2019 P&C Market Outlook: Healthcare Professional Liability

INSIGHTS FROM USI NATIONAL PRACTICE LEADERS

The healthcare professional liability insurance market appears to be at a crossroad - much like the industry in early 2000 - with increasing claim severity and rates below loss costs.

Additionally, the industry is facing increased threats and risks from emerging exposures, such as regulation, Internet of Things (including cyber), telemedicine and telehealth, all of which threaten to drive overall claim activity.

In 2018, medical professional liability insurance companies sought to end a decade of rate decreases. As a result, USI anticipates that 2019 will be a transitional year, with rates, capacity, coverage, and terms in flux based on one or all the following factors:

- Geography
- Loss experience
- Industry vertical.

The Market Today and Capacity

Overall, total capacity exceeds $9 billion but is deployed selectively depending on location, losses and industry.

At the beginning of 2018, fifteen insurers controlled nearly 60% of the total market, with a combined ratio of 73%.

Highlights

- Strict underwriting is expected to continue as carriers seek to determine premium and coverage terms based on client and jurisdictional experience.
- Insured organizations will increasingly rely on brokers to develop the most cost-efficient programs and structures.
- Where loss experience is good, insurers are likely to hold renewal premiums flat or seek slight increases in line with general inflation.
- The convergence of industry and geographic factors is creating localized hard market conditions in which rates are increasing by 50% or more, accompanied by decreases in limits, coverage, and terms.
- As insurers seek to regain a degree of overall profitability, USI expects this trend to spread and become more noticeable in poor performing geographies around the United States.

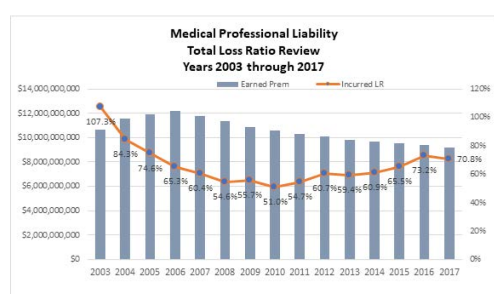
Forecast for 2019

Subject to certain considerations, USI expects rates to remain flat or increase slightly, particularly for those organizations that are assuming a layer of risk and in areas where claim experience as reflected in loss ratio is averaging less than 80%. Organizations that fall into one or more of the categories below are likely to experience reduction in limits, coverage, terms, and conditions as well as overall rate increases:

- Industry - Senior Living, Skilled Care, Assisted Living, Post-Acute Rehab or Physician.
- Experience - Five-year loss ratio is greater than 80%.
- Geography - Operations located in Florida, Illinois, Kentucky, Louisiana, Maryland, New Mexico, New Jersey, New York, Rhode Island, Pennsylvania, and Washington, DC.

What Insureds Can Do

- The conditions impacting insureds in certain industries, geographies and with certain loss experiences represent operational shifts in the underwriting cycles that occur every 10 years or so. To successfully navigate these cycles, organizations can seek guidance from experienced risk specialists who have successfully steered companies through previous challenging markets.
- USI recommends that healthcare organizations take the time to evaluate current and potential future exposures, quantify risk, determine risk tolerance, and explore alternative risk financing strategies that might be needed in the coming 12-to-24 months.
- For organizations that have existing risk financing facilities and structures in place, such as a captive, now is the time to evaluate current structures and determine what improvements, if any, are needed. In many cases expanded coverage and financial optimization may be necessary.



Source: NAIC

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