

Study Notes Medical Malpractice Insurance Market to Evolve with Health Care Changes

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Changes in health care delivery will drive changes in the marketplace, including an ongoing shift from physicians practicing alone or in small groups toward practicing in multispecialty and multistate physician networks, or physicians working in practices purchased and operated by hospitals and integrated regional health care organizations, according to the Moody's analysis.

The evolving U.S. health care delivery system presents both opportunities and challenges for medical professional liability insurers, according to an analysis released Jan. 3 by Moody's Investors Service.

The analysis—"U.S. Medical Professional Liability Insurance: A Specialty P&C Insurance Sector Tied Closely to the Structure of Healthcare Delivery"—notes that the medical professional liability insurance market is "highly fragmented" with more than 200 insurers.

Even the five largest insurers account for only about 30 percent of the market, New York-based Moody's said.

Moody's said the structure of the market reflects the "significant participation" of monoline specialty insurers and single-state underwriters, as well as the nature of the state-specific legislative, judicial and regulatory environments in which the insurers operate.

The analysis notes that while the medical professional liability market traditionally has been volatile, the sector has benefited from strong pricing trends in the early 2000s and favorable liability claims trends more recently. Moody's also noted that medical professional liability insurers, like other casualty insurers, have benefited from state tort reform measures.

But competition has intensified and prospective investment yields have fallen, which will put increasing pressure on insurers' margins, Moody's found.

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These changes include an ongoing shift from physicians practicing alone or in small groups toward practicing in multispecialty and multistate physician networks, or physicians working in practices purchased and operated by hospitals and integrated regional health care organizations, according to the analysis.

"These structural changes will most likely offer opportunities to national multiline carriers while presenting challenges to single-state insurers or those lacking financial strength to insure and service medical professionals with expanding affiliations," said Moody's.