STATE of the MARKET

HEALTHCARE PROFESSIONAL LIABILITY
TABLE OF CONTENTS

The Takeaway ......................................................... 1

The Overview ....................................................... 2

Review & Outlook ................................................... 3

Placement Considerations ......................................... 6

Brands ..................................................................... 9
Healthcare in the United States is changing dramatically, as facilities and providers consolidate and look to expand their services in pursuit of reimbursement dollars. Accompanying these changes are both traditional and emerging risks. The property and casualty insurance industry is similarly expanding its interest in serving healthcare organizations. There is ample capacity and generally stable pricing available in the current insurance market.

But healthcare today comprises many different businesses and types of organizations, operating in a litigious environment that is particularly challenging in certain venues. Knowledge and expertise in the various risks present in healthcare today are of utmost importance to retail agents and brokers in helping their insureds to find the best solutions for their coverage needs.
The U.S. healthcare industry is a diverse marketplace that is increasingly attractive to property and casualty insurance companies. Healthcare represents more than 17% of the United States' global domestic product, a percentage higher than any other industrialized nation, according to the World Bank. In contrast, healthcare accounts for about 9% of GDP in the United Kingdom, about 11% in Canada, France and Germany, and less than 6% in China. The U.S. healthcare and social assistance sector comprises more than 1.4 million private, local, state and federal government establishments, employing nearly 18.7 million workers, according to the Bureau of Labor Statistics.

One dynamic that is generating a need for property and liability insurance is consolidation among healthcare entities. Economic headwinds and changes in reimbursement by government and private payers -- emphasizing payment for achieving patient outcomes instead of volume of care delivered, part of a larger shift toward accountable care -- are severe challenges for many smaller, independent healthcare organizations. Healthcare reform is increasing access to care, but at the same time, there is a nationwide shortage of physicians in primary care. The American Association of Medical Colleges estimates that, by 2025, demand for physicians in primary care and other similar specialties will outpace supply by 46,000 to 90,000. As a result, mid-level healthcare professionals are taking on expanded roles in delivering care. These conditions, in combination, are prompting merger and acquisition activity as well as operational and financial changes across the healthcare sector.

Insurers' interest in underwriting P&C healthcare risks means that there is ample capacity and competition, which is good news for retail agents and brokers as well as their insureds. Insurance buyers in the healthcare sector, with a few exceptions, can generally expect to find a multitude of options for their insurance programs.
Physicians and Hospitals:
Medical professional liability is a core insurance coverage for this segment of the U.S. healthcare industry. Smaller regional and community hospitals tend to rely on independent agents or brokers and wholesale brokers to obtain their coverages. In contrast, large national and state healthcare systems typically do not utilize the wholesale insurance market. Over the past several years, the insurance marketplace for physician and hospital risks has become highly competitive, and results have been largely stable. As a result, it is rare for physician and hospital organizations to be unable to place their risks with a suitable market. An area for retail agents and brokers to monitor is the expanding role of mid-level healthcare providers, such as nurse practitioners and physician assistants in delivering primary care. The Bureau of Labor Statistics (BLS) projects that PA jobs will grow by 38%, much faster than the average of 11% for all jobs, between now and 2022. Over the same time period, BLS estimates that jobs for nurse anesthetists, nurse midwives and nurse practitioners will grow by 31%. PAs and nurse practitioners who take on greater responsibility for delivering care may increase malpractice liability exposure for attending physicians who ultimately are responsible for patient outcomes. Managing this emerging healthcare liability risk is likely to become increasingly important as utilization of the healthcare system grows.
The National Association of Insurance Commissioners reports that direct written premiums for medical professional liability totaled more than $9.67 billion in 2014, with an average loss ratio, comprising direct losses as well as direct defense and cost containment expenses incurred, of just under 62.0% in 2014.5

Long-Term Care Facilities:
From a loss perspective, long-term care facilities represent the most difficult segment of the healthcare industry. Many of the liability losses are being driven by specific venues, such as New York, Pennsylvania, Illinois, Kentucky, California and other states. Insurers’ financial results in writing LTC risks have not been good, but there continues to be ample capital supporting this line of business. A small cadre of about half a dozen anchor insurance markets are driving rates, terms and conditions for this segment.

The outlook for growth in long-term care facilities is strong. The Department of Health and Human Services estimates that the long-term care population will double by 2020 and may quadruple by 2040.6 Those facilities and caregivers will need insurance to protect their people and property.

Miscellaneous Medical Facilities:
This segment encompasses a broad set of facilities that includes, but is not limited to, home healthcare services, stand-alone medical clinics and outpatient treatment facilities. The number of malpractice insurance markets for this class of business is large, and competition is increasing, as insurers traditionally writing physician and hospital risks look to expand into other healthcare-related areas.
Although some miscellaneous medical facilities have elements of managed care organizations, a limited number of insurance markets are willing to consider writing managed care errors and omissions liability coverage for them. This is an area to watch, as more healthcare organizations expand into managed care services and follow the revenue stream as the healthcare sector migrates toward accountable care. For example, more physician groups and hospitals are launching Accountable Care Organizations and bundled payment initiatives. In July 2015, the Centers for Medicare & Medicaid Services unveiled a proposed bundled payment model for joint replacement services. The effect of this move is that healthcare providers must assume more financial risk in delivering care. As in the physicians and hospital segment, mid-level professionals are assuming expanded roles for delivering care in these settings, potentially increasing the healthcare liability exposure for providers.

Social Services:
The social services segment is broad and fragmented and includes both inpatient and outpatient behavioral health services, child welfare organizations, foster care and counseling/advocacy groups. CRC focuses on coverage solutions for larger and more complex risks in this segment.

Social service organizations – particularly in behavioral and mental health – increasingly are partnering with healthcare systems, providing medical care, taking on primary care physicians and facing medical malpractice liability exposures. Some of the same forces influencing consolidation among physicians and hospitals are at work in social services. Mirroring this expansion in the sector, insurance companies’ appetites for risks in the social services arena also have expanded.
Physicians & Hospitals:
Claim severity is beginning to increase for hospitals, prompting some insurance companies to increase attachment points for excess limits. Insurance pricing for physicians and hospitals is generally stable across the board, however. As it did 24 to 36 months ago, the current market is asserting little room for rate decreases. 2013 was a high water mark for medical malpractice awards, with the median award totaling $4.8 million, an all-time high, according to a study by The Risk Authority of the Stanford University Medical Network.

Long-Term Care Facilities:
Risk management of accounts in this area will matter more in pricing, and retail agents and brokers that invest time to collect and present compelling submission data will achieve the best results for their insureds. Local knowledge and fact-specific information, especially in the more challenging venues, will be important to obtain the best rates, terms and conditions. Accounts with average to better than average loss experience have generally achieved favorable renewals. Underwriters have become stricter on risks with adverse loss experience. For accounts with prior claims, the ability to demonstrate risk mitigation will be crucial for successful renewals.

Miscellaneous Medical Facilities:
Partly as a result of greater competition by insurers, attachment points for coverage of miscellaneous medical facilities are getting lower. In addition to malpractice liability coverages, these kinds of facilities are presenting opportunities for cyber liability and network security coverage, as well as employment practices liability insurance.

Social Services:
One challenge for retail agents and brokers and their insureds is that medical care-based insurance forms generally do not translate well for social services risks. Policy wordings can vary by insurer. When it comes to navigating the insurance marketplace for these kinds of risks, the expertise of the broker, agent, and insurer is paramount.
Summary:
The market for healthcare industry risks is fragmented but favorable for insurance buyers. Knowledge and expertise, particularly on the diverse, complex risks in this industry, are key differentiators and help retail agents and brokers to achieve the best results for their clients. Working with a knowledgeable wholesale partner to navigate the market and manage the expectations of underwriters as well as insureds is a key way for insurance intermediaries to deliver value.

About CRC Wholesale Group:
CRC Wholesale Group is one of the largest wholesale providers of property and casualty insurance in the U.S. With over 1800 employees located in 57 offices nationwide, CRC Wholesale Group placed over 5.3 billion in premium in 2014 through three divisions: Brokerage, Underwriting, and Programs.

For more information:
Please contact your CRC Wholesale Group broker or underwriter.

Need to find a broker or Underwriter?
Visit crcwholesalegroup.com to find an office near you, or contact our corporate marketing department at marketing@crcins.com


7 United States Department of Health and Human Services, Centers for Medicare & Medicaid Services, proposed rule on “Comprehensive Care for Joint Replacement Model for Acute Care Hospitals Furnishing Lower Extremity Joint Replacement Services.” See: https://www.federalregister.gov/a/2015-17190


© 2015 CRC Insurance Services, Inc. CA Lic No 0778135. No claim to any government works or material copyrighted by third parties. Nothing in this communication constitutes an offer, inducement, or contract of insurance. Financial strength and size ratings can change and should be reevaluated before coverage is bound. This material is intended for licensed insurance agency use only. This is not intended for business owner or insured use. If you are not a licensed agent please disregard this communication. Equal Opportunity Employer – Minority/Female/Disabled/Veteran.
Our Brokerage division has core strength in the blend of unique expertise, unsurpassed market access and innovative solutions, coupled with personalized, high-touch service from our associates. Our brokerage capabilities offer a broad range of standard and E&S markets providing solutions for large, open market accounts, from the simplest to the most complex - nationwide.

SCU offers a full range of placement services, including in-house authority with a number of top rated carriers for numerous classes and lines of coverage. The brokers and underwriters at SCU have spent years working closely with markets and independent retailers to gain the knowledge and experience necessary to handle nearly any small-to-medium size risk.

Tapco Underwriters is the nation’s leading small account MGA facility. Tapco’s success is based on its exclusive call-center service model and proprietary technology platform.

5Star Specialty Programs is a full service Managing General Agent (MGA) offering property & casualty insurance underwriting expertise in Transportation, Workers’ Compensation, and more.

Hanleigh designs and underwrites coverage for highly compensated corporate, entertainment, and sports risks. Hanleigh has provided risk solutions to some of the world’s most successful individuals and organizations for almost 30 years.

Negley Associates is a leading underwriting management firm serving the insurance needs of behavioral healthcare agencies and related social services.

Target Insurance Services and Target Professional Programs offer unsurpassed expertise in professional liability coverages for hundreds of classes.