

**BLOG**

# Why Is My Malpractice Premium Rising?

By Christian Amabile

Sep 11, 2020

For over a decade, physicians saw decreasing and flat rates due to a soft market. They may have come to expect similar pricing in the future. So why is the market changing now?

- **Historically high malpractice verdicts.** Some of the [largest medical malpractice verdicts](#) and payouts happened in 2019. For example, a Maryland jury awarded \$229 million to a woman whose newborn suffered brain injury during childbirth, making it the largest medical malpractice verdict in U.S. history (the award was reduced to \$209 million because of a state cap.) Illinois and California saw verdicts in the hundreds and tens of millions of dollars in 2019 as well.



The inflated size of these verdicts come with other effects, including rising costs of insurance claims, largely because of societal trends and views toward increased litigation, broader contract interpretations, plaintiff friendly legal decisions, and larger jury awards. Prior to COVID, these adverse claims and astronomical verdicts to patients were the number one cause of rising premiums.

- **Economic downturn.** Insurance carriers typically don't make a profit on premiums alone, but rather by investing collected premiums into bonds. Malpractice insurers' investment income has been decreasing over the last 20 years. Since bonds are not producing good returns due to interest rates being so low, insurance carriers are not as profitable, and need to increase rates.

## COVID Will Accelerate Rising Costs

It's still too early to know how physicians will be directly affected by medical malpractice lawsuits and claims arising from the pandemic. So far, we are seeing a rise in COVID-related claims. Carriers are expecting to see an increase in litigation as well, due to patients not having access to care when doctors' offices were closed, especially in the early months of lockdowns. Some states have put forth protections for COVID-related claims, others have not. Whether lawsuits will result in plaintiff-friendly verdicts is unknown. Courts that were shut down are also dealing with backlogs, and it will take a long time to see how things play out.

## What Options Do Physicians Have?

During a hard market, policy holders might not only have to pay higher premiums, but could also be non-renewed by their insurers, as carriers will tighten up their underwriting. In difficult times, carriers will clean up their book of business, assess risk, and send non-renewals to those policy holders deemed too risky. In a hard market, physicians and physician groups still have some options:

- If you've been with the same carrier for a while, work with a broker to decide if it's feasible to shop across the market for better rates. Working with a good broker who has access to all markets and can approach top ones for you is critical during hard markets.
- Go with carriers highly rated by [AM Best](#). Physicians need to make sure they are with financially secure carriers, as hard markets are times when many carriers fail, leaving their clients without coverage. When insurers know that AM Best would likely give them a poor rating, they often approach less reputable rating organizations, who do not have nearly the same guidelines as AM Best. Some carriers will choose to have no rating at all. Make sure that you choose an insurer that is highly rated by AM Best.
- Pay extra attention to risk management to avoid claims and non-renewal. Good carriers will have risk management departments that can assist physicians with a number of ways to reduce their exposure to claims. Many carriers even offer discounts for physicians that take their risk management online courses.

The cost of medical malpractice insurance varies widely, depending on factors including specialty, location and coverage need. In a hardening market, in the midst a pandemic, physicians need to make sure that they are properly covered and have the correct broker, to keep the potential of loss as low as possible.

*Want to learn more?*

*Find me on LinkedIn, [here](#).*

*Connect with the Risk Strategies team at [healthcare@risk-strategies.com](mailto:healthcare@risk-strategies.com).*

*Email me directly at [camabile@risk-strategies.com](mailto:camabile@risk-strategies.com).*

---

TAGS:  
Health Care