

Market Focus

In this issue, we look at countrywide medical malpractice experience.



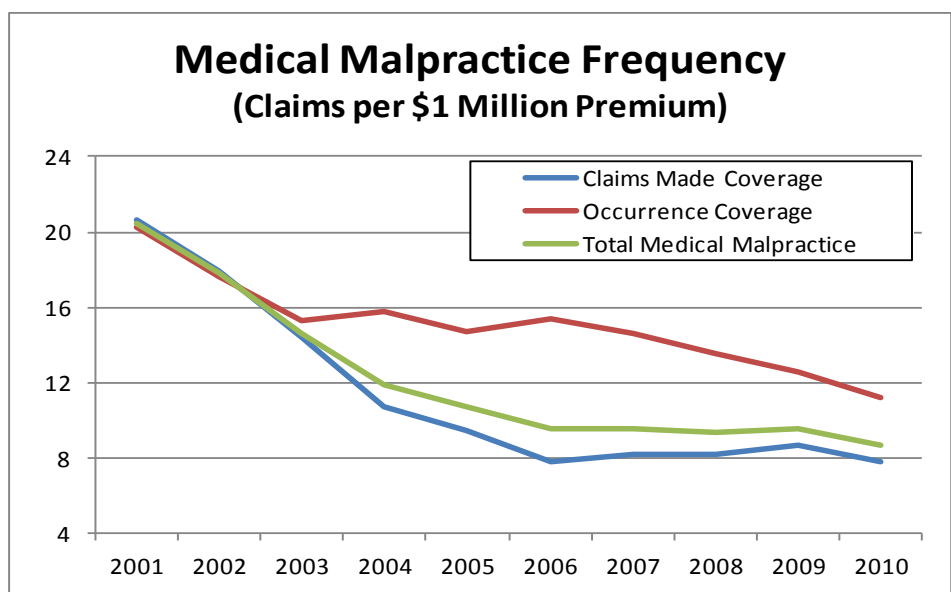
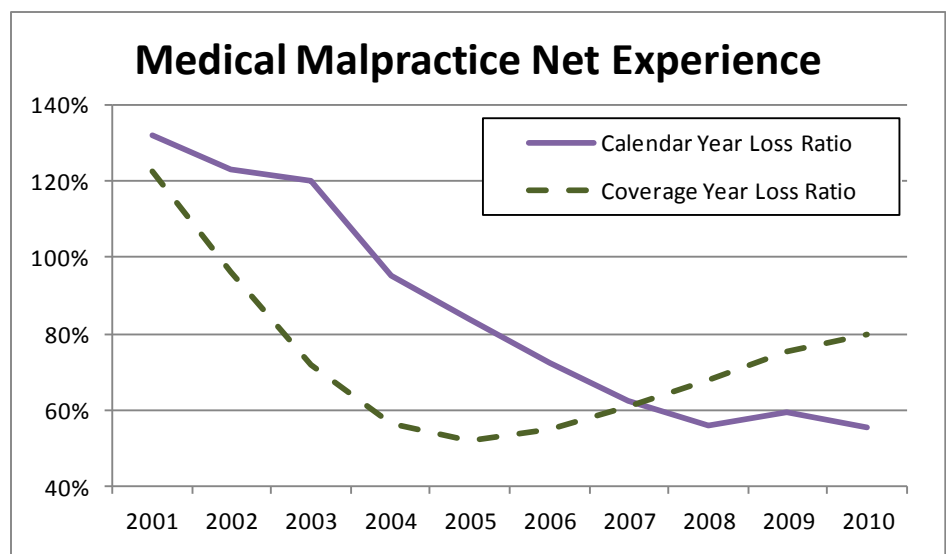
Coverage year loss ratios grew by nearly 10% per year from 2005 through 2010. Reserve releases from prior coverage years have allowed calendar year results to remain stable in recent years.

Frequency, as related to premium, has been stable since 2006. Decreases between 2001 and 2006 are likely due to the impact of rate increases.

Market Focus: Countrywide Medical Malpractice

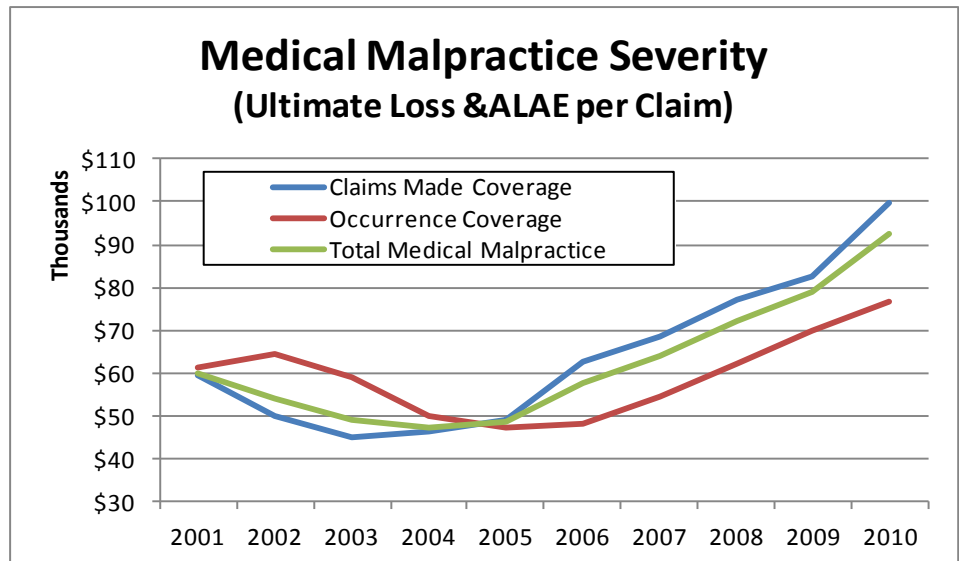
The following graphs are based on insurer information from the [National Association of Insurance Commissioners](#) (NAIC) annual statements as aggregated by [A.M. Best](#).

Reported medical malpractice financial results for the industry have generally improved over the past 10 years (see calendar year loss ratios below). However, current estimates of coverage year data reveals that experience has actually been deteriorating since 2005 with releases of prior year reserves serving to “prop up” reported financial results and mask the underlying trends. In recent years, claim frequency has been relatively stable while claim severity has been increasing by 13% annually since 2005. These increases in coverage year results are an indication that a hard market could be on the horizon.



Market Focus: Countrywide Medical Malpractice (continued)

After several years of stable or modestly decreasing severities, medical malpractice severity has increased by roughly 13% per year since 2005.



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