiums for medical professional liability insurance. The unit of observation is a liability insurer in a given geographic area and specialty.
3. In each year, the percentage of premiums that increased, had no change, and decreased sum to 100%. For example, in 2021, 64.0% of premiums had no change, 29.5% of premiums increased, and 6.5% of premiums went down from their levels in 2020.

Exhibit 2. States Where Largest Increases in Liability Premiums were Reported, 2020-2021

State	% of Comparisons that were Increases $\geq 10\%$	Size of Largest Increase	% of Comparisons that were Increases	Comparisons (N)
Illinois	58.9%	35.3%	80.6%	129
West Virginia	41.7%	24.9%	75.0%	12
Missouri	29.6%	32.3%	44.4%	27
Oregon	20.0%	33.5%	60.0%	15
South Carolina	16.7%	12.5%	50.0%	18
Idaho	11.1%	10.0%	33.3%	18
Kentucky	7.4%	13.2%	33.3%	27
Delaware	6.7%	18.4%	20.0%	15
Washington	6.7%	10.0%	60.0%	15
Michigan	5.4%	13.1%	38.7%	93
Texas	4.9%	12.1%	26.5%	102
Georgia	3.7%	13.3%	44.4%	27

Notes:

1. The unit of observation is a comparison of an insurer's 2020 and 2021 premiums in a state (or sub-state area) and specialty.
2. States are included in this Exhibit if they had at least one premium increase of at least 10%. The ranking of states is based on the share of comparisons that were increases of 10% or more.

Exhibit 3. Medical professional liability insurance premiums for \$1M/\$3M policies, selected insurers, 2012-2021

	\$									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Obstetrics/Gynecology										
California (Los Angeles, Orange)	49,804	49,804	49,804	49,804	49,804	49,804	49,804	49,804	49,804	49,804
Connecticut	170,389	170,389	170,389	170,389	170,389	170,389	170,389	134,054	134,054	137,942
Florida (Miami-Dade)	201,808	190,829	190,829	190,829	190,829	190,829	190,829	195,600	205,380	215,649
Illinois (Cook, Madison, St. Clair)	177,441	177,441	177,441	177,441	177,441	177,441	177,441	179,497	179,497	179,497
New Jersey	109,189	109,189	109,189	90,749	90,749	90,749	90,749	90,749	90,749	90,749
New York (Nassau, Suffolk)	204,684	227,899	214,999	214,999	214,999	214,999	192,087	182,482	174,552	165,824
Pennsylvania (Philadelphia)	165,657	124,627	124,627	112,289	117,415	119,466	119,466	119,466	119,466	119,466
General surgery										
California (Los Angeles, Orange)	41,775	47,595	47,595	47,595	41,775	41,775	41,775	41,775	41,775	41,775
Connecticut	65,803	65,803	65,803	65,803	65,803	65,803	65,803	90,577	90,577	93,203
Florida (Miami-Dade)	190,088	190,829	190,829	190,829	190,829	190,829	190,829	195,600	205,380	215,649
Illinois (Cook, Madison, St. Clair)	118,909	118,909	118,909	118,909	118,909	118,909	118,909	120,258	120,258	120,258
New Jersey	73,074	73,074	73,074	60,810	60,810	60,810	60,810	60,810	60,810	60,810
New York (Nassau, Suffolk)	114,770	148,454	134,923	134,923	134,923	134,923	154,056	154,056	154,056	146,353
Pennsylvania (Philadelphia)	131,274	90,802	90,802	80,154	84,280	85,930	85,930	85,930	85,930	85,930
Internal medicine										
California (Los Angeles, Orange)	10,343	8,274	8,274	8,274	8,274	8,274	8,274	8,274	8,274	8,274
Connecticut	34,700	34,700	34,700	34,700	34,700	34,700	34,700	18,878	18,878	19,425
Florida (Miami-Dade)	46,372	47,707	47,707	47,707	47,707	47,707	47,707	48,900	51,345	53,912
Illinois (Cook, Madison, St. Clair)	40,865	40,865	40,865	40,865	40,865	40,865	40,865	41,272	41,272	41,272
New Jersey	18,900	18,900	18,900	15,900	15,900	15,900	15,900	15,900	15,900	15,900
New York (Nassau, Suffolk)	32,288	35,883	33,852	33,852	33,852	33,852	33,852	33,852	33,852	32,159
Pennsylvania (Philadelphia)	37,360	26,037	26,037	23,335	24,433	24,873	24,873	24,873	24,873	24,873

Notes:

1. Sources: Annual Rate Survey (October) Issues of the Medical Liability Monitor, 2012-2021. The numbers in this table are manual premiums reported by a liability insurer selected on the basis of data availability in every year. Premiums reported for Connecticut pertain to \$1 million/\$4 million limits, and Pennsylvania premiums include Patient Compensation Fund surcharges.
2. Counties to which the premiums refer are in parentheses, though some counties may not be named due to space constraints. Counties in California (CA), Illinois (IL) and Pennsylvania (PA) changed slightly over time. However, CA counties always include Los Angeles, IL counties always include Cook, and PA counties always include Philadelphia.

Exhibit 4. Medical professional liability insurance premiums, selected insurers
OB/GYN

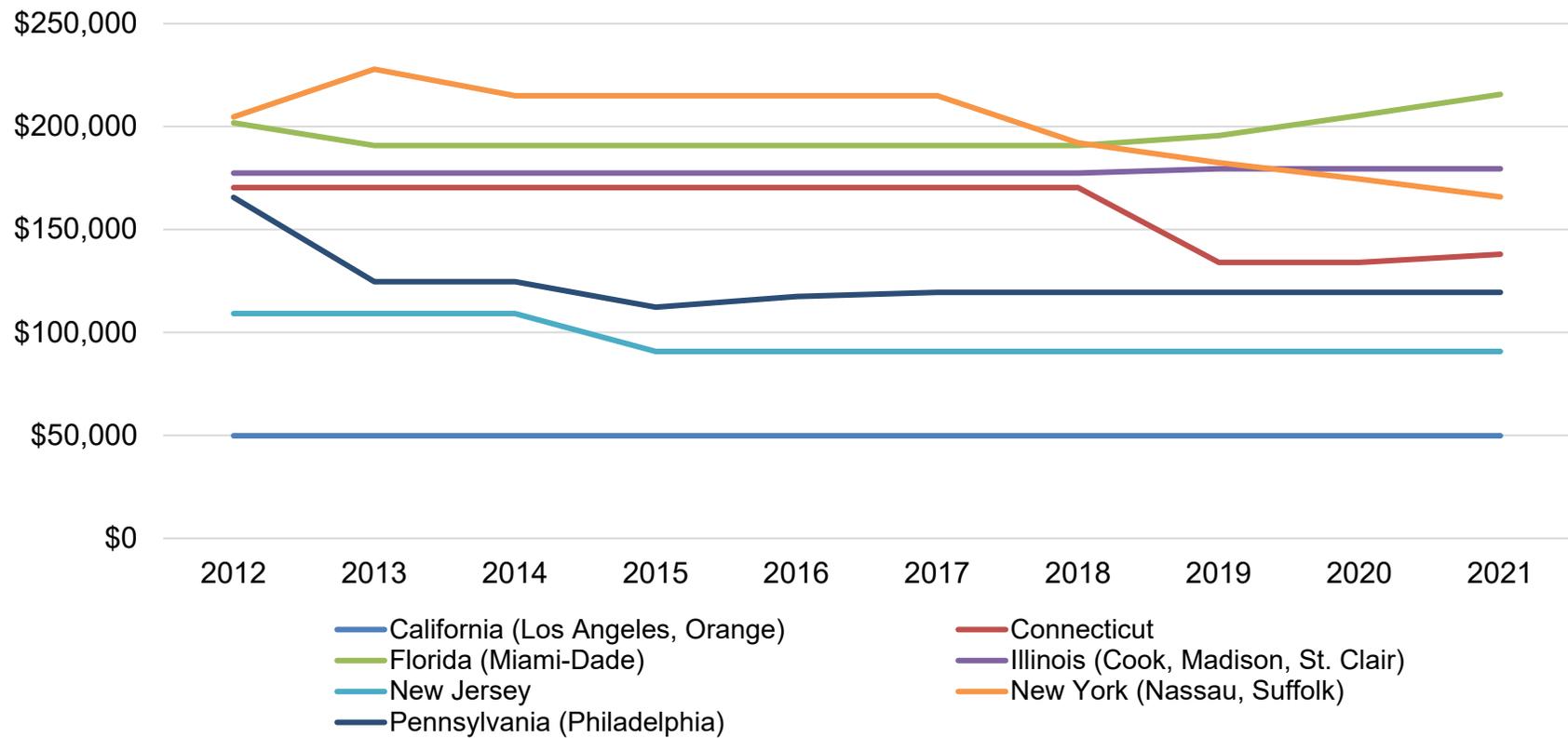


Exhibit 5. Medical professional liability insurance premiums, selected insurers
General Surgery

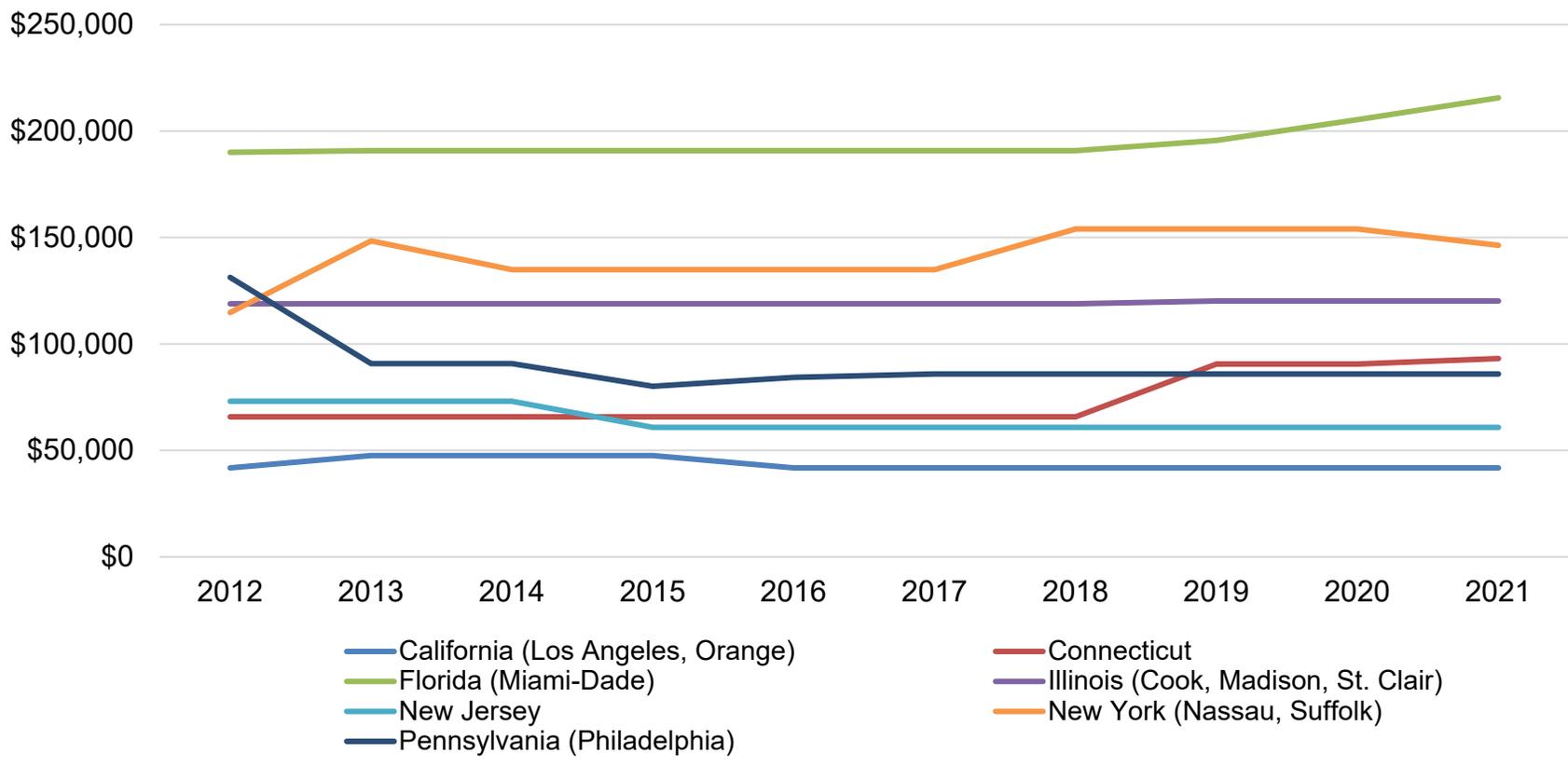


Exhibit 6. Medical professional liability insurance premiums, selected insurers
Internal Medicine

