

2010 Medical Malpractice Annual Report

Claims Closed from Jan. 1, 2008 through Dec. 31, 2009

September, 2010

Rates and Forms Division

Lisa Smego, CPCU, ARM, AIAF, AIE, ARC, ACP
Data Reporting Manager



Mike Kreidler - *State Insurance Commissioner*

About this report

Early in the last decade, a “hard market” emerged nationally for most types of insurance. During this period, medical malpractice insurance became expensive and hard to find for many types of medical providers and facilities. Beginning in 2005, the Office of the Insurance Commissioner (OIC) began [publishing closed claim information](#) to help policymakers decide how to respond to affordability and availability problems.

In 2006, the Legislature enacted comprehensive health care liability reform legislation ([2SHB 2292](#)) to address a number of concerns, including the cost and availability of medical malpractice insurance. This law also created reporting requirements for medical malpractice claims that had been filed, resolved and closed. The intent of this part of the law was to gather meaningful medical malpractice claim data to support policy decisions. Section 205 of this law requires the OIC to produce annual reports summarizing these data, beginning in 2010.

This is the first of those annual reports. It includes a snapshot of the medical malpractice marketplace and summary closed claim and settlement data.

A closed medical malpractice claim is a claim that has been made against a medical provider or facility that has been investigated and resolved. Claims are made for a variety of reasons, which are called allegations. Allegations can be made against an organization, such as a hospital, against a medical provider, or both.

Settlement data reported by attorneys is a bit different than closed claim data. A closed claim is one claim filed against one defendant. Settlement data reported by attorneys are the *total* compensation a plaintiff received from *all* defendants. Average settlement data submitted by attorneys will have much higher average payments, because many settlements involve more than one defendant.

This report has three sections:

1. One describes the current condition of the medical malpractice insurance market.
2. Another summarizes closed claim data reported by insurers, risk retention groups¹ and self-insurers.
3. And the third summarizes lawsuit resolution data reported by attorneys.

Executive summary and key data

I. Regarding the medical malpractice insurance market:

- There has been a rebound in profitability in the last five years as compared to earlier in the decade. Combined written premium for all three segments of the market peaked in 2004 at \$270.4 million, and has fallen every year to \$200.4 million in 2009. In spite of the decline in premium revenues, incurred losses hit a ten-year low in 2009 at \$62.6 million, which translates to a pure loss ratio of 30.9 percent.

¹ A Risk Retention Group (RRG) is an owner-controlled insurance company authorized by the Federal Risk Retention Act of 1986. An RRG provides liability insurance to members who engage in similar or related business or activities, such as providing medical care or services.

- In 2000 the combined market share for all admitted insurers was over 90 percent. By the end of 2009, the admitted market had a combined market share of 70.1 percent. Surplus lines insurers now comprise 20.9 percent of the market, and risk retention groups insure the remaining 9.0 percent.

2. Regarding closed claims:

If an insurer, risk retention group (“insuring entity”) or self-insurer makes a payment to settle a medical malpractice claim or spends money to defend that claim, it must report data about the claim to the OIC. These are some interesting statistics,

Payments to claimants

- Insuring entities and self-insurers paid \$208.3 million on 857 claims, or \$243,079 per paid claim. In 2008, 458 payments were made, averaging \$235,406. In 2009, the average payment rose 7.0 percent to \$251,887. Total paid claims dropped to 399, which led to a reduction of \$7.3 million in total paid indemnity.
- The amount paid for economic loss was \$98.6 million, or an average of \$115,033 per paid claim. Average economic loss was comparable. In 2008, average economic loss was \$115,990. In 2009, average economic loss declined (1.8) percent to \$113,934.
- Of those claims closed with an indemnity payment, 6.1 percent closed with paid indemnity of \$1 million or more. Insuring entities and self-insurers closed 82.4 percent of all claims with paid indemnity within three years of the date of notice.

Defense costs

- Insuring entities and self-insurers paid \$69.8 million to defend 1,513 claims, or an average of \$46,163 per claim in which defense costs were incurred. In 2008, defense costs were incurred to resolve 775 claims, and averaged \$49,225. In 2009, the average defense cost declined (12.8) percent to \$42,997. The number of claims with defense costs declined (4.8) percent to 738. Lower average defense costs combined with fewer claims with defense costs led to a reduction of \$6.5 million in total defense costs.
- Overall, claims closed with \$0 paid indemnity account for 57.9 percent of the claims closed with defense costs.

How claims were settled

- Nearly three-quarters of claims in which the claimant received a payment were settled by negotiation.
- Mediation was used to settle about 20 percent of all claims in which an indemnity payment was made to the claimant.
- Less than 2 percent of the claims with paid indemnity were resolved by plaintiff verdict or judgment, and those claims resulted in an average payment of \$748,916 to the claimant.

Types of medical providers involved

- Nursing resulted in the most closed claims: 231. Of these, 145 resulted in paid indemnity averaging \$105,348.
- Among physician specialties, General/Family Practice had the most claims at 121. Sixty claims had paid indemnity averaging \$156,561.

Regional information

Over one-third of the claims, or 602, came from King County. Of these, 51.8 percent resulted in indemnity payments totaling \$86.4 million.

Allegations of what went wrong

- Improper performance was the most common allegation. This allegation resulted in 344 claim reports and 165 indemnity payments that averaged \$187,241.
- Failure to diagnose was the second most common allegation and led to the highest average indemnity payment. This allegation resulted in 166 claim reports and 73 indemnity payments averaging \$423,087.

3. Regarding lawsuit resolution data reported by attorneys:

If an attorney files a lawsuit to resolve a medical incident, he or she must report data about that lawsuit to the OIC once the litigation is resolved.

Compensation, fees and claimant age

- Attorneys reported that claimants received total compensation of \$159.5 million on 253 claims, or \$630,388 per settlement. In 2008, 134 lawsuits were settled, averaging \$611,834. In 2009, the average settlement rose 6.4 percent to \$651,281. The number of lawsuits in which compensation was paid declined to 119, which led to a reduction of \$4.5 million in total paid indemnity.
- Attorney fees were \$57.1 million, or an average of \$225,792 per settlement with an indemnity payment. In 2008, the average attorney fee was \$210,376, or 34.4 percent of total compensation paid to the claimant. In 2009, the average attorney fee rose 15.6 to \$243,151, or 37.3 percent of the total compensation paid to the claimant.
- The most expensive settlements involved claimants under the age of 21, where the average settlement was \$1,495,071 and average legal expenses were \$630,812.

Introduction

As noted above, the Legislature in 2006 enacted comprehensive health care liability reform legislation in response to a “hard market” for medical malpractice insurance. The legislation, [2SHB 2292](#), was intended to address a number of concerns, including the cost and availability of medical malpractice insurance. A section of this law created reporting requirements for medical malpractice claims that had been filed, resolved and closed. The closed claim reporting requirements allow the Office of the Insurance Commissioner (OIC) to systematically collect medical malpractice claim data to support policy decisions.

Under [chapter 48.140 RCW](#), insurers, risk retention groups¹ (collectively “insuring entities”) and self-insurers must submit a report to the OIC every time they close a medical malpractice claim. Under [RCW 7.70.140](#), attorneys must report aggregate settlement data from all defendants after they resolve all claims related to a medical malpractice lawsuit. Beginning in 2010, the OIC must publish a report annually based on these data and other information about the medical malpractice insurance marketplace. The report must present summarized data in a manner that protects the confidentiality² of persons and organizations involved in the claim or settlement process.

Insuring entities, self-insurers and attorneys must report claim data for the prior year to the OIC by March 1³ of each year. This year, the OIC extended the reporting deadline to May 14, 2010 so that late reports could be added to the database. Even with the extension, attorney compliance has been disappointing, particularly in situations where the defendant prevailed in the litigation. As a result, this annual report will focus primarily on the data reported by the insuring entities and self-insurers, and provide a summary of data submitted by attorneys.

This report has three distinct sections:

I. Market analysis

This section provides an overview of the medical malpractice insurance market in Washington state and around the country. This section includes:

- A financial and profitability analysis of authorized insurers with a combined 2009 market share of at least 90 percent in Washington state.
- A summary of the medical malpractice rates approved by the commissioner for 2009, including an analysis of the trend of direct incurred losses.
- A loss ratio analysis of medical malpractice insurance written in Washington state.
- A comparison of loss ratios and medical malpractice insurance profitability in Washington and other states.

¹ A Risk Retention Group (RRG) is an owner-controlled insurance company authorized by the Federal Risk Retention Act of 1986. An RRG provides liability insurance to members who engage in similar or related business or activities. Authorization under the federal statute allows a group to be chartered in one state, but able to engage in the business of insurance in all states. The Federal Act preempts state law in many significant ways. See [RCW 49.92.030\(11\)](#).

² As required under [RCW 48.140.040\(2\)](#) and rules adopted under [RCW 48.140.060](#).

³ [RCW 48.140.020\(2\)](#) and [WAC 284-24E-090](#).

2. Closed claim data reported by insurers, risk retention groups and self-insurers

Insuring entities and self-insurers report claims that are closed with an indemnity payment and/or defense costs.¹ Claims without indemnity payments or defense costs are not reported to the OIC. Each closed claim report is associated with one defendant. There are three primary types of claim data submitted:

1. Defense costs:² These are expenses paid to defend an insured, and include expenses allocated to a specific claim, such as court costs and fees paid to defense attorneys or expert witnesses. They do not include internal costs to settle claims, such as salaries for claims staff or operating overhead for a claims department.³
2. Economic damages: The vast majority of these amounts are an estimate of the claimant's economic damages⁴ by the insuring entities or self-insurer when it makes an indemnity payment to the claimant. In a few cases, a court specifies economic damages when issuing a verdict, and these economic damages are included in the totals.
3. Paid indemnity: The amount paid by the insuring entity or self-insurer to the claimant to resolve the claim.

Closed claims reported for the two-year period ending December 31, 2009 are displayed in several ways⁵ to provide:

- Information about the frequency and severity of claim payments.⁶
- Comparisons of economic and noneconomic damages.
- Distribution of claim payments and defense costs.
- Information about the types of paid claims.
- Various distributions of claims by categories such as medical specialty or provider, type of organization, type of allegation and other relevant information.

1 [WAC 284-24D-060](#).

2 Under statutory accounting, defense costs are referred to as *defense and cost containment expenses*.

3 See [WAC 284-24D-020](#)(1), [WAC 284-24D-330](#) and [WAC 284-24D-340](#).

4 See [RCW 4.56.250](#)(1)(a), [WAC 284-24D-350](#), [WAC 284-24D-360](#), [WAC 284-24D-362](#), [WAC 284-24D-364](#), and [WAC 284-24D-370](#).

5 The OIC has not summarized incident level data, where one incident results in more than one claim. Multiple closed claim records can be generated from one incident, since a closed claim record is created for each health care provider and/or facility from which a demand for compensation is sought. Available incident level data are incomplete, since claims related to one incident may close over a period of years. The OIC will summarize these data in future reports.

6 [RCW 48.140.050](#)(1)(a)(i) says the commissioner must analyze trends in frequency and severity of closed claims. Data are available for calendar years 2008 and 2009, which is insufficient for trend analysis. The OIC will begin analyzing trends when five years of data are available, and will publish this information in 2013.

3. Lawsuit resolution data reported by attorneys

If an attorney files a lawsuit alleging medical malpractice, the attorney must report data after the lawsuit is resolved. For the past two years, the OIC has worked with the Washington State Association for Justice¹ and Washington State Bar Association to improve compliance. In spite of these efforts, there is evidence that a number of attorneys have not complied with the law. For example, most lawsuits do not result in an indemnity payment to the claimant. In 2009, attorneys reported 130 resolved lawsuits, yet only 11 reports were filed for lawsuits in which the defendant prevailed. Insuring entities, on the other hand, reported that only 8.0 percent of claims resolved by the courts resulted in compensation to the claimant.

Based upon this evidence, the OIC believes attorneys are doing a much better job reporting data for judgments or settlements in which the plaintiff has received a payment than for lawsuits in which the defendant has prevailed.

Attorneys report two primary types of settlement data:

Total paid indemnity: Total compensation stemming from a lawsuit paid by all defendants to the claimant. Indemnity payments may come from several defendants if a lawsuit named more than one party.²

Legal expenses: All sums paid by the claimant to the attorney to prosecute the claim, including attorney fees,³ expert witness fees, court costs, and all other legal expenses.⁴

Incompatibility of closed claim and lawsuit resolution data

Data reported by insuring entities and self-insurers cannot be compared to data reported by attorneys for these reasons:

- Insuring entities and self-insurers report all closed claims for which payments are made. Attorneys report data only if they filed a lawsuit against one or more defendants.
- Insuring entities and self-insurers report data separately for each defendant. Attorneys submit one settlement report that includes payments made by all defendants who were sued.
- Insuring entities and self-insurers report data promptly after each claim is settled. Attorneys must wait until all claims are resolved, so the timing of the reports will be different from insuring entities and self-insurers.

Example: If several medical providers are sued for their actions related to an incident with a poor medical outcome, some providers may be released early in the litigation, while others may be involved in the dispute resolution process for several years. Insuring entities and self-insurers report claims as defendants are released from the litigation, while the attorney will wait until claims against all defendants are resolved.

¹ Formerly known as the Washington State Trial Lawyers Association.

² [WAC 284-24E-150](#)

³ Attorney fees for legal representation which are part of a contract between the attorney and the claimant. These are generally contingent fees, and are payable if there is a favorable result.

⁴ [RCW 7.70.140\(2\)\(b\)\(v\)](#).

The medical malpractice insurance market in Washington

Market share distribution: In the ten-year period ending December 31, 2009, the medical malpractice insurance market underwent a significant transformation. The admitted market¹ lost significant market share beginning in 2002. In 2000 and 2001, the combined market share for all admitted insurers was over 90 percent. By the end of 2009, the admitted market had a combined market share of 70.1 percent. Surplus lines² insurers now comprise 20.9 percent of the market, and risk retention groups insure the remaining 9.0 percent. Combined written premium for all three segments of the market peaked in 2004 at \$270.4 million, and has fallen every year to \$200.4 million in 2009.

Loss ratio swings: Pure loss ratio³ peaked at 90.4 percent in 2002, then dropped 26.8 points to 63.6 percent in 2003 due to strong premium growth and improved loss experience. Incurred losses hit a ten-year low in 2009 at \$62.6 million, which translates to a pure loss ratio of 30.9 percent. Insurers have released claim reserves in recent years,⁴ which have contributed to lower loss ratios.

Profitability rebound: Profitability in the last decade swung from poor to excellent. Data from the two insurers with the largest market share show a rebound in profitability in the last five years. Both Physicians Insurance and The Doctors Company had unprofitable operating results from 2000-2004 with operating ratios⁵ of 102.7 and 103.5 percent. From 2005-2009, Physicians Insurance had an operating ratio of 66.0 percent and The Doctors Company's operating ratio was 63.4 percent. While these ratios are based on countrywide results, they still show the last decade had two distinct periods in which operating results were dramatically different.

1 The admitted market is composed of insurers licensed to conduct business in Washington state and regulated by the Office of the Insurance Commissioner (OIC).

2 Surplus lines insurers are not licensed or regulated by the OIC. They write insurance for risks that cannot find insurance coverage in the admitted market. Surplus lines insurers are not subject to rate or form regulation.

3 Pure loss ratio means incurred losses divided by direct earned premium. Incurred losses include paid claims and the change in reserves for pending and unknown claims. A pure loss ratio does not include defense and cost containment expenses, which are a significant component of the cost to settle a claim.

4 When an incident occurs that may lead to claim payments, insurers "book" a claim reserve. If the reserve is too high or legal liability to pay is not established, the insurer will "release" the reserve from its books. Reserve reductions for prior years reduce incurred losses for the current year, since they are both reported in the same accounting period.

5 The operating ratio measures a company's overall operational profitability from underwriting and investment activities, and is explained in detail on page XX.

Claims closed in the two-year period ending December 31, 2009

Total claims: Insuring entities and self-insurers reported 1,733¹ claims closed with an indemnity payment, defense costs,² or both types of payments. Commercial insurers³ reported 1,006 claims, self-insured entities reported 659 claims, and risk retention groups reported 68 claims.

Indemnity payments to claimants: Insuring entities and self-insurers paid \$208.3 million on 857 claims, or \$243,079 per paid claim. One large payment affected these figures. If that payment is removed, total paid indemnity would be reduced to \$194.0 million, and the average indemnity payment would drop to \$226,599.⁴

The amount paid for economic loss was \$98.6 million, or an average of \$115,033 per paid claim. On average, insuring entities and self-insurers attributed 47.3 percent of the claim payment to economic loss.

Insuring entities and self-insurers closed 49.5 percent of all claims with an indemnity payment to a claimant. Most, but not all, claims with paid indemnity also had defense and cost containment expenses.

Of those claims closed with an indemnity payment, 6.1 percent closed with paid indemnity of \$1 million or more. These claims account for 48.8 percent of total paid indemnity over the two-year period.

Insuring entities and self-insurers closed 82.4 percent of all claims with paid indemnity within three years of the date of notice.

Defense costs: Insuring entities and self-insurers paid \$69.8 million to defend 1,513 claims, or an average of \$46,163 per claim in which defense costs were incurred.

Insuring entities and self-insurers closed 87.3 percent of all claims with defense costs.

Claims closed with no paid indemnity account for 57.9 percent of the claims closed with defense costs. Insuring entities and self-insurers spent 41.9 percent of all defense costs for claims with no paid indemnity over the two-year period.

Paid indemnity by type of settlement: Insuring entities and self-insurers settled most claims closed with paid indemnity by negotiation between the claimant and the insurer. Insuring entities and self-insurers settled:

1 The 2009 Medical Malpractice Statistical Summary published June 15, 2010 used data as of April 14, 2010. One claim report was later modified by the insuring entity, and two claims that closed in 2010 were reported in error, which has slightly altered the figures.

2 For simplicity, this report substitutes “defense costs” for the technical phrase “defense and cost containment expenses.” Defense and cost containment expenses are expenses allocated to a specific claim to defend an insured, including expenses such as court costs, fees paid to defense attorneys, and fees for expert witnesses. These expenses do not include the internal costs to operate a claims department. [This term is defined in WAC 284-24D-020\(I\).](#)

3 Commercial insurers include both admitted and surplus lines insurers.

4 An insuring entity made a payment of \$14.4 million dollars and, due to the public nature of the claim resolution, gave us permission to footnote this report with payment information.

- 74.1 percent of claims with paid indemnity by negotiation, and these settlements comprise 58.0 percent of the total paid indemnity.
- 22.1 percent of claims with paid indemnity by alternative dispute resolution (arbitration, mediation, private trial). These settlements comprise 35.1 percent of the total paid indemnity over the two-year period. Mediation is most frequently used (20.2 percent of claims with paid indemnity comprising 32.9 percent of the total paid indemnity).
- 1.9 percent of claims with paid indemnity by plaintiff verdict. Also, settlements resulting from jury verdicts comprise 5.8 percent of total paid indemnity. There were 16 paid claims reported as disposed by a plaintiff judgment or verdict over the two-year period, resulting in average paid indemnity of \$748,916.

Paid indemnity by type of medical provider: Medical providers¹ were identified in 78.8 percent of the closed claim reports.

- Nursing resulted in the most closed claims: 231. Of these, 145 resulted in paid indemnity averaging \$105,348.
- For physician specialties, General/Family Practice had the most claims at 121, with 60 resulting in paid indemnity averaging \$156,561. Urological surgery had the highest average paid indemnity of \$734,452 for 11 claims with payments.

Indemnity payments and age of claim: The amount paid to claimants increased with the age of the claim. Of the 857 claims closed with an indemnity payment, 284 closed within one year of being reported and had average paid indemnity of \$75,691. That figure rose to \$240,335 for 256 claims closing in their second year. The 11 claims that closed six or more years after being reported had average paid indemnity of \$1,975,117.

Defense costs and age of claim: The amount paid for defense costs also increased with the age of the claim. Of the 1,513 claims closed with defense costs, 371 closed within one year of being reported and had an average defense cost of \$5,517. That figure rose to \$29,135 for 545 claims closing in their second year. The 27 claims that closed six or more years after being reported had an average defense cost of \$179,810.

Regional comparisons: Over one-third of the claims, or 602, came from King County. Of these, 51.8 percent resulted in indemnity payments totaling \$86.4 million.

Treatment comparisons:

- Improper performance was the most common allegation. This allegation resulted in 344 claim reports and 165 indemnity payments that averaged \$187,241.
- Failure to diagnose was the second most common allegation and led to the highest average indemnity payment. This allegation resulted in 166 claim reports and 73 indemnity payments that averaged \$423,087.

¹ Physician specialties, dental specialties and other types of medical providers.

Lawsuits resolved in the two-year period ending December 31, 2009

Indemnity payments to claimants: Attorneys reported that claimants received total compensation of \$159.5 million on 253 claims, or \$630,388 per settlement. Attorney fees were \$57.1 million, or an average of \$225,792 per settlement with an indemnity payment.¹ On average, the attorney fee was 35.8 percent of the total compensation paid to the claimant.

Paid indemnity by type of settlement: Fifty percent of the settlements were the result of an alternative dispute resolution process; these settlements resulted in the lowest average indemnity payment of \$569,308 and the lowest average attorney fee at \$201,871.

Regional comparisons: One-third of the lawsuits, or 95, came from King County. King County had the highest total paid indemnity at \$63.3 million, the third highest average paid indemnity at \$708,900 and the third highest legal expense per lawsuit at \$278,358.

Settlement by age of claimant: The most expensive settlements involved claimants under the age of 21. In these cases, the average settlement was \$1,495,071 and the average legal expense was \$630,812.

¹ Attorneys in this area of litigation typically work on a contingency basis, and receive fees if the claimant is compensated by the defendant(s).

Data and charts

Overview of the medical malpractice insurance market

This section of the report begins with an overview of the medical malpractice market in Washington state from 2000 to 2009, based on calendar year premium and loss data obtained from the National Association of Insurance Commissioners (NAIC), including:

1. An overview of the loss ratios for admitted insurers, surplus lines insurers, and risk retention groups for the ten-year period ending December 31, 2009.¹
2. Financial and profitability analysis of authorized insurers with a combined market share of at least ninety percent in Washington state in 2009.
3. A comparison of loss ratios and the profitability of medical malpractice insurance in Washington state to other states.

This overview also includes a summary of the medical malpractice rates approved by the commissioner in 2009, including an analysis of the trend of direct incurred losses.

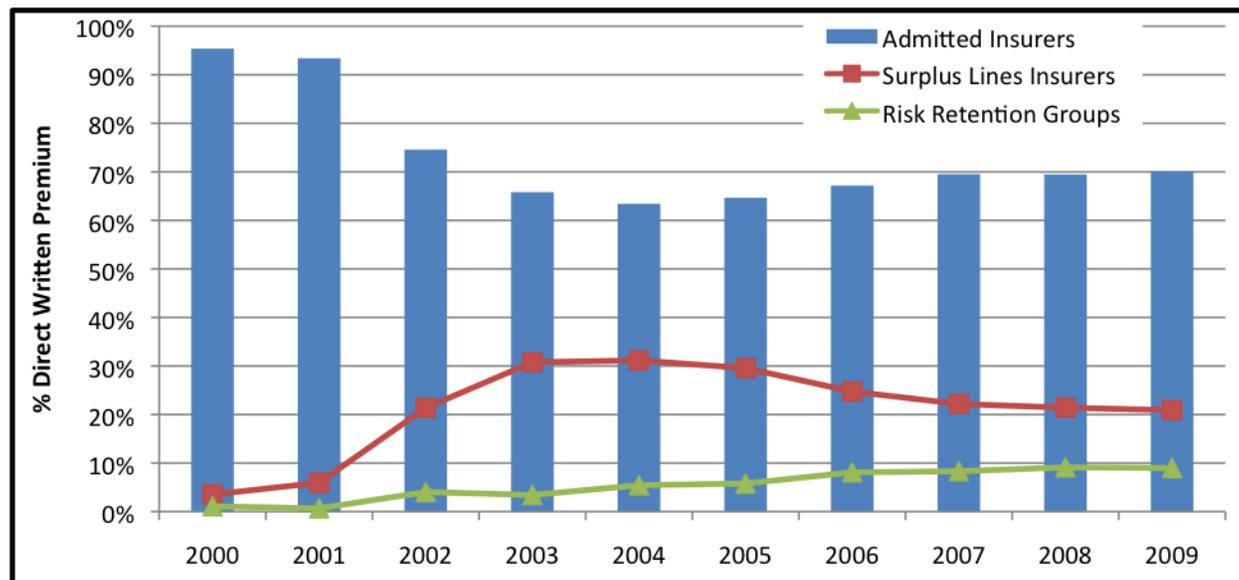
¹ NAIC database as of April 29, 2010.

Components of the market

The medical malpractice insurance market has three primary components:

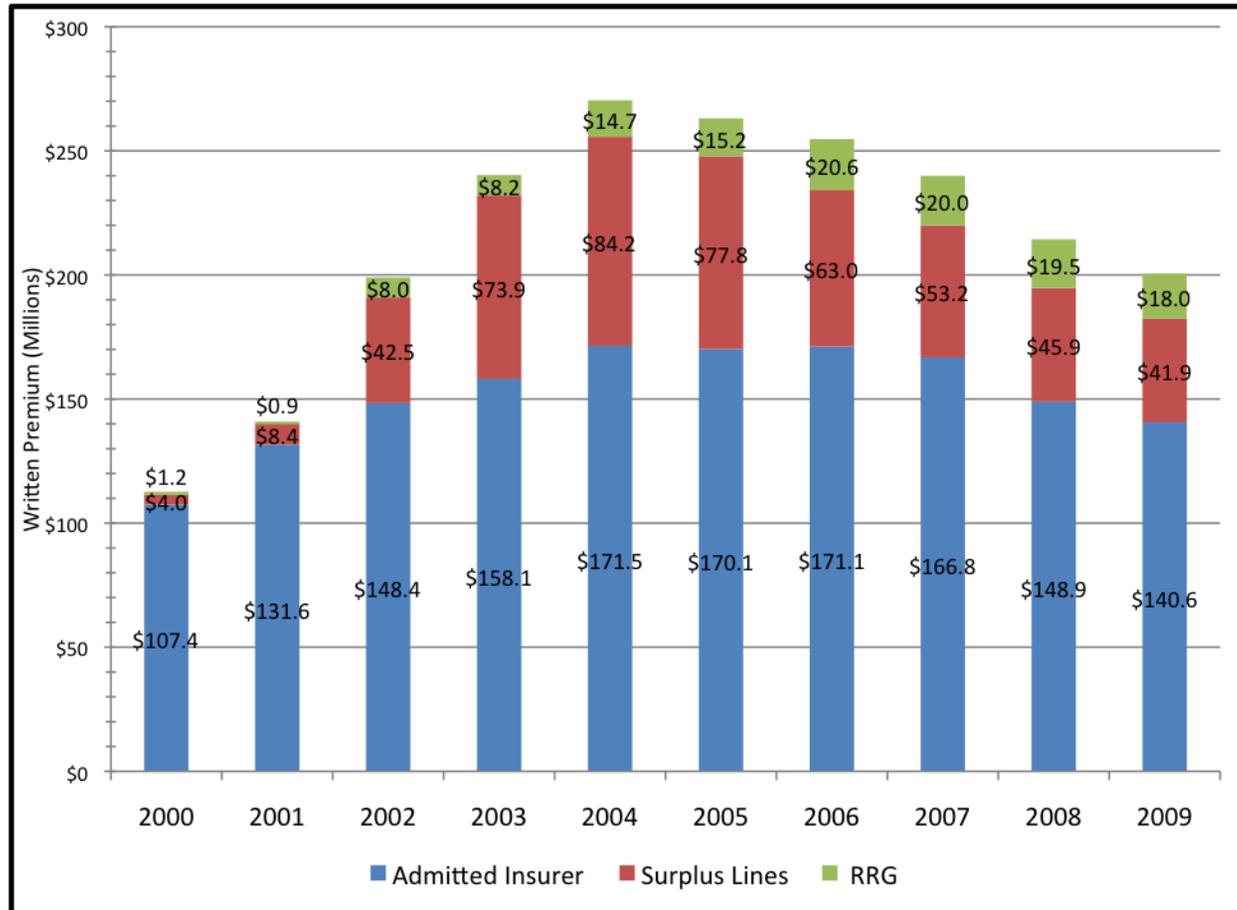
- Admitted insurers regulated by the OIC.
- Unregulated surplus lines insurers.
- Risk retention groups subject to regulation only by their home state.

In 2000, admitted insurers wrote 95.4 percent of medical professional liability insurance premiums in Washington state. Physicians Insurance Group¹ dominated the market with 52.7 percent of the admitted market and 50.3 percent of the total market. By 2009, the admitted market comprised only 70.1 percent of written premium, and the remainder of the market belonged to surplus lines insurers and risk retention groups. Physicians Insurance still has 49.6 percent of the admitted market, but its share of the overall market is much lower at 34.8 percent.



¹ In 2000, Physicians Insurance Group sold insurance through three companies: Physicians Insurance, A Mutual Company, Western Professional Insurance Company and Northwest Dentists Insurance Company. Western Professional Insurance Company is no longer actively writing insurance, and a group including the ODS Companies and the Washington State Dental Association purchased Northwest Dentists Insurance Company in 2007.

This chart shows the change in written premium distribution and the rise and fall of written premium over the ten-year period ending December 31, 2009.



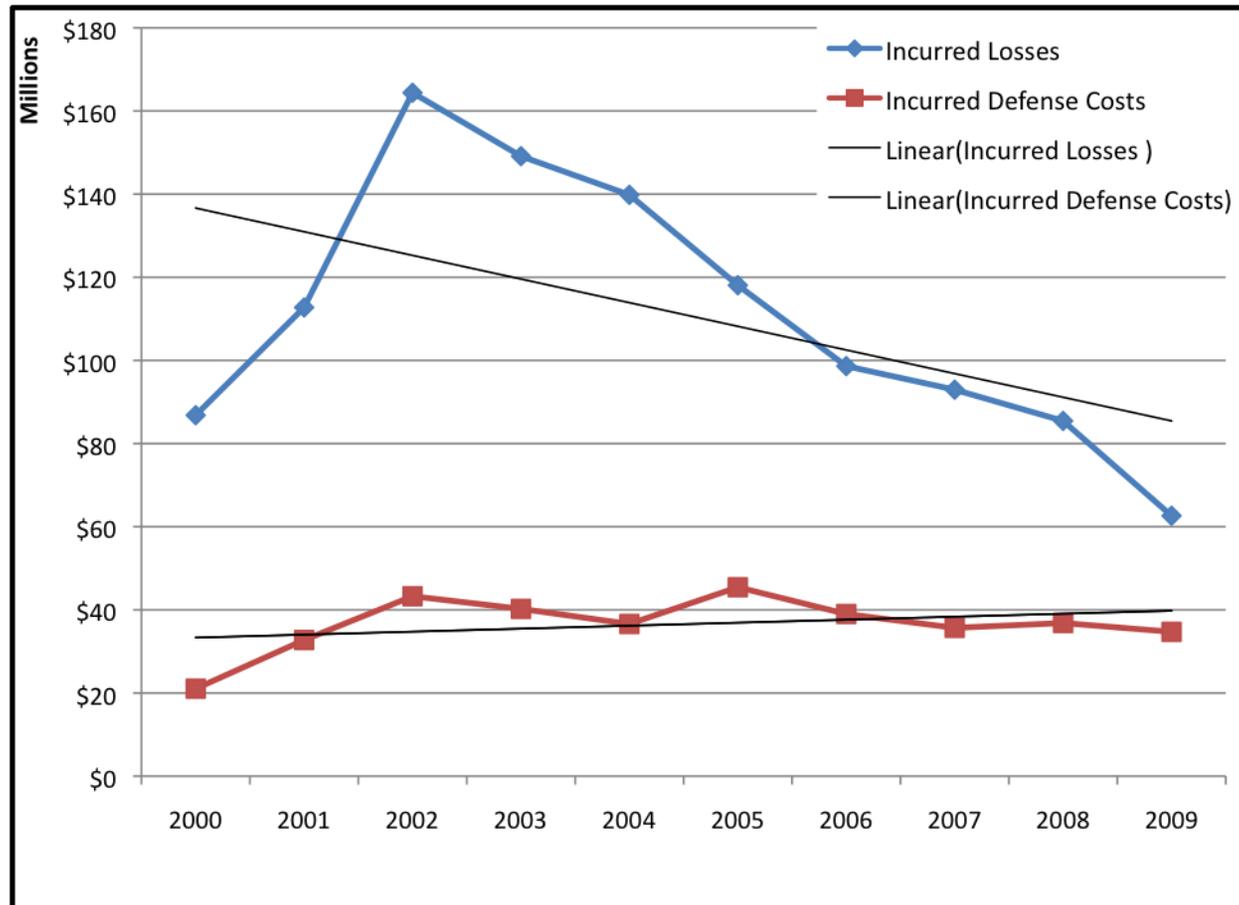
Historical loss ratios

Overall, medical malpractice insurance loss ratios¹ in Washington state had significant swings in the ten-year period ending December 31, 2009. First, incurred losses increased, producing a period-high pure loss ratio of 90.4 percent in 2002. Incurred defense costs also rose significantly in 2002, which led to an incurred loss and defense cost ratio of 114.2 percent that year. Premiums increased significantly the following two years and, when combined with improved loss and defense cost results, produced large decreases in both the pure loss ratio and the loss and defense cost ratio in 2003 and 2004. Loss and defense cost results have continued to improve through 2009. Written premiums have also declined, nearly dropping to 2002 levels. The following table summarizes this period for the total market, which includes admitted insurers, surplus lines insurers and risk retention groups.

Year	Direct Written Premium	Direct Earned Premiums	Direct Incurred Losses	Pure Loss Ratio	Direct Incurred Defense Costs	Incurred Losses + Defense Costs	Loss & Defense Cost Ratio
2000	\$112,633,177	\$109,996,218	\$86,819,505	78.9%	\$21,039,714	\$107,859,219	98.1%
2001	\$140,929,627	\$134,008,616	\$112,729,787	84.1%	\$32,745,710	\$145,475,497	108.6%
2002	\$198,969,671	\$181,843,628	\$164,372,251	90.4%	\$43,275,166	\$207,647,417	114.2%
2003	\$240,251,605	\$234,439,488	\$149,126,311	63.6%	\$40,242,563	\$189,368,874	80.8%
2004	\$270,352,631	\$258,075,781	\$139,822,747	54.2%	\$36,610,655	\$176,433,402	68.4%
2005	\$263,090,674	\$258,403,214	\$118,070,079	45.7%	\$45,446,560	\$163,516,639	63.3%
2006	\$254,759,071	\$253,104,467	\$98,628,303	39.0%	\$39,005,295	\$137,633,598	54.4%
2007	\$239,959,432	\$241,654,054	\$92,960,987	38.5%	\$35,676,308	\$128,637,295	53.2%
2008	\$214,357,164	\$218,726,595	\$85,445,904	39.1%	\$36,841,513	\$122,287,417	55.9%
2009	\$200,445,437	\$202,466,303	\$62,633,183	30.9%	\$34,721,641	\$97,354,824	48.1%
Totals	\$2,135,748,489	\$2,092,718,364	\$1,110,609,057	53.1%	\$365,605,125	\$1,476,214,182	70.5%

¹ These loss ratios are calculated using direct premiums and incurred losses, which exclude amounts ceded to reinsurers.

Incurred losses have trended downward over this period. Defense costs have been fairly flat.



There are two main causes for the trend toward lower incurred losses:

- Release of claim reserves that the insurer did not need to pay claims. Incurred losses are paid losses plus the change in outstanding reserves for a given period. Reserve reductions for prior years reduce incurred losses for the current year, since they are both reported in the same accounting period.
- Lower claim frequency, which means fewer people were filing claims.

Examples of released claim reserves

Data reported to the NAIC by Physicians Insurance and The Doctors Company show favorable loss development trends. Loss development¹ is the change in the estimated cost of a particular group of claims between the beginning and end of a time period. Favorable development means that later estimates of losses and defense costs were lower than initial estimates.

Appendix A, page 1 shows data from Physicians Insurance's 2009 Annual Statement.² This table shows the progression of incurred loss and defense cost reserves over time. For example, Physicians Insurance initially reserved \$74.8 million to pay losses and defense costs in 2004. By 2009, the company had dropped its estimate of incurred losses and defense costs to \$57.3 million.

Overall, Physicians Insurance has had very favorable incurred loss development over the last two years. Two-year development was (\$39.9) million, and cumulative development over the entire period was (\$98.2) million. Since Physicians Insurance writes over 90 percent of its overall premiums in Washington state, favorable incurred loss and defense cost development trends are a sign that rates for medical professional liability insurance should remain stable in the near future.

Page 2 of this appendix shows favorable development for The Doctors Company, which is one of the top writers of medical professional liability insurance in the United States with \$556.1 million in written premium in 2009. Nationally, The Doctors Company has seen two-year development of (\$200.1) million dollars. Only 4.4 percent of The Doctors Company's premiums are written in Washington state, so much of the reserve development is the result of favorable development in other states. However, these data do show that Washington state is one of many states where loss experience has improved for medical professional liability insurance.

Data from recent rate filings

Appendix B, page 1 shows a summary of the medical professional liability rate filings that have been approved with effective dates in 2009. These data illustrate that very few insurers are actively writing medical professional liability insurance for physicians in Washington state. Much of the filing activity has revolved around three insurers – Physicians Insurance, The Doctors Company,³ and the Medical Protective Company.

Data on page 2 show that Physicians Insurance and The Doctors Company reduced their estimates of frequency and severity for 2009 base rate development.⁴ Page 3 displays data from recent physicians' and surgeons' rate filings made by Physicians Insurance, The Doctors Company, and the Medical Protective Company. This page shows lower ultimate incurred loss and defense costs, labeled ALAE. The Medical Protective Company makes

1 Incurred loss data are often compiled as early as three months after the close of the year. Medical malpractice claims often take a long time to resolve, and initially the estimated cost of many claims may be very inaccurate and subject to substantial revisions in later years. In the aggregate there is a pattern of change from one compilation to the next, as more claims are paid and estimates of others are improved. The process of change as losses "mature" is called loss development.

2 Consolidated data from Schedule P, part 2, sections 1 and 2 for medical professional liability occurrence and claims made policies. These data are for policies written in all states. Washington-specific data are not available.

3 The Doctors Company acquired Northwest Physicians Insurance Company in 2006.

4 Neither Physicians Insurance nor The Doctors Company revised base rates in 2010.

rates using pure premiums,¹ and the pure premium trend selection was stable in the recent filing that resulted in a base rate decrease of three percent in 2010. Insurers may be reluctant to lower rates until they see if claim frequency is affected by two recent Washington State Supreme Court decisions that said [RCW 7.70.100\(1\)](#)² and [RCW 7.70.150](#)³ are unconstitutional.

Profitability of the admitted market

The admitted market in Washington state comprises 70.1 percent of total written premium and is dominated by one insurer: Physicians Insurance. The Doctors Company and the Medical Protective Company are second and third in market share, and are an important component of the medical professional liability market due both to premium volume and their strong position in the national market. This table shows the distribution of direct written premiums and market share in Washington state for the year ending December 31, 2009.

Admitted Insurer	Direct Premiums	
	Written	Market Share
Physicians Insurance	\$69,758,449	49.6%
The Doctors Company	\$24,198,651	17.2%
Medical Protective Company	\$12,178,399	8.7%
Washington Casualty Company	\$11,595,608	8.2%
American Casualty Company of Reading PA	\$3,760,648	2.7%
Northwest Dentists Insurance Company	\$3,700,557	2.6%
Preferred Professional Insurance Company	\$3,309,676	2.4%
All Other Admitted Insurers	\$12,069,616	8.6%
Totals	\$140,571,604	100.0%

This report focuses on the profitability of three insurers that had over \$10 million direct written premium in Washington state in 2009. Data from the fourth, Washington Casualty Company, has less value due to changes in ownership.⁴ The remaining admitted insurers have too little market share to add meaningful information about the profitability of the market in Washington state.

¹ Pure premiums are losses divided by units of exposure. The Medical Protective Insurance Company's exposure unit is one doctor insured for one year.

² *Waples v. Yi*, 169 Wn.2d 152, 134 P.3d 187 (2010).

³ *Putnam v. Wenatchee Valley Med. Ctr.*, 166 Wn.2d 974, 216 P.3d 374 (2009).

⁴ Washington Casualty Company experienced financial problems, and was placed into receivership for the purpose of rehabilitation in March 2003. As a part of the rehabilitation, Washington Casualty significantly reduced its premium writings. Washington Casualty emerged from receivership in 2006 and was acquired by FinCor Holdings. ProMutual Group acquired FinCor Holdings in 2009.

Much of the financial data reported to the NAIC are countrywide, which limits this analysis. Physicians Insurance writes most of its business in Washington state, so its results are a barometer of the profitability of medical professional liability insurance sold to physicians. Data from The Doctors Company and Medical Protective Insurance Company provide a snapshot of the overall profitability of medical professional liability insurance nationwide.

This table compares direct written premium in Washington state to total direct written premium for all three insurers:¹

Insurer	Medical Malpractice Insurance Direct Written Premiums		
	Washington state	Nationwide	Percent of Nationwide
Physicians Insurance	69,758,449	71,199,035	98.0%
The Doctors Company	24,198,651	556,133,422	4.4%
Medical Protective Company	12,178,399	667,382,434	1.8%

Profitability of these three insurers is compared using two common measures, the combined ratio and the operating ratio.

1. The combined ratio is a measure of profitability used to determine how well an insurance company is performing in its daily operations. A ratio below 100 percent indicates that the company is making an underwriting profit, while a ratio above 100% means that it is paying out more money in claims and expenses than it is receiving from premiums. Even if the combined ratio is above 100%, a company can still make a profit, because the ratio does not include the income received from investments. The combined ratio is the sum of the expense ratio,² loss ratio³ and dividend ratio.⁴
2. The operating ratio is the combined ratio minus the net investment income ratio.⁵ The operating ratio measures a company's overall operational profitability from underwriting and investment activities. An operating ratio below 100 indicates that the company is making a profit from its underwriting and investment activities.

Appendix C has tables that show the profitability for these three insurers for the ten-year period ending December 31, 2009. These tables summarize overall profitability showing the operating ratio data for these insurers over this period.⁶

¹ Data from Supplement A to Schedule T of the 2009 Annual Statement.

² Incurred underwriting expenses divided by net written premiums.

³ Losses and defense costs divided by net earned premiums.

⁴ Policyholder dividend ÷ net earned premiums.

⁵ Net investment income divided by net earned premiums.

⁶ Ratios for the Medical Protective Company are skewed in 2005, due to financial activities related to its acquisition by Berkshire Hathaway, so this information is not displayed in the table. Data for the Medical Protective Company was also not displayed for period comparisons. Refer to Appendix C, page 3.

Operating ratios for Physicians Insurance are 7.2 percent higher in 2008 and 2009 because the company issued policyholder dividends.

Operating Ratio			
Year	Physicians Insurance	The Doctors Company	Medical Protective Company
2000	98.3%	83.8%	86.9%
2001	99.1%	104.2%	74.6%
2002	129.8%	115.2%	111.6%
2003	99.3%	116.3%	95.5%
2004	90.2%	93.2%	84.4%
2005	82.1%	72.4%	
2006	74.9%	66.7%	71.6%
2007	48.5%	62.0%	79.2%
2008	53.3%	49.1%	68.8%
2009	69.3%	67.4%	65.8%

For Physicians Insurance and The Doctors Company, operating ratios were higher from 2000-2004, and lower in the next five years. The improvement was due to higher premiums, lower losses and defense costs, which produced much lower loss ratios. The net investment income ratios were very stable between periods.

Operating Ratio		
Period to Period Comparison		
Year	Physicians Insurance	The Doctors Company
2000-2004	102.7%	103.5%
2005-2009	66.0%	63.4%
Total	83.4%	79.0%

Profitability in comparison to the national market

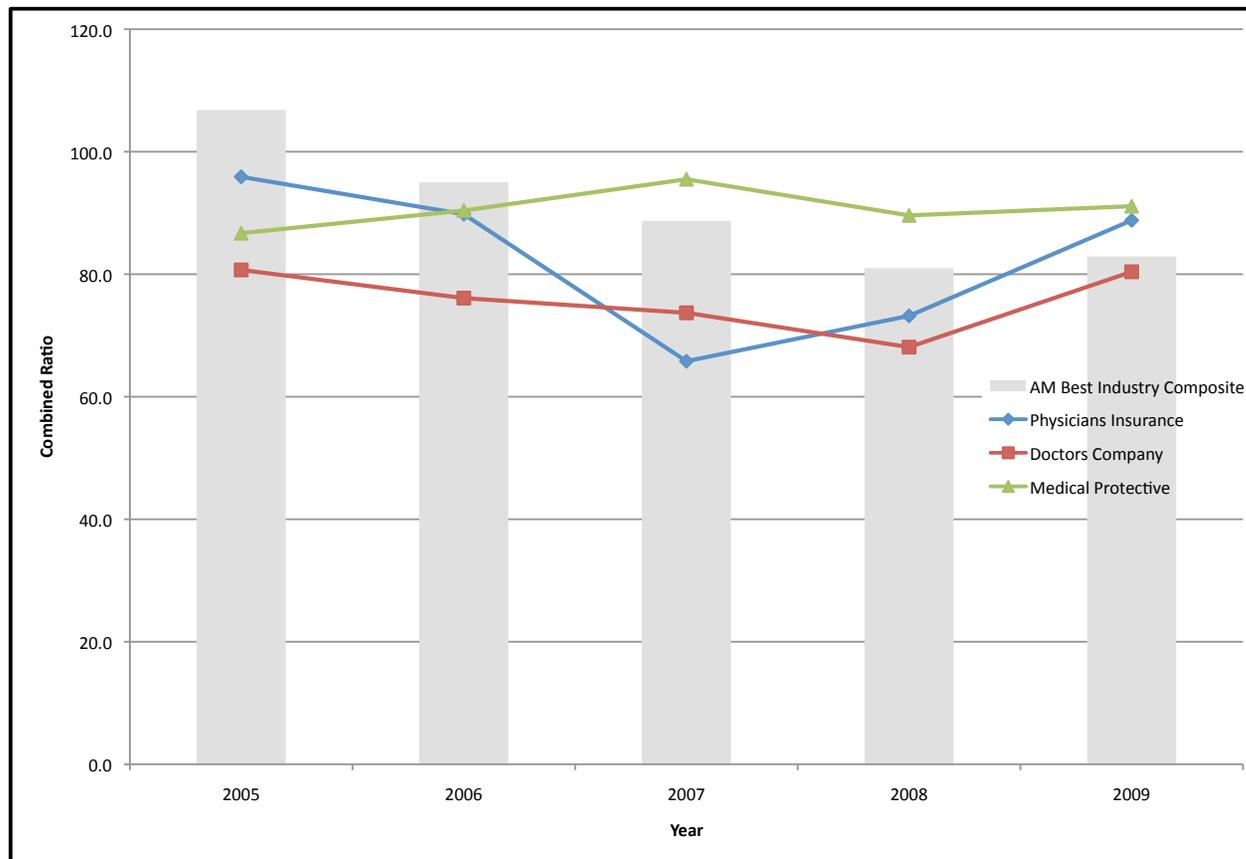
This table compares combined ratios¹ from Physicians Insurance, The Doctors Company, and Medical Protective to cumulative data obtained from A.M. Best.² This chart shows that medical professional liability insurance has been a profitable line of business for the last five years, and reflects the period-to-period results shown earlier.

Year	Combined Ratio			AM Best Industry Composite
	Physicians Insurance	Doctors Company	Medical Protective	
2005	95.9	80.7	86.7	106.8
2006	89.8	76.1	90.4	95.0
2007	65.8	73.7	95.5	88.7
2008	73.2	68.1	89.6	81.0
2009	88.8	80.4	91.1	82.9

¹ Most of this analysis uses operating ratios as a measure of profitability, since it measures overall operational profitability from underwriting and investment activities. A.M. Best has published only combined ratio data for 2009, so this profitability measure was substituted for this chart.

² Best's Special Report – U.S. Medical Professional Liability Insurance 2009 Market Review, May 2, 2010. These are cumulative countrywide data reported to A.M. Best and published in their reports. Current and historical results represent all companies that have filed with A.M. Best as of 4/8/10, or approximately 90% of the total composite.

This chart illustrates data in the preceding table. Physicians Insurance, which writes most of its medical malpractice business in Washington state, has been more profitable than the industry composite for four of the last five years. Results for Physicians Insurance can be more volatile due to its smaller size and geographical concentration of business.



This table compares loss and defense cost ratios from Physicians Insurance, The Doctors Company, and Medical Protective to cumulative data obtained from A.M. Best.¹ Loss ratios have been stable or declining for five years.

Loss and Defense Cost Ratio				
Year	Physicians Insurance	The Doctors Company	Medical Protective	AM Best Industry Composite
2005	83.7	63.0	103.1	88.7
2006	78.0	51.9	74.5	77.6
2007	56.9	49.0	80.4	66.9
2008	51.0	47.8	74.0	60.2
2009	66.3	58.1	72.4	59.9

Appendix D shows pure direct incurred loss ratios for all states in 2009 for admitted markets. The median loss ratio in 2009 was 32.4 percent. Washington, at 33.0 percent, was very close to the median loss ratio. Pure loss ratios do not include defense costs.

Appendix E has data from the 2008 NAIC *Profitability Report by Line by State*. Most companies do not restrict their operations to writing a single line of business in a single state. Accordingly, the by-line and by-state profitability analysis is built, in part, on allocations of financial data reflecting multi-line and multi-state operations. While these data are not perfect, they are estimates of profitability based on return on net worth that have comparative value. Return on net worth in Washington state for medical malpractice insurance was estimated to be 12.3 percent. The median estimated return on net worth nationally was 14.5 percent, and the average was 16.5 percent. Overall, profitability for medical malpractice insurance in Washington state was a little lower than the rest of the country in 2008.

¹ Best's Special Report – U.S. Medical Professional Liability Insurance 2009 Market Review, May 2, 2010. These are cumulative countrywide data reported to A.M. Best and published in their reports. Current and historical results represent all companies that have filed with A.M. Best as of 4/8/10, or approximately 90% of the total composite.

Closed claim data

	-----Year Closed-----		
	2008	2009	Two-Year Total
Total Claims Closed	884	849	1,733
Number of Indemnity Payments	458	399	857
Total Paid Indemnity	\$107,815,931	\$100,503,029	\$208,318,960
Average Indemnity Payment	\$235,406	\$251,887	\$243,079
Median Indemnity Payment	\$50,000	\$50,000	\$50,000
Total Economic Loss	\$53,123,399	\$45,459,738	\$98,583,137
Average Economic Loss	\$115,990	\$113,934	\$115,033
Number of Claims With Defense Costs	775	738	1,513
Total Defense Costs	\$38,149,341	\$31,694,929	\$69,844,270
Average Defense Cost	\$49,225	\$42,947	\$46,163

Indemnity payments to claimants: Insuring entities and self-insurers paid \$208.3 million on 857 claims, or \$243,079 per paid claim. One large payment affected these figures. If that payment is removed, total paid indemnity would be reduced to \$194.0 million, and the average indemnity payment would drop to \$226,599.¹

Total paid indemnity, which is the product of average paid indemnity and the number of paid claims, declined by 6.8 percent on a year-to-year basis, while average paid indemnity rose 7.0 percent over the same period. Median² paid indemnity was \$50,000 for the entire period.

Total economic loss was \$98.6 million, or an average of \$115,033 per paid claim. On average, insuring entities and self-insurers attributed 47.3 percent of the claim payment to economic loss.

Defense costs:

- Insuring entities and self-insurers paid \$68.8 million to defend 1,513 claims, or an average of \$46,163 per claim in which defense costs were incurred.
- Insuring entities and self-insurers closed 87.3 percent of all claims with defense costs.

¹ An insuring entity made a payment of \$14.4 million dollars and, due to the public nature of the claim resolution, gave us permission to footnote this report with indemnity payment information.

² The median is the number in the middle of a set of numbers (half the numbers have values greater than the median, and half have values that are less).

Lawsuit summary:¹

This table summarizes data related to litigation.

Lawsuits	Two-Year Period Ending December 31, 2009						
	Total Reported Claims	Claims with Indemnity Payments	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Costs
No Lawsuit Filed	864	455	\$41,407,715	\$91,006	660	\$5,007,825	\$7,588
Lawsuit Filed	869	402	\$166,911,245	\$415,202	853	\$64,836,445	\$76,010
Totals	1,733	857	\$208,318,960	\$243,079	1,513	\$69,844,270	\$46,163

About 50 percent of the total claims involved litigation, and insuring entities and self-insurers incurred defense costs in 98.2 percent of these claims, averaging \$76,010. Lawsuits resulted in indemnity payments 46.3 percent of the time, averaging \$415,202. In cases not involving litigation, insuring entities and self-insurers incurred defense costs 76.4 percent of the time, averaging \$7,588. Claimants were compensated 52.7 percent of the time, and the average indemnity was \$91,006.

¹ These data are not comparable to lawsuit settlement data reported by attorneys. Insuring entities and self-insurers report data separately for each defendant. Attorneys submit one settlement report that includes payments made by all defendants who were sued.

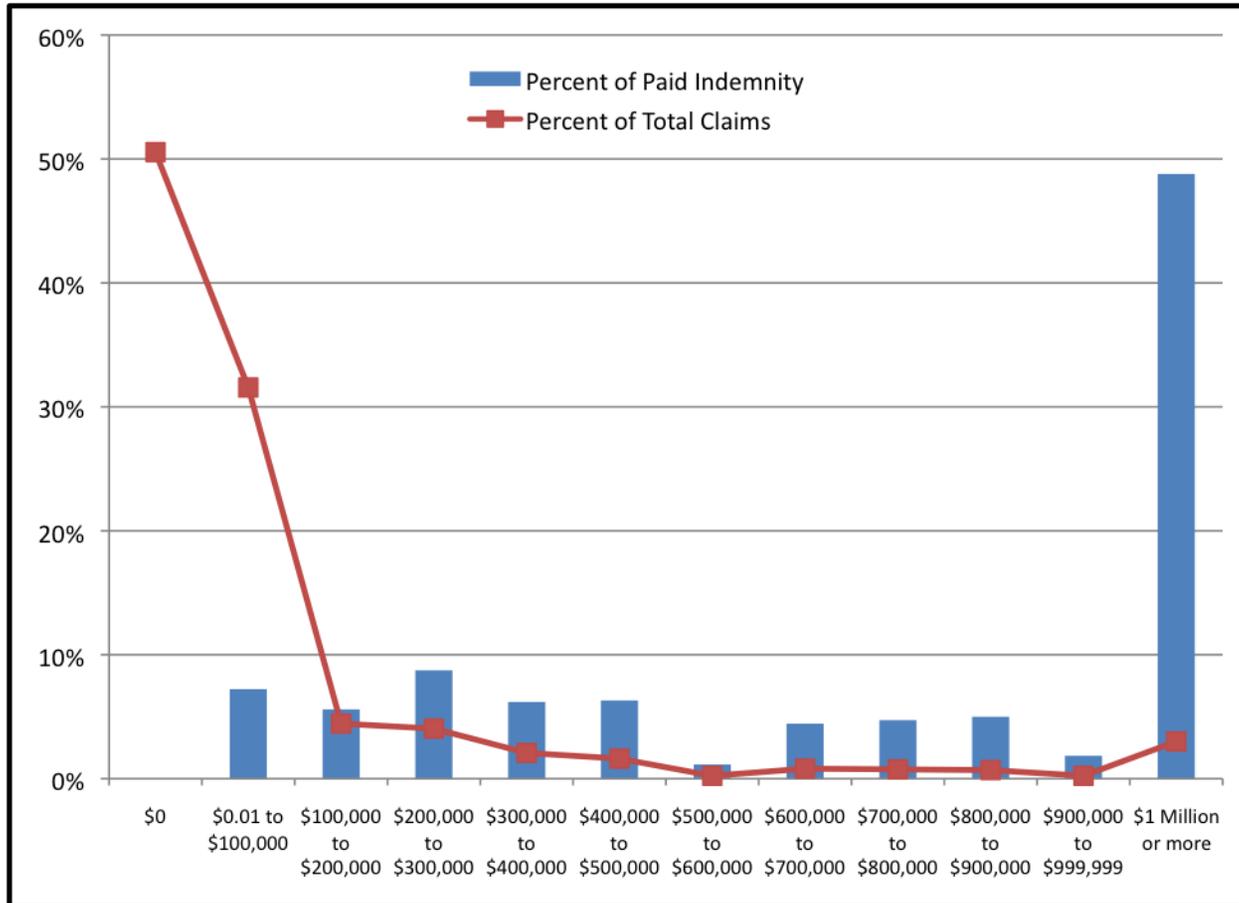
Paid indemnity by size of loss

Two-Year Period Ending December 31, 2009					
Range of Paid Indemnity	Number of Claims with Indemnity Payment	Percent of Claims with Indemnity Payment	Total Indemnity Payments	Percent of Total Indemnity Payments	Average Indemnity Payment
\$0.01-\$100,000	547	63.8%	\$15,044,664	7.2%	\$27,504
Over \$100,000-\$200,000	77	9.0%	\$11,657,056	5.6%	\$151,390
Over \$200,000 to \$300,000	70	8.2%	\$18,208,613	8.7%	\$260,123
Over \$300,000 to \$400,000	36	4.2%	\$12,889,615	6.2%	\$358,045
Over \$400,000 to \$500,000	28	3.3%	\$13,157,000	6.3%	\$469,893
Over \$500,000 to \$600,000	4	0.5%	\$2,385,266	1.1%	\$596,317
Over \$600,000 to \$700,000	14	1.6%	\$9,256,530	4.4%	\$661,181
Over \$700,000 to \$800,000	13	1.5%	\$9,835,202	4.7%	\$756,554
Over \$800,000 to \$900,000	12	1.4%	\$10,398,497	5.0%	\$866,541
Over \$900,000 to \$999,999	4	0.5%	\$3,850,000	1.8%	\$962,500
\$1 Million and over	52	6.1%	\$101,636,517	48.8%	\$1,954,548
Total	857	100.0%	\$208,318,960	100.0%	\$243,079

This table shows that 63.8 percent of the claims with paid indemnity were settled for less than \$100,000, and the average indemnity payment in this range was \$27,504. There were 52 claims settled for \$1 million or more, and those claims produced 48.8 percent of the total paid indemnity, or an average of \$1.955 million per claim. The other averages are less meaningful, since they are limited by the range of paid indemnity.

Insuring entities and self-insurers closed 49.5 percent of claims with an indemnity payment to a claimant. Most, but not all, claims with paid indemnity also had defense and cost containment expenses.

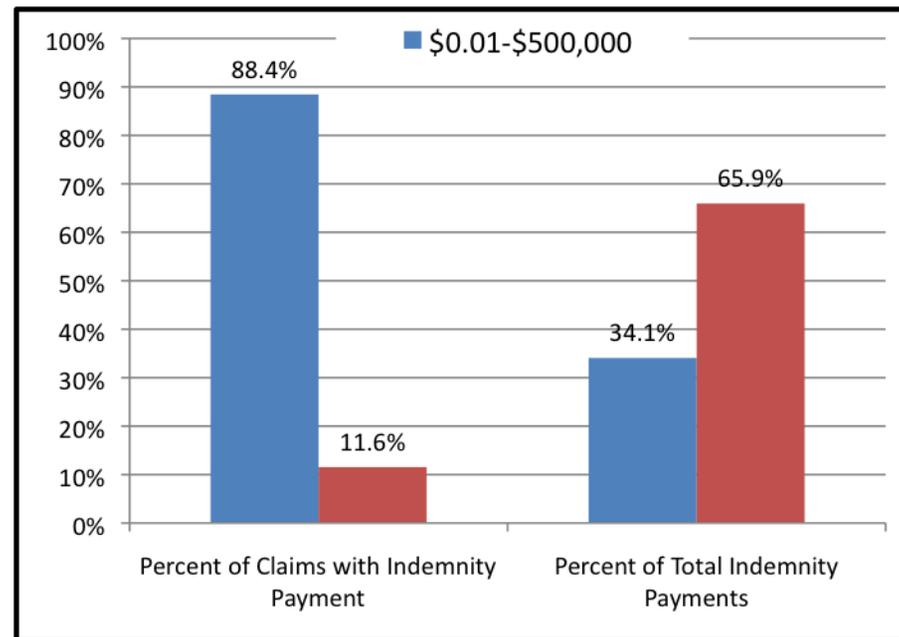
This chart shows the distribution of claims by claim count and size of indemnity payment. The majority of claims, or 50.5 percent, were closed without an indemnity payment to the claimant.



Claims up to \$500,000 compared to claims over \$500,000:

Two-Year Period Ending December 31, 2009						
Range of Paid Indemnity	Number of Claims with Indemnity Payment	Percent of Claims with Indemnity Payment	Total Indemnity Payments	Percent of Total Indemnity Payments	Average Indemnity Payment	Median Paid Indemnity
\$0.01-\$500,000	758	88.4%	\$70,956,948	34.1%	\$93,611	\$35,204
Over \$500,000	99	11.6%	\$137,362,012	65.9%	\$1,387,495	\$1,000,000
Total	857	100.0%	\$208,318,960	100.0%	\$243,079	\$50,000

By far, the greatest percent of claims fell in the paid indemnity range of \$0.01 to \$500,000, yet more money was paid for claims settled at over \$500,000. Median paid indemnity was \$35,204 for claims settled for \$500,000 or less, and \$1 million for claims settled for over \$500,000.

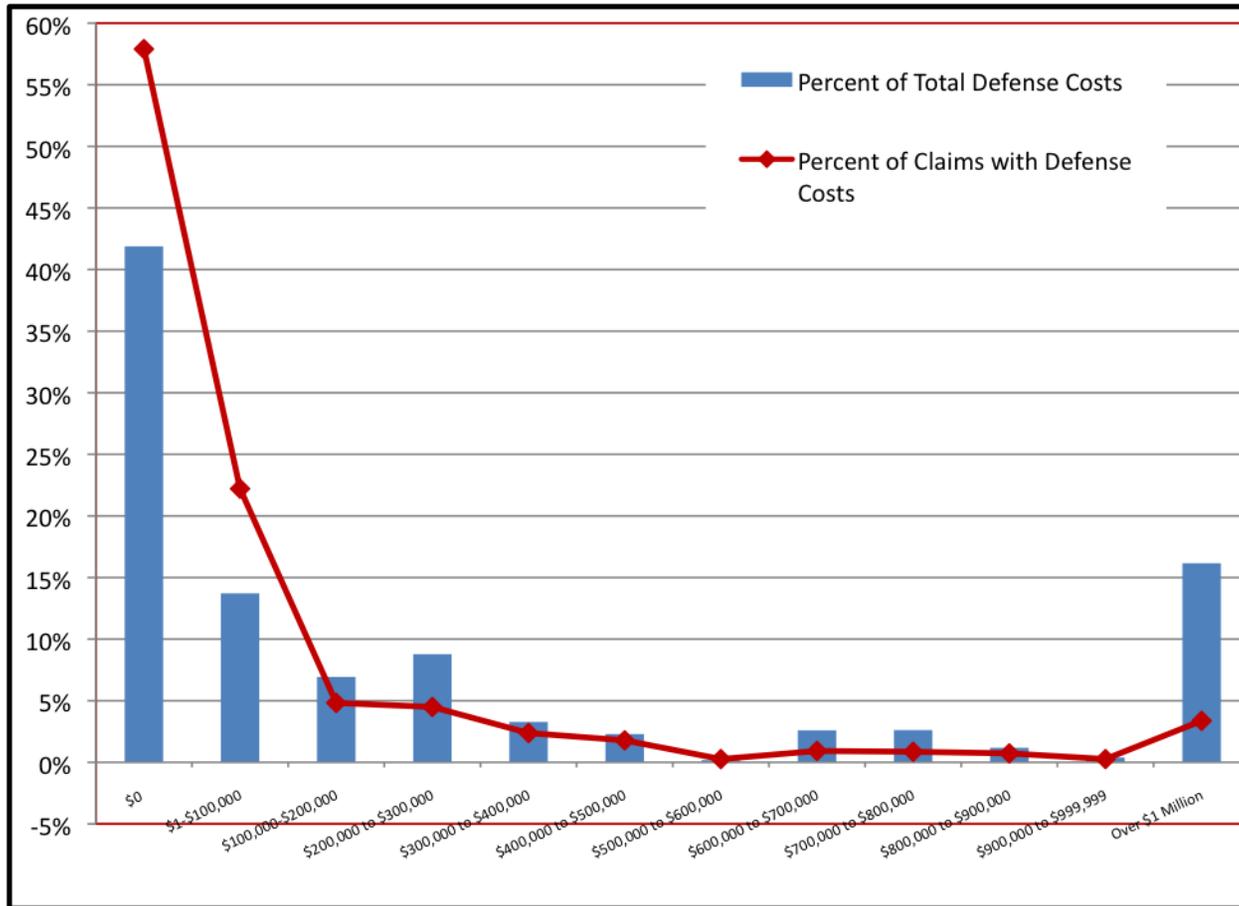


Defense costs by size of loss

Two-Year Period Ending December 31, 2009					
Range of Paid Indemnity	Number of Claims with Defense Costs	Percent of Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost
\$0	876	57.9%	\$29,249,877	41.9%	\$33,390
\$0.01-\$100,000	336	22.2%	\$9,581,728	13.7%	\$28,517
Over \$100,000-\$200,000	73	4.8%	\$4,840,721	6.9%	\$66,311
Over \$200,000 to \$300,000	68	4.5%	\$6,127,967	8.8%	\$90,117
Over \$300,000 to \$400,000	36	2.4%	\$2,288,810	3.3%	\$63,578
Over \$400,000 to \$500,000	27	1.8%	\$1,603,808	2.3%	\$59,400
Over \$500,000 to \$600,000	4	0.3%	\$125,123	0.2%	\$31,281
Over \$600,000 to \$700,000	14	0.9%	\$1,815,489	2.6%	\$129,678
Over \$700,000 to \$800,000	13	0.9%	\$1,829,807	2.6%	\$140,754
Over \$800,000 to \$900,000	11	0.7%	\$824,946	1.2%	\$74,995
Over \$900,000 to \$999,999	4	0.3%	\$269,082	0.4%	\$67,271
\$1 Million and over	51	3.4%	\$11,286,912	16.2%	\$221,312
Total	1,513	100.0%	\$69,844,270	100.0%	\$46,163

This table shows the percent of claims closed with defense costs by range of paid indemnity. All of the claims closed without an indemnity payment had defense costs. More than half of claims with defense costs resulted in no indemnity payment, and these claims accounted for 41.9 percent of all defense costs. There were 51 claims with defense costs that settled for \$1 million or more, and those claims produced 16.2 percent of the total defense costs, or an average of \$221,312 per claim.

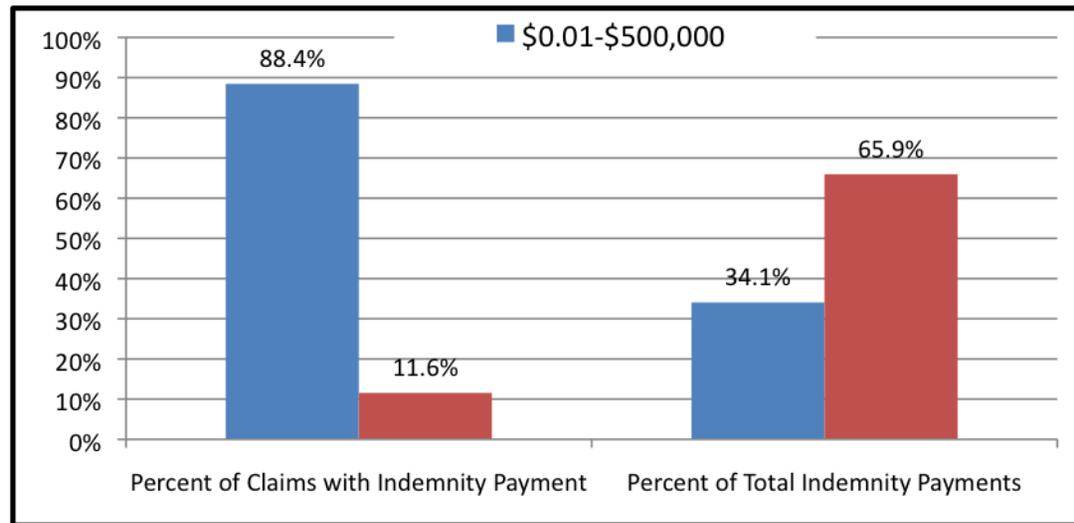
This chart shows the distribution of defense costs by claim count and size of indemnity payment.



Defense costs: Claims up to \$500,000 compared to claims over \$500,000:

Two-Year Period Ending December 31, 2009						
Range of Paid Indemnity	Number of Claims with Defense Costs	Percent of Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Median Defense Cost
\$0 to \$500,000	1,416	93.6%	\$53,692,911	76.9%	\$37,919	\$8,006
Over \$500,000	97	6.4%	\$16,151,359	23.1%	\$166,509	\$89,907
Total	1,513	100.0%	\$69,844,270	100.0%	\$46,163	\$9,776

The greatest percent of claims and total defense costs fell in the paid indemnity range of \$0 to \$500,000. The median defense cost for claims up to \$500,000 was \$8,006, and \$89,907 for claims settled for over \$500,000. Many medical malpractice claims have relatively small amounts paid for defense costs.



Paid indemnity and defense costs by months open

This table shows the duration¹ of claims for the two-year period ending December 31, 2009.

Notice Date to Closed Date	Total Number of Closed Claims	Percent of Total Claims Closed	Number of Claims with Defense Costs	Total Defense Costs	Average Defense Costs	Number of Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity
0-12 Months	529	30.5%	371	\$2,046,992	\$5,517	284	\$21,496,276	\$75,691
12-24 Months	587	33.9%	545	\$15,878,345	\$29,135	256	\$61,525,723	\$240,335
24-36 Months	310	17.9%	302	\$24,092,307	\$79,776	166	\$55,956,520	\$337,087
36-48 Months	165	9.5%	156	\$11,581,769	\$74,242	85	\$33,591,787	\$395,197
48-60 Months	84	4.8%	82	\$6,832,970	\$83,329	43	\$9,697,364	\$225,520
60-72 Months	31	1.8%	30	\$4,557,006	\$151,900	12	\$4,325,000	\$360,417
Over 72 Months	27	1.6%	27	\$4,854,881	\$179,810	11	\$21,726,290	\$1,975,117
Total	1,733	100.0%	1,513	\$69,844,270	\$46,163	857	\$208,318,960	\$243,079

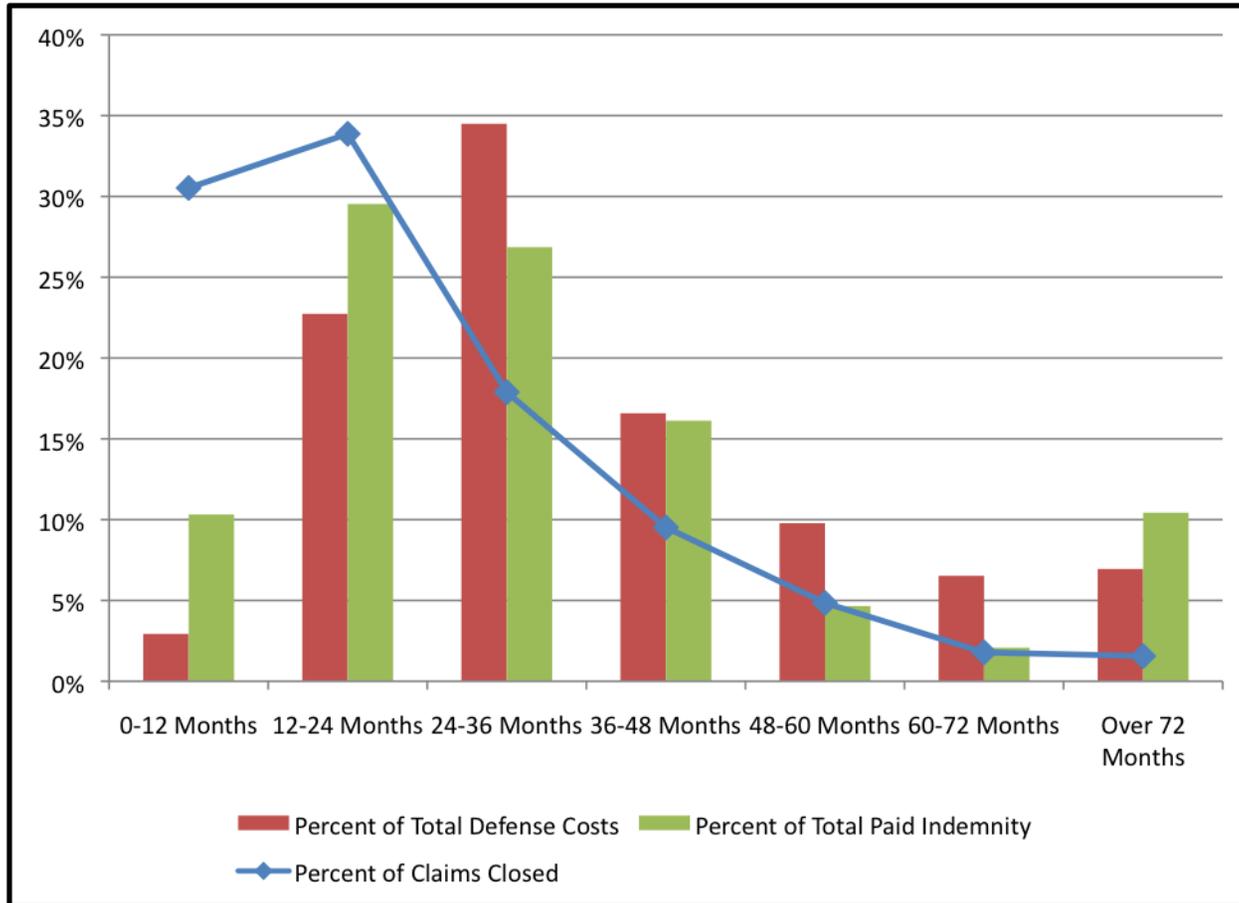
This exhibit displays claims by age at the time of closing, and shows that in nearly all age groupings, average indemnity and average defense costs increased with the age of the claim. Claims that closed in the first twelve months represent 30.5 percent of the total and had the lowest average defense cost of \$5,517 and average paid indemnity of \$75,691. Costs grew significantly as the claims aged. The oldest group of claims, those that closed after seven or more years, had average defense costs of \$179,810 and average indemnity payments of \$1,975,117. Insuring entities and self-insurers closed most claims within the first three years (36 months) after they were notified of the claim. Overall, claims closed within three years represent:

- 82.3 percent of total closed claims.
- 82.4 percent of claims with paid indemnity.
- 66.7 percent of total paid indemnity.

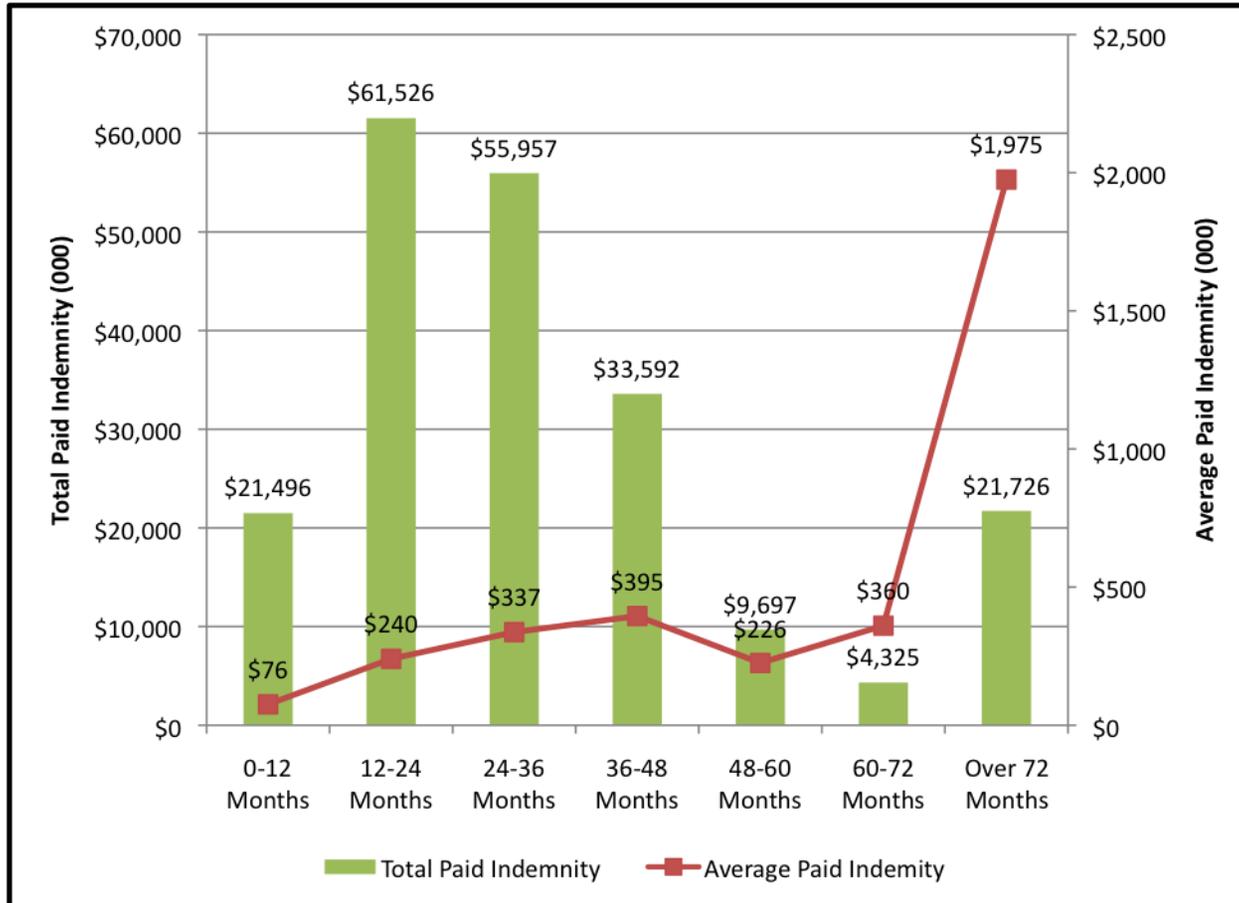
For the entire group of 1,733 claims, the average length of time between loss date and date closed is 22.6 months and the median length of time is 18.4 months. The oldest claim in the data set had a loss date in 1976, a report date in 1983, and was closed in 2009.

¹ Duration is measured by the length of time between the notice date and the date the claim was closed.

This chart shows the distribution of total defense costs and paid indemnity in relation to claims closed by duration of claim.



This chart shows total paid indemnity (in millions) and average paid indemnity based on the length of time from notice date to date closed. The average paid indemnity figures show that the most expensive claims tend to be the oldest claims.



Paid indemnity by type of settlement

This table shows that insuring entities and self-insurers settled most claims by negotiation, comprising 42.2 percent of the reported claims and 58.0 percent of total paid indemnity.

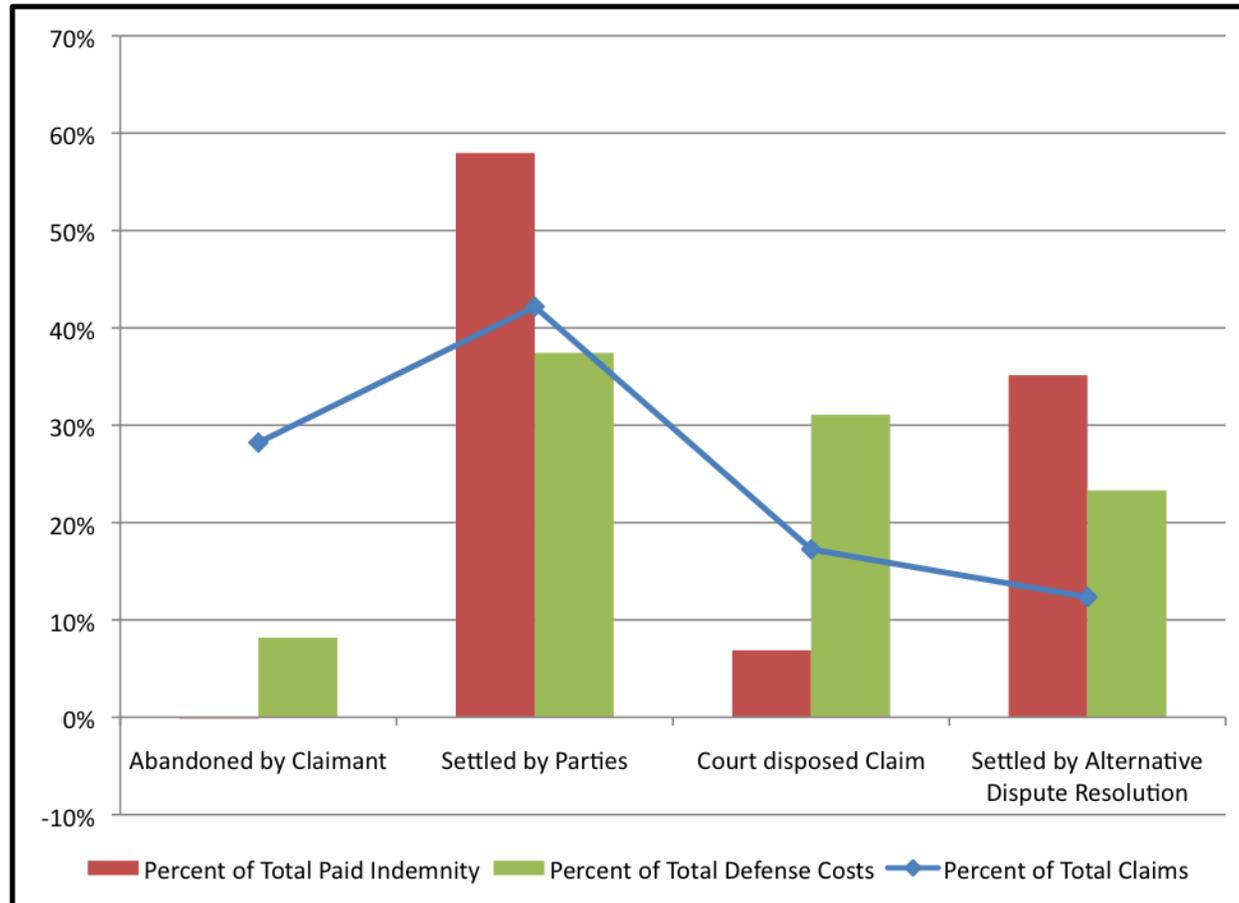
Two-Year Period Ending December 31, 2009								
How Claim was Resolved	Total Reported Claims	Percent of Total Claims	Claims with Indemnity Payments	Total Paid Indemnity	Average Paid Indemnity	Claims with Defense Costs	Total Defense Costs	Average Defense Costs
Abandoned by Claimant	489	28.2%	9	\$22,599	\$2,511	485	\$5,720,041	\$11,794
Settled by Parties	731	42.2%	635	\$120,759,057	\$190,172	522	\$26,146,310	\$50,089
Court disposed Claim	299	17.3%	24	\$14,322,648	\$596,777	299	\$21,702,387	\$72,583
Settled by Alternative Dispute Resolution	214	12.3%	189	\$73,214,656	\$387,379	207	\$16,275,532	\$78,626
Total	1733	100.0%	857	\$208,318,960	\$243,079	1513	\$69,844,270	\$46,163

Claims settled by plaintiff verdict or judgment comprised a small number of paid claims. Insurers and self-insurers reported that 24 claims resolved by the courts had indemnity payments. Of these, 16¹ claims were reported as a plaintiff judgment or verdict. The remaining claims were reported as defense verdicts, and may have been situations in which the defendant voluntarily made payments. The 16 claims resolved by plaintiff verdict or judgment comprised 1.9 percent of paid claims and resulted in 5.8 percent of the total paid indemnity. Plaintiff verdicts resulted in the highest average paid indemnity at \$748,916.

Of the 731 claims settled by the parties, most were settled by informal negotiation. A settlement was made 47.1 percent of the time before requesting an arbitration, mediation or private trial. An additional 50.1 percent of claims were settled before the start of a trial or hearing. Of the claims abandoned by the claimant, only three reached the stage of a formal trial or hearing.

¹ Seventeen total claims were reported as a plaintiff judgment or verdict, but only sixteen claims had an indemnity payment. One incident had two reported claims. Both of these claims had defense costs reported, but only one claim had indemnity payments allocated to the defendant based on the reporting entity's allocation of fault.

This chart shows the distribution of total defense costs and paid indemnity in relation to claims closed by settlement method.



Alternative dispute resolution was used to settle 214 claims over this period. Of those, mediation was used to resolve 86 percent of claims. Private trials were the most costly form of alternative dispute resolution in terms of average indemnity payment and average defense cost.

Two-Year Period Ending December 31, 2009								
Method of Alternative Dispute Resolution	Total Reported Claims	Percent of Claims	Claims with Indemnity Payments	Total Indemnity Payments	Average Indemnity Payment	Claims with Defense Costs	Total Defense Cost	Average Defense Cost
Arbitration award for Plaintiff	9	4.2%	9	\$1,648,558	\$183,173	7	\$205,301	\$29,329
Arbitration decision for Defense	8	3.7%	0	0	0	8	\$605,682	\$75,710
Mediation	184	86.0%	173	\$68,581,108	\$396,423	179	\$13,871,319	\$77,493
Private trial ⁵¹	13	6.1%	7	\$2,984,990	\$426,427	13	\$1,593,230	\$122,556
Total	214	100.0%	189	\$73,214,656	\$387,379	207	\$16,275,532	\$78,626

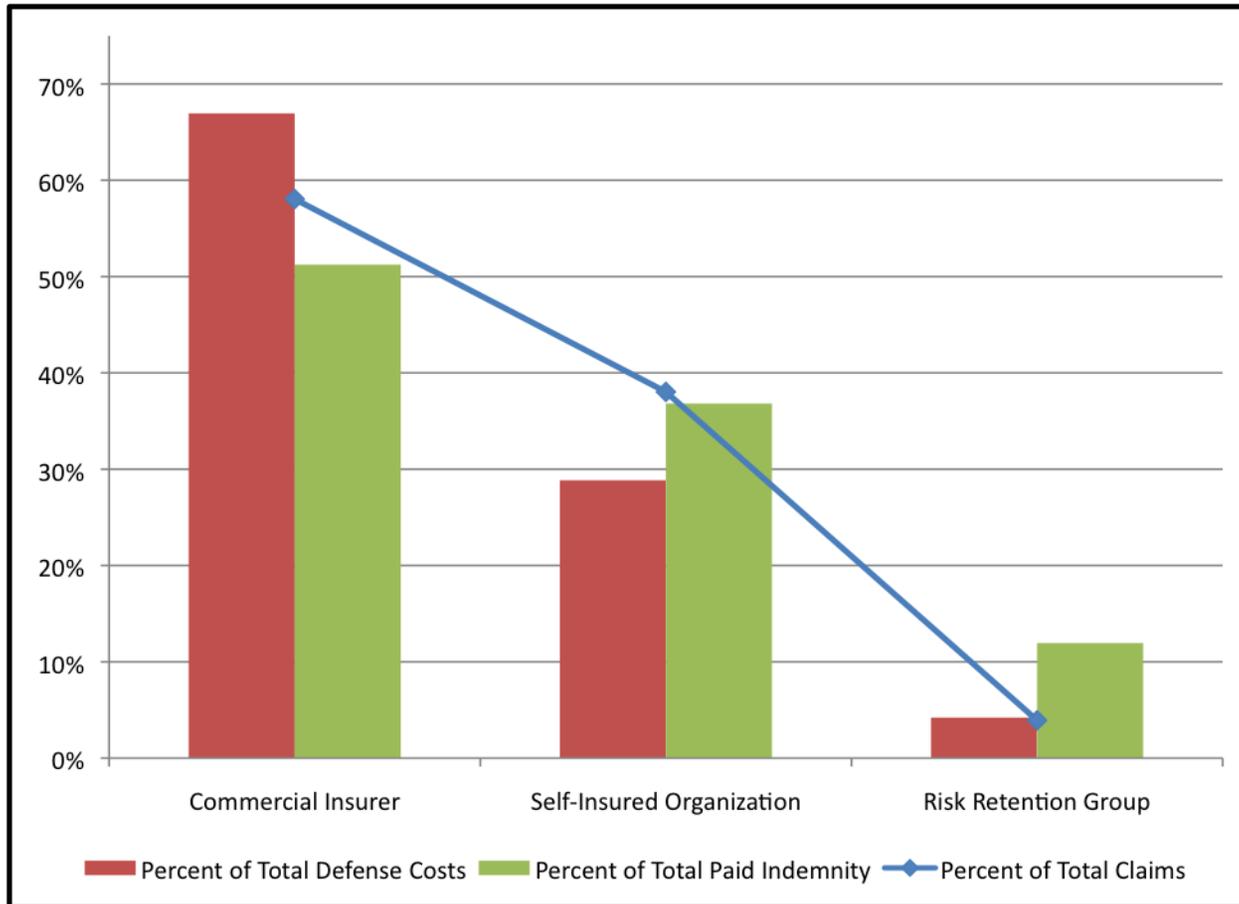
⁵¹ A private trial resembles an actual court trial. The main difference is that the parties have agreed to an individual, usually a retired judge, to sit as a “judge pro tempore” (temporary judge) and render a decision. The trial is held in private and may be confidential.

Closed claims by type of reporting entity

Two-Year Period Ending December 31, 2009										
Reporting Entity	Total Number of Claims	Percent of Total Claims	Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity
Commercial Insurer	1,006	58.0%	913	\$46,756,020	66.9%	\$51,211	470	\$106,733,340	51.2%	\$227,092
Self-Insured Organization	659	38.0%	547	\$20,149,819	28.8%	\$36,837	350	\$76,698,892	36.8%	\$219,140
Risk Retention Group	68	3.9%	53	\$2,938,431	4.2%	\$55,442	37	\$24,886,728	11.9%	\$672,614
Total	1,733	100.0%	1,513	69,844,270	100.0%	\$46,163	857	208,318,960	100.0%	\$243,079

Self-insured organizations reported the second highest number of claims, and had the lowest average defense costs and paid indemnity. Paid indemnity results were high for risk retention groups due to one large payment. When that payment is removed, average paid indemnity for risk retention groups was \$292,687.

This chart shows the distribution of total defense costs and paid indemnity in relation to total claims closed by type of reporting entity.



Compensation by severity of injury¹

Two-year period ending December 31, 2009										
Injury Outcome	Total Number of Claims	Percent of Total Claims	Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity
Emotional Injury Only	129	7.4%	117	\$3,791,856	5.4%	\$32,409	46	\$2,981,442	1.4%	\$64,814
Insignificant Injury	159	9.2%	132	\$2,237,021	3.2%	\$16,947	65	\$2,381,254	1.1%	\$36,635
Minor Temporary Injury	455	26.3%	326	\$4,494,073	6.4%	\$13,786	265	\$6,527,355	3.1%	\$24,632
Major Temporary Injury	199	11.5%	176	\$5,723,935	8.2%	\$32,522	91	\$10,124,060	4.9%	\$111,253
Minor Permanent Injury	189	10.9%	172	\$7,707,109	11.0%	\$44,809	101	\$16,941,454	8.1%	\$167,737
Significant Permanent Injury	150	8.7%	145	\$10,848,779	15.5%	\$74,819	78	\$33,699,841	16.2%	\$432,049
Major Permanent Injury	118	6.8%	117	\$11,938,875	17.1%	\$102,042	57	\$55,600,546	26.7%	\$975,448
Grave Permanent Injury	36	2.1%	36	\$4,610,855	6.6%	\$128,079	14	\$11,565,000	5.6%	\$826,071
Death	298	17.2%	292	\$18,491,767	26.5%	\$63,328	140	\$68,498,008	32.9%	\$489,271
Totals	1,733	100.0%	1,513	\$69,844,270	100.0%	\$46,163	857	\$208,318,960	100.0%	\$243,079

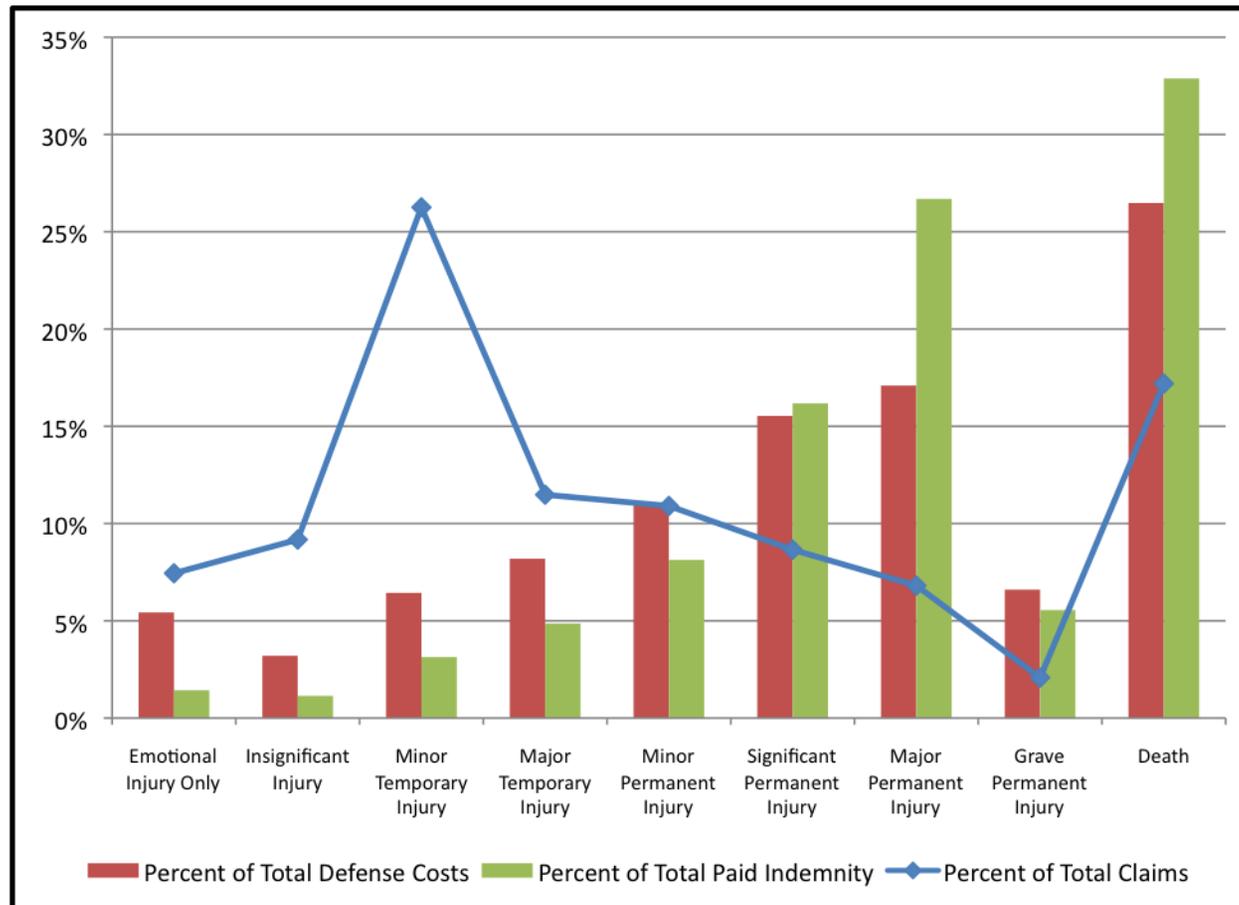
The most frequently reported injury was minor and temporary, which also had the lowest average paid indemnity of \$24,632. Minor temporary injuries comprised 23.6 percent of claims, 6.4 percent of defense costs and 3.1 percent of total paid indemnity.

Major permanent injuries had the highest average paid indemnity at \$975,448. Major permanent injuries comprised 6.8 percent of claims, 17.1 percent of defense costs and 26.7 percent of total paid indemnity.

¹ For a description of each type of injury outcome, see [WAC 284-24D-220](#). Temporary insignificant injuries, for example, include lacerations, contusions or minor scars in which no delay in recovery occurs. Permanent major injuries include paraplegia, blindness, loss of two limbs or brain damage.

Death of the patient had the third highest average paid indemnity at \$489,271. These claims comprised 17.2 percent of claims, 26.5 percent of defense costs and 32.9 percent of total paid indemnity.

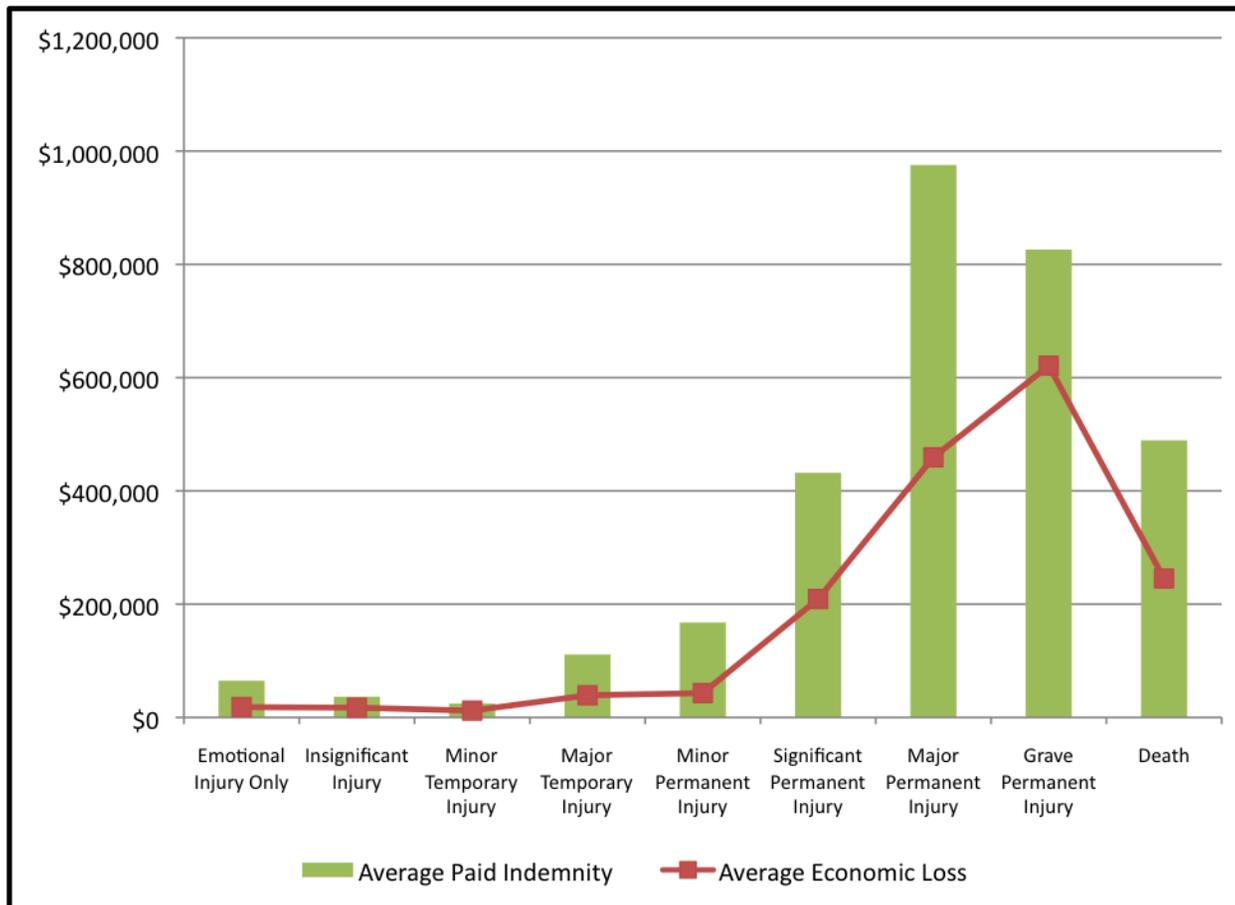
This chart shows the distribution of defense costs and total paid indemnity in relation to claims by injury outcome.



For claims in which indemnity payments were made, the insuring entity must report the estimated economic loss or the amount of economic loss awarded by a court. The highest average economic loss was paid for claims with a grave permanent injury, which was over five times the average economic loss. Injuries in this category include quadriplegia and severe brain damage, requiring lifelong dependent care. Of the 1,733 claims closed in this two-year period, 17.2 percent were due to the death of the injured party.

Two-year period ending December 31, 2009						
Injury Outcome	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity	Total Economic Loss	Average Economic Loss	Economic Loss as a Percentage of Paid Indemnity
Emotional Injury Only	46	\$2,981,442	\$64,814	\$839,842	\$18,257	28.2%
Insignificant Injury	65	\$2,381,254	\$36,635	\$1,120,992	\$17,246	47.1%
Minor Temporary Injury	265	\$6,527,355	\$24,632	\$3,192,253	\$12,046	48.9%
Major Temporary Injury	91	\$10,124,060	\$111,253	\$3,561,032	\$39,132	35.2%
Minor Permanent Injury	101	\$16,941,454	\$167,737	\$4,346,388	\$43,034	25.7%
Significant Permanent Injury	78	\$33,699,841	\$432,049	\$16,313,457	\$209,147	48.4%
Major Permanent Injury	57	\$55,600,546	\$975,448	\$26,177,487	\$459,254	47.1%
Grave Permanent Injury	14	\$11,565,000	\$826,071	\$8,695,519	\$621,109	75.2%
Death	140	\$68,498,008	\$489,271	\$34,336,167	\$245,258	50.1%
Totals	857	\$208,318,960	\$243,079	\$98,583,137	\$115,033	47.3%

This chart shows the relationship of average paid indemnity and average economic loss by injury outcome.



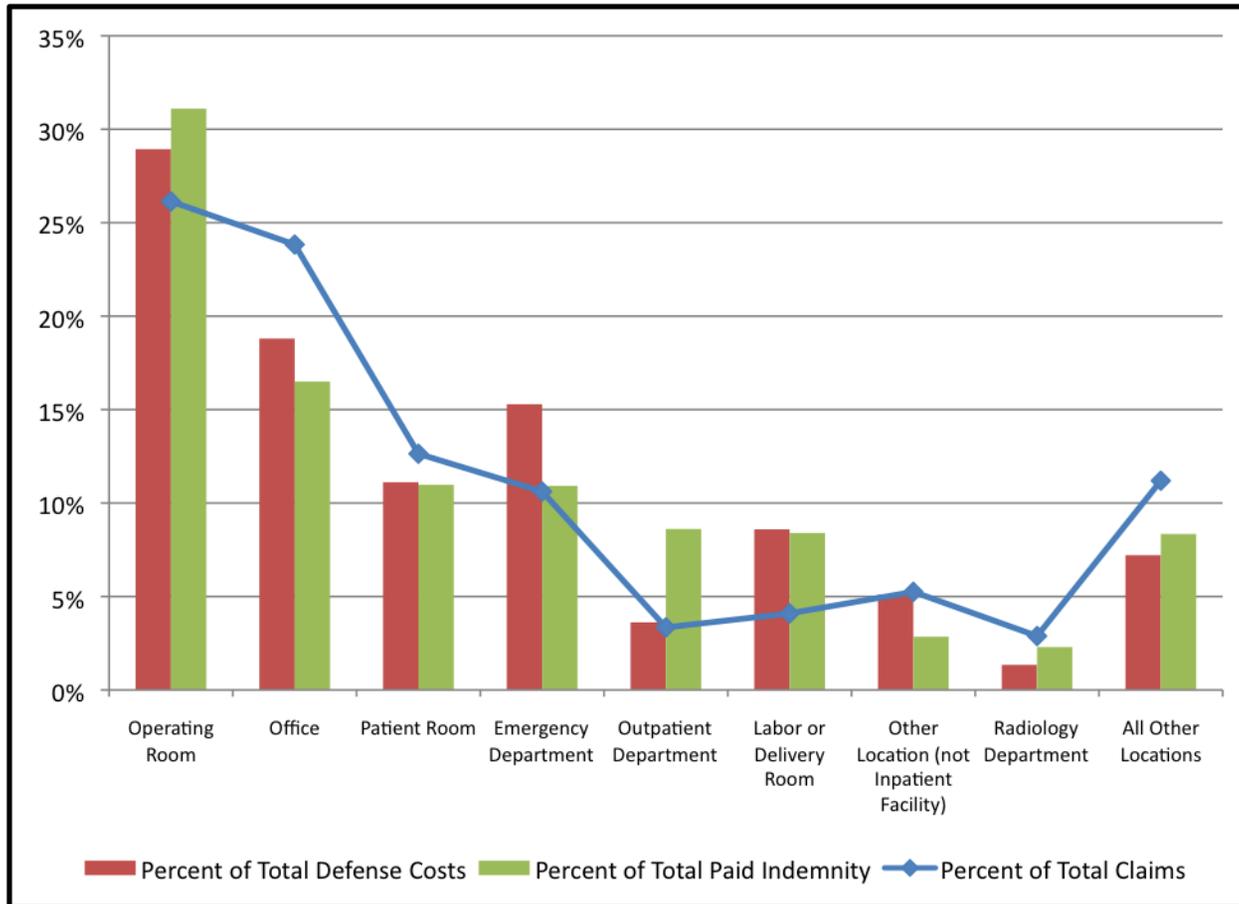
Closed claims by location in facility

Reporting entities identified the location where the primary injury or complaint occurred that led to the medical malpractice claim. This exhibit shows eight locations within medical facilities, and all other locations are grouped together to maintain confidentiality. The table below provides location data for two years combined for the eight locations with the greatest number of claims.

Two-year period ending December 31, 2009										
Location within Facility	Total Number of Claims	Percent of Total Claims	Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity
Operating Room	453	26.1%	389	\$20,210,471	28.9%	\$51,955	218	\$64,787,387	31.1%	\$297,190
Office	413	23.8%	362	\$13,131,430	18.8%	\$36,275	213	\$34,373,535	16.5%	\$161,378
Patient Room	219	12.6%	199	\$7,759,342	11.1%	\$38,992	118	\$22,867,680	11.0%	\$193,794
Emergency Department	184	10.6%	165	\$10,676,986	15.3%	\$64,709	78	\$22,746,763	10.9%	\$291,625
Outpatient Department	58	3.3%	49	\$2,526,475	3.6%	\$51,561	30	\$17,946,397	8.6%	\$598,213
Labor or Delivery Room	71	4.1%	71	\$6,003,180	8.6%	\$84,552	21	\$17,500,000	8.4%	\$833,333
Other Location (not Inpatient Facility)	91	5.3%	83	\$3,563,559	5.1%	\$42,934	38	\$5,932,285	2.8%	\$156,113
Radiology Department	50	2.9%	42	\$938,204	1.3%	\$22,338	26	\$4,777,644	2.3%	\$183,756
All Other Locations	194	11.2%	153	\$5,034,623	7.2%	\$32,906	115	\$17,387,269	8.3%	\$151,194
Totals	1,733	100.0%	1,513	\$69,844,270	100.0%	\$46,163	857	\$208,318,960	100.0%	\$243,079

The largest number of claims were generated by incidents that occurred in the operating room, followed closely by incidents that occurred in the medical professional's office. These two locations represent 50.0 percent of the claims. The largest average defense costs and the largest average indemnity payments were due to injuries that occurred in the labor or delivery room.

This chart shows the distribution of total defense costs and paid indemnity in relation to claims closed by location within the facility.



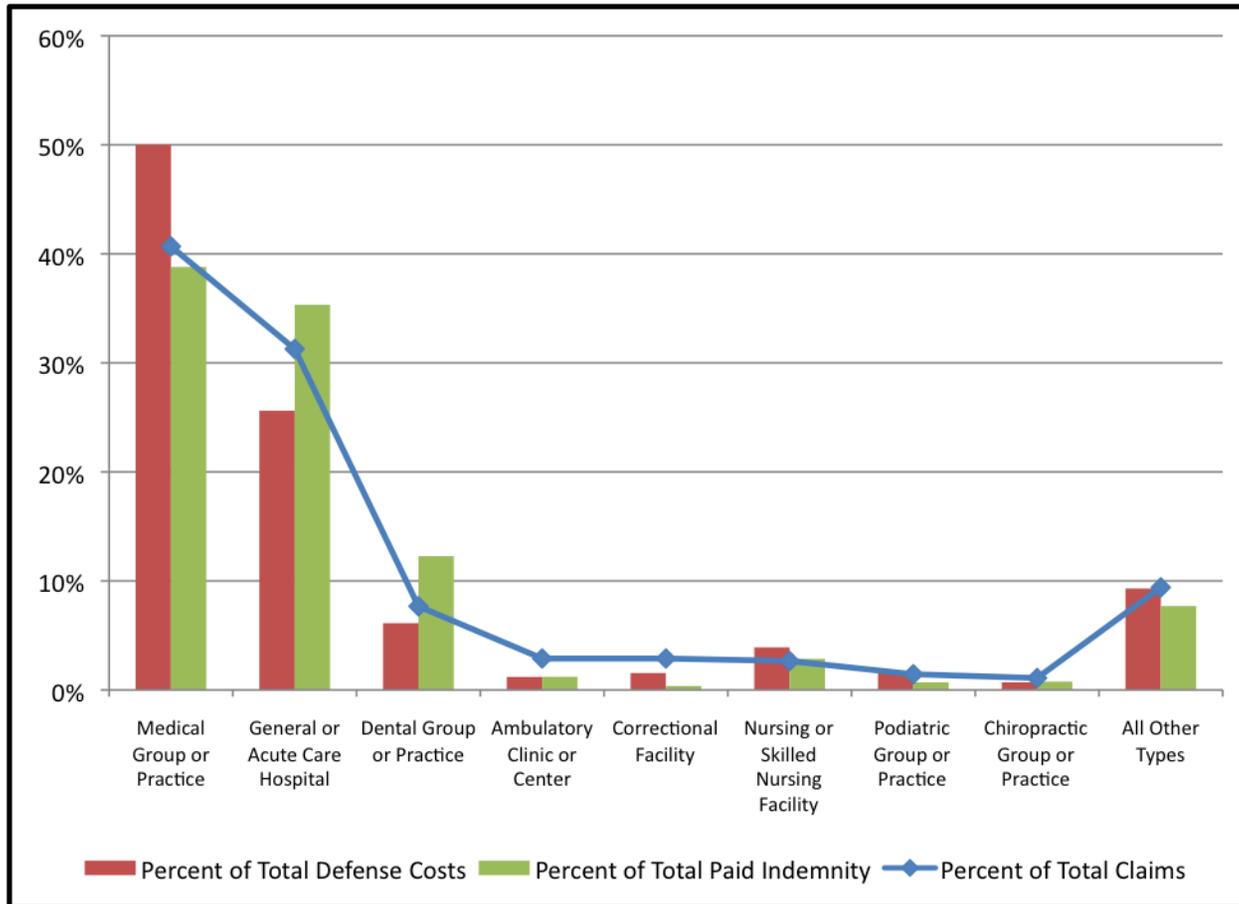
Closed claims by type of health care organization

This exhibit shows eight types of health care organizations or provider groups. All other types are grouped together to maintain confidentiality. The table below provides combined data for two years for the nine types of organizations with the greatest number of claims.

Two-year period ending December 31, 2009										
Health Care Organization	Total Number of Claims	Percent of Total Claims	Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity
Medical Group or Practice	705	40.7%	647	\$34,924,679	50.0%	\$53,979	305	\$80,820,432	38.8%	\$264,985
General or Acute Care Hospital	542	31.3%	458	\$17,892,327	25.6%	\$39,066	288	\$73,602,187	35.3%	\$255,563
Dental Group or Practice	133	7.7%	107	\$4,278,875	6.1%	\$39,989	88	\$25,579,399	12.3%	\$290,675
Ambulatory Clinic or Center	50	2.9%	42	\$835,710	1.2%	\$19,898	20	\$2,516,340	1.2%	\$125,817
Correctional Facility	50	2.9%	41	\$1,085,156	1.6%	\$26,467	16	\$757,785	0.4%	\$47,362
Nursing or Skilled Nursing Facility	46	2.7%	44	\$2,729,474	3.9%	\$62,034	35	\$5,951,077	2.9%	\$170,031
Podiatric Group or Practice	25	1.4%	25	\$1,108,879	1.6%	\$44,355	8	\$1,452,500	0.7%	\$181,563
Chiropractic Group or Practice	19	1.1%	18	\$488,786	0.7%	\$27,155	8	\$1,598,000	0.8%	\$199,750
All Other Types	163	9.4%	131	\$6,500,384	9.3%	\$49,621	\$89	\$16,041,240	7.7%	\$180,239
Totals	1,733	100.0%	1,513	\$69,844,270	100.0%	\$46,163	857	\$208,318,960	100.0%	\$243,079

The largest number of claims were reported on behalf of a medical group or practice. These claims had the second-highest average defense cost at \$53,979 and the third-highest average paid indemnity at \$264,985. Paid indemnity results were high for dental groups or practices due to one large payment. When that payment is removed, average paid indemnity for this type of organization was \$129,074.

This chart shows the distribution of total defense costs and paid indemnity in relation to claims closed by type of health care organization.

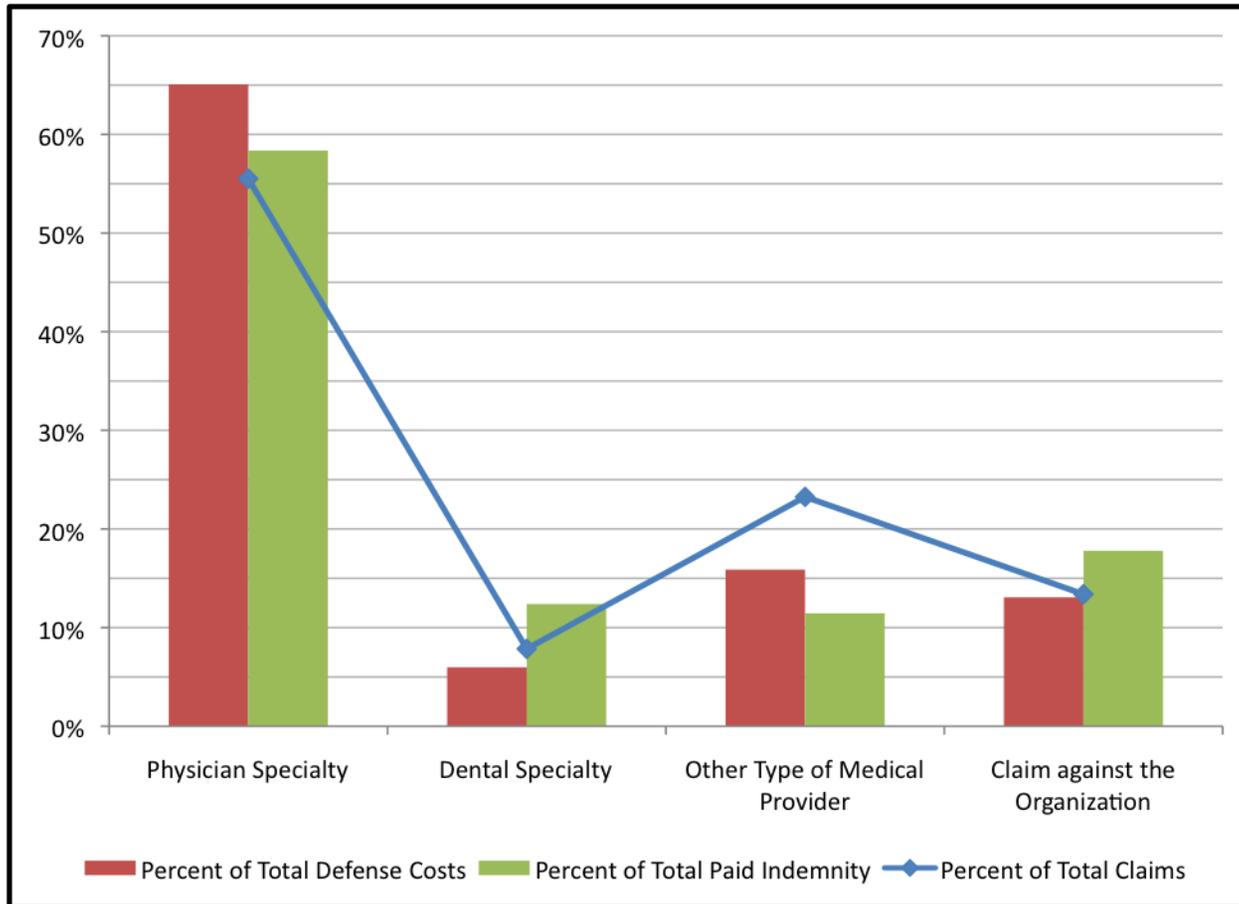


Closed claims by type of medical specialty

Two-year period ending December 31, 2009										
Provider Group	Total Number of Claims	Percent of Total Claims	Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity
Physician Specialty	962	55.5%	870	\$45,446,934	65.1%	\$52,238	423	\$121,585,765	58.4%	\$287,437
Dental Specialty	136	7.8%	107	\$4,171,687	6.0%	\$38,988	92	\$25,819,516	12.4%	\$280,647
Other Type of Medical Provider	403	23.3%	334	\$11,092,902	15.9%	\$33,212	234	\$23,854,776	11.5%	\$101,943
Claim against the Organization	232	13.4%	202	\$9,132,747	13.1%	\$45,212	108	\$37,058,903	17.8%	\$343,138
Totals	1733	100.0%	1513	\$69,844,270	100.0%	\$46,163	857	\$208,318,960	100.0%	\$243,079

The largest number of claims, or 55.5 percent, were reported on behalf of physician specialties. These claims had the highest average defense cost at \$52,238 and the second highest average paid indemnity at \$287,437. Paid indemnity results were high for dental specialties due to one large payment. When that payment is removed, average paid indemnity for this type of specialty was \$126,039. Claims against organizations were the most expensive to settle, with average paid indemnity of \$343,138.

This chart shows the distribution of total defense costs and paid indemnity in relation to claims closed by provider group or organization.



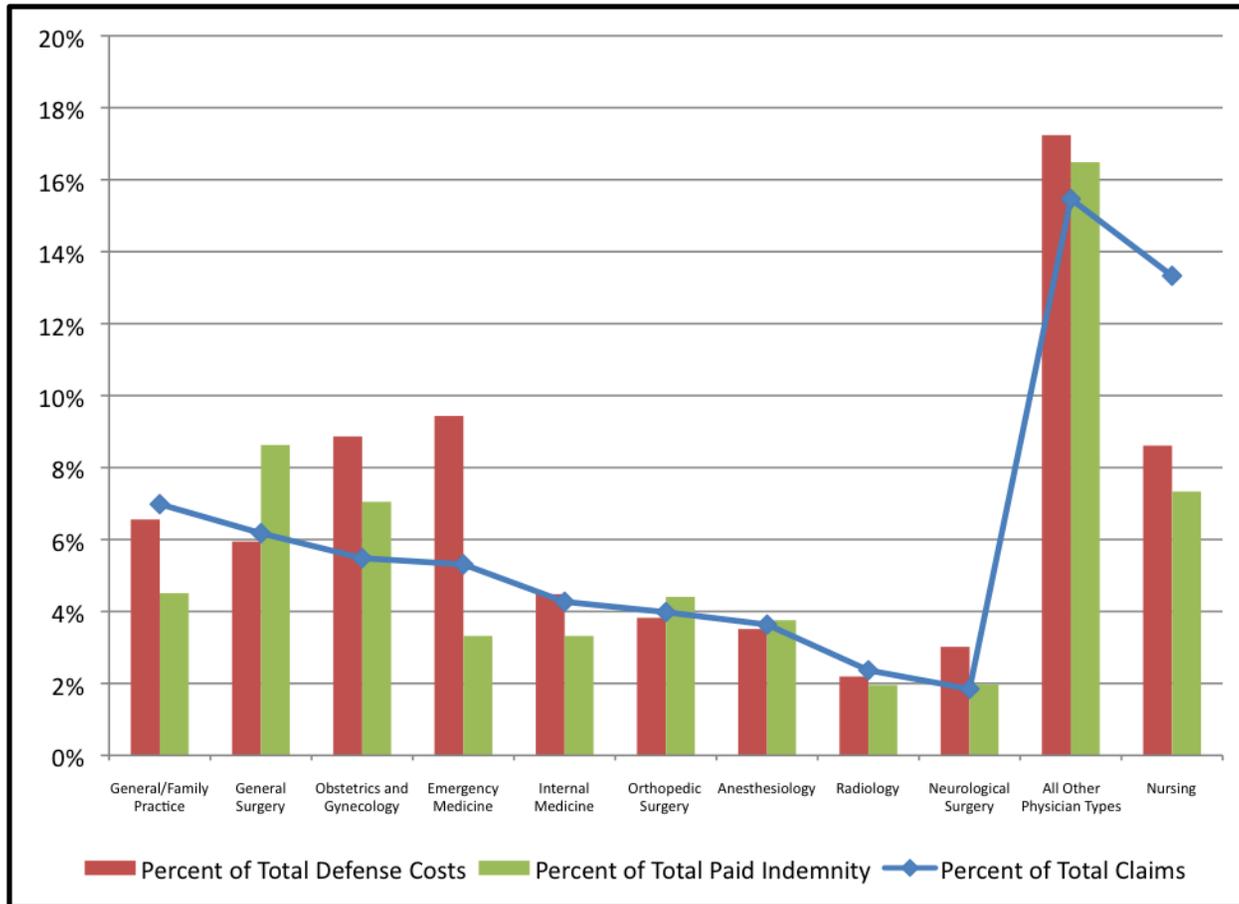
This exhibit shows claim data for eleven physician and surgeon specialties and for the practice of nursing. All other specialties are grouped together to maintain confidentiality. The table below provides the physicians' and surgeons' data for two years combined for the nine specialties with the greatest number of claims. Percentages are based on all claims reported in the two-year period ending December 31, 2009.

Provider Specialty	Number of Claims	Percent of Total Claims	Claims with Defense Costs	Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity
General/Family Practice	121	7.0%	112	\$4,579,535	6.6%	\$40,889	60	\$9,393,667	4.5%	\$156,561
General Surgery	107	6.2%	94	\$4,151,250	5.9%	\$44,162	30	\$17,972,381	8.6%	\$237,835
Obstetrics and Gynecology	95	5.5%	92	\$6,190,331	8.9%	\$67,286	40	\$14,683,057	7.0%	\$599,079
Emergency Medicine	92	5.3%	84	\$6,590,667	9.4%	\$78,460	32	\$6,916,369	3.3%	\$367,076
Internal Medicine	74	4.3%	68	\$3,130,242	4.5%	\$46,033	32	\$6,916,369	3.3%	\$216,137
Orthopedic Surgery	69	4.0%	64	\$2,670,171	3.8%	\$41,721	29	\$9,183,343	4.4%	\$316,667
Anesthesiology	63	3.6%	43	\$2,454,328	3.5%	\$57,077	43	\$7,831,129	3.8%	\$182,119
Radiology	41	2.4%	39	\$1,531,055	2.2%	\$39,258	19	\$4,066,233	2.0%	\$214,012
Neurological Surgery	32	1.8%	31	\$2,108,081	3.0%	\$68,003	15	\$4,112,449	2.0%	\$274,163
All Other Physician Types	268	15.5%	243	\$12,041,274	17.2%	\$49,553	100	\$34,346,227	16.5%	\$343,462
Nursing	231	13.3%	195	\$6,012,858	8.6%	\$30,835	145	\$15,275,397	7.3%	\$105,348

The most claims reported on behalf of physician specialties were for general and family practice physicians, but these claims were among the least costly to defend and settle. Obstetrics and gynecology was a specialty ranked high in both total number of claims and average paid indemnity.

Under the category of other type of medical provider, nursing accounted for 231 claims. There were 145 indemnity payments made on behalf of nursing staff, with average paid indemnity of \$105,348 and average defense cost of \$30,835. The most common allegations against nursing staff were failure to monitor, improper technique and improper performance.

This chart shows the distribution of total defense costs and paid indemnity in relation to claims closed for selected provider types.

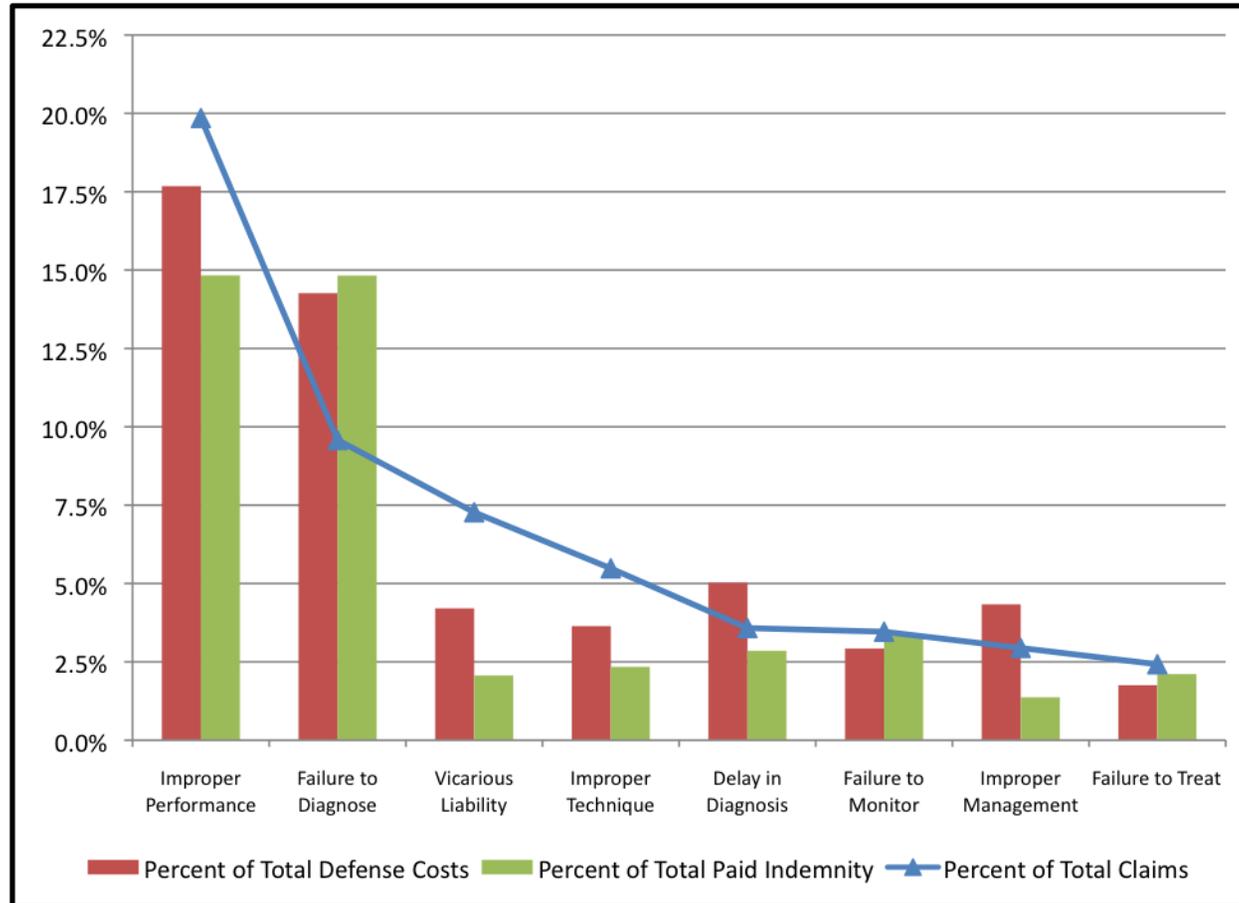


Closed claims by allegation

Insuring entities and self-insurers identify the primary complaint or injury that led to the medical malpractice claim. This exhibit shows fifteen types of allegations, and all others are grouped together to maintain confidentiality. The table below provides allegation data for two years combined for the fifteen types of allegations with the greatest number of claims.

Two-Year Period Ending December 31, 2009										
Allegation	Total Number of Claims	Percent of Total Claims	Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity
Improper Performance	344	19.8%	308	\$12,346,909	17.7%	\$40,087	165	\$30,894,770	14.8%	\$187,241
Failure to Diagnose	166	9.6%	159	\$9,963,033	14.3%	\$62,661	73	\$30,885,348	14.8%	\$423,087
Vicarious Liability	126	7.3%	112	\$2,938,484	4.2%	\$26,236	34	\$4,301,786	2.1%	\$126,523
Improper Technique	95	5.5%	76	\$2,542,234	3.6%	\$33,450	55	\$4,874,270	2.3%	\$88,623
Delay in Diagnosis	62	3.6%	58	\$3,508,975	5.0%	\$60,500	22	\$5,948,609	2.9%	\$270,391
Failure to Monitor	60	3.5%	53	\$2,042,534	2.9%	\$38,538	36	\$7,035,404	3.4%	\$195,428
Improper Management	51	2.9%	46	\$3,027,360	4.3%	\$65,812	18	\$2,853,164	1.4%	\$158,509
Failure to Treat	42	2.4%	40	\$1,225,703	1.8%	\$30,643	14	\$4,398,000	2.1%	\$314,143
Surgical or other Foreign Body Retained	38	2.2%	30	\$696,054	1.0%	\$23,202	21	\$1,793,997	0.9%	\$85,428
Failure to Instruct or Communicate with Patient or Family	35	2.0%	27	\$1,338,621	1.9%	\$49,579	20	\$3,959,985	1.9%	\$197,999
Wrong Diagnosis or Misdiagnosis - Original Diagnosis Incorrect	30	1.7%	27	\$1,233,729	1.8%	\$45,694	13	\$3,447,911	1.7%	\$265,224
Failure to Supervise	28	1.6%	23	\$1,395,923	2.0%	\$60,692	20	\$4,135,782	2.0%	\$206,789
Wrong Medication Administered	27	1.6%	21	\$433,207	0.6%	\$20,629	19	\$4,354,198	2.1%	\$229,168
Failure to Ensure Patient Safety	25	1.4%	21	\$939,917	1.3%	\$44,758	17	\$2,554,421	1.2%	\$150,260
Delay in Treatment	25	1.4%	24	\$573,596	0.8%	\$23,900	8	\$4,395,640	2.1%	\$549,455
All Other Allegations	579	33.4%	488	\$25,637,991	36.7%	\$52,537	322	\$92,485,675	44.4%	\$287,223
Totals	1,733	100.0%	1,513	\$69,844,270	100.0%	\$46,163	857	\$208,318,960	100.0%	\$243,079

Of the 1,733 claims closed, 29.4 percent were split between two allegations, improper performance and failure to diagnose. Failure to diagnose also had comparatively high average paid indemnity. Claims for failure to diagnose had average paid indemnity of \$423,087. Death was the outcome in 57 cases, resulting in 25 indemnity payments averaging \$741,698. Less than half these cases were resolved in favor of the claimant. In 90.5 percent of the cases involving the third most common allegation, vicarious liability, the claim involved an organization. This chart shows the distribution of total defense costs and paid indemnity in relation to claims closed for the eight allegations with the highest claim count.



This table shows the top two allegations sorted by type of medical provider. Improper performance was the most common allegation for medical providers, while vicarious liability was the most common allegation against an organization. Failure to diagnose was a common allegation against physicians, while dental specialties and other types of providers were likely to have allegations of improper technique.

	Total Number of Claims	Claims with Defense Costs	Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity
Dental Specialties							
Improper Performance	77	62	\$1,954,826	\$31,529	54	\$4,743,037	\$87,834
Improper Technique	15	7	\$183,978	\$26,283	12	\$1,097,608	\$91,467
All Other Allegations	44	38	\$2,032,883	\$53,497	26	\$19,978,871	\$768,418
Totals	136	107	\$4,171,687	\$38,988	92	\$25,819,516	\$280,647
Physician Specialties							
Improper Performance	210	192	\$8,814,543	\$45,909	84	\$23,594,147	\$280,883
Failure to Diagnose	144	137	\$8,760,826	\$63,948	66	\$29,460,173	\$446,366
All Other Allegations	608	541	27,871,565	\$51,519	273	68,531,445	\$251,031
Totals	962	870	45,446,934	\$52,238	423	121,585,765	\$287,437
Other Types of Medical Provider							
Improper Performance	52	49	\$1,473,459	\$30,071	25	\$2,511,421	\$100,457
Improper Technique	37	33	\$774,398	\$23,467	21	\$1,092,167	\$52,008
All Other Allegations	314	252	8,845,045	\$35,099	188	20,251,188	\$107,719
Totals	403	334	11,092,902	\$33,212	234	23,854,776	\$101,943

Closed claims by county

Claims were reported by county¹ where the medical incident occurred. However, an exhibit showing details by county would allow for identification of the specific claims in counties with very few claims reported, violating the confidentiality requirement. To provide meaningful information regarding differences by location, we divided the state into nine regions, and used the same regional groupings that were used by the OIC in Appendix A of the [Cost of the uninsured - Costs, trends and projections - November 2009](#).

Two-year period ending December 31, 2009												
Region	Total Number of Claims	Percent of Total Claims	Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity	Average Economic Loss	Ave. Economic Loss ÷ Ave. Paid Indem.
King County	602	34.7%	512	\$27,358,094	39.2%	\$53,434	312	\$86,355,220	41.5%	\$276,780	\$159,630	57.7%
Pierce County	271	15.6%	238	\$9,074,948	13.0%	\$38,130	126	\$28,203,050	13.5%	\$223,834	\$81,155	36.3%
Spokane County	143	8.3%	128	\$6,080,777	8.7%	\$47,506	71	\$27,646,189	13.3%	\$389,383	\$129,490	33.3%
Snohomish County	132	7.6%	112	\$4,050,411	5.8%	\$36,164	63	\$14,382,800	6.9%	\$228,298	\$104,665	45.8%
East Balance ²	126	7.3%	112	\$4,269,285	6.1%	\$38,119	59	\$5,942,381	2.9%	\$100,718	\$53,197	52.8%
Yakima-Tri Cities ³	109	6.3%	97	\$4,449,921	6.4%	\$45,875	63	\$16,765,408	8.0%	\$266,118	\$170,157	63.9%
Puget Sound Metro ⁴	103	5.9%	89	\$3,250,168	4.7%	\$36,519	54	\$9,813,943	4.7%	\$181,740	\$52,213	28.7%
Clark County	87	5.0%	78	\$2,957,090	4.2%	\$37,911	36	\$6,933,914	3.3%	\$192,609	\$78,243	40.6%
West Balance ⁵	82	4.7%	77	\$2,942,022	4.2%	\$38,208	37	\$4,555,761	2.2%	\$123,129	\$63,064	51.2%
North Sound ⁶	74	4.3%	66	\$5,319,541	7.6%	\$80,599	34	\$7,310,294	3.5%	\$215,009	\$27,568	12.8%

1 Data are not displayed for incidents that occurred out of state.

2 East balance includes Adams, Asotin, Chelan, Columbia, Douglas, Ferry, Garfield, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille, Stevens, Walla Walla and Whitman counties.

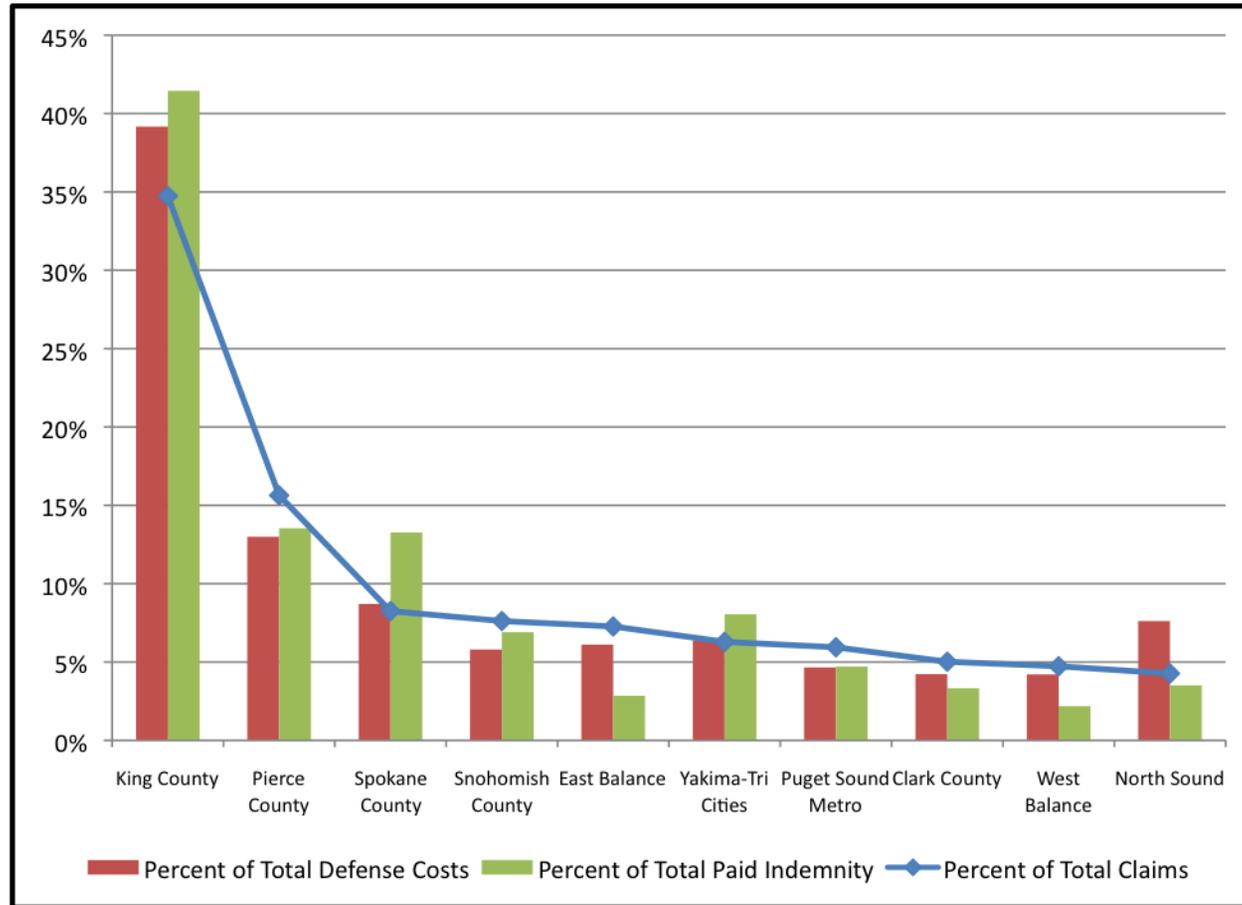
3 Yakima-Tri Cities includes Benton, Franklin and Yakima counties.

4 Puget Sound Metro includes Kitsap and Thurston counties.

5 West Balance includes Clallum, Cowlitz, Greys Harbor, Jefferson, Klickitat, Lewis, Mason, Pacific, Skamania and Wahkiakum counties.

6 North Sound includes Island, San Juan, Skagit and Whatcom counties.

King County had the highest total paid indemnity, and the second highest average paid indemnity and average economic loss. The North Sound region had the highest average defense cost and the lowest percentage of economic loss. This region also had the lowest percentage of claims with reported significant injury outcomes, at 27.0 percent. This chart shows the distribution of total defense costs and paid indemnity in relation to claims closed for incidents that occurred in Washington state.



Closed claims by gender

Two-year period ending December 31, 2009												
Gender	Total Number of Claims	Percent Total Number of Claims	Claims with Defense Costs	Total Defense Costs	Percent Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Percent Total Paid Indemnity	Average Paid Indemnity	Average Economic Loss	Avg Economic Loss ÷ Avg Paid Indemnity
Female	969	55.9%	836	\$37,571,679	53.8%	\$44,942	489	\$98,075,584	47.1%	\$200,564	\$95,100	47.4%
Male	754	43.5%	668	\$32,022,414	45.8%	\$47,938	362	\$109,160,455	52.4%	\$301,548	\$141,992	47.1%
Unknown	10	0.6%	9	\$250,177	0.4%	\$27,797	6	\$1,082,921	0.5%	\$180,487	\$112,987	62.6%
Totals	1,733	100.0%	1,513	\$69,844,270	100.0%	\$46,163	857	\$208,318,960	100.0%	\$243,079	\$115,033	47.3%

Of the 1,733 claims closed, 55.9 percent of the claims reported the injured party as female and 43.5 percent of the claims reported the injured party as male. When the injured party was a female, the average indemnity payment was \$200,564. When the injured party was a male, the average indemnity payment was \$301,458. Economic loss was proportionate for both genders at about 47 percent.

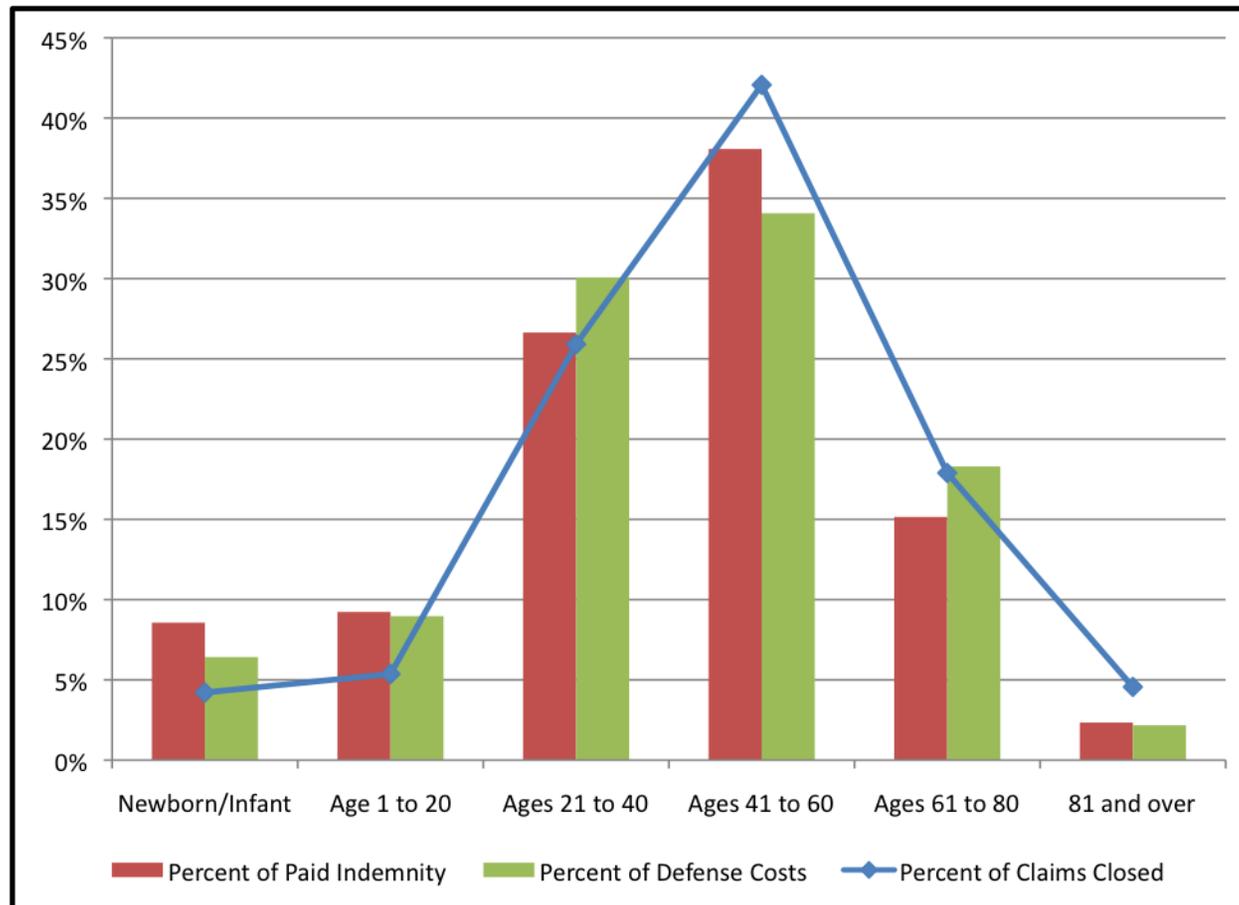
Closed claims by age of claimant

Claims were reported by the age group of the claimant. However, an exhibit showing details for all available age groups may allow for identification of specific claims, violating the confidentiality requirement. Age groups are combined for presentation in this report.

Two-year period ending December 31, 2009												
Age Group	Total Number of Claims	Percent of Total Claims	Claims with Defense Costs	Total Defense Costs	Percent of Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity	Average Economic Loss	Ave. Economic Loss ÷ Ave. Paid Indem.
Newborn/ Infant	73	4.2%	70	\$5,983,950	8.6%	\$85,485	22	\$13,375,915	6.4%	\$607,996	\$461,727	75.9%
Age 1 to 20	93	5.4%	81	\$6,447,065	9.2%	\$79,593	56	\$18,683,574	9.0%	\$333,635	\$210,713	63.2%
Ages 21 to 40	449	25.9%	405	\$18,604,307	26.6%	\$45,937	205	\$62,654,873	30.1%	\$305,634	\$129,790	42.5%
Ages 41 to 60	729	42.1%	634	\$26,590,945	38.1%	\$41,942	348	\$70,976,075	34.1%	\$203,954	\$95,027	46.6%
Ages 61 to 80	310	17.9%	257	\$10,581,816	15.2%	\$41,174	171	\$38,107,573	18.3%	\$222,851	\$85,176	38.2%
81 and over	79	4.6%	66	\$1,636,187	2.3%	\$24,791	55	\$4,520,950	2.2%	\$82,199	\$43,343	52.7%
Totals	1,733	100.0%	1,513	\$69,844,270	100.0%	\$46,163	857	\$208,318,960	100.0%	\$243,079	\$115,033	47.3%

There were 73 claims reported involving a newborn or infant child, and 22 of these claims, or 20.1 percent, resulted in an indemnity payment. The average indemnity payment for a claim involving a newborn or infant was \$607,996 – or two and one-half times the average indemnity payment of \$243,079. Average economic loss was \$461,727 – or four times the average economic loss of \$115,033. The age group with the second highest average paid indemnity was ages 1 to 20, with an average payment of \$333,636, and this group had the second highest average economic loss at \$210,713.

This chart shows the distribution of total defense costs and paid indemnity in relation to claims closed by age group.



Lawsuit resolution data

	-----Calendar Year-----		Two-year Total
	2008	2009	
Total Number of Reported Lawsuit Settlements	158	130	288
Total Legal Expenses	\$33,013,414	\$33,421,760	\$66,435,174
Average Legal Expense per Lawsuit	\$208,946	\$257,090	\$230,678
Number of Lawsuits with Paid Indemnity	134	119	253
Total Paid Attorney Fees	\$28,190,420	\$28,935,025	\$57,125,445
Average Fee paid to Attorney	\$210,376	\$243,151	\$225,792
Total Paid Indemnity	\$81,985,707	\$77,502,416	\$159,488,123
Average Paid Indemnity to Claimant	\$611,834	\$651,281	\$630,388
Median Paid Indemnity to Claimant	\$250,000	\$275,000	\$250,000

Indemnity payments to claimants: Claimants received total compensation of \$159.5 million on 253 claims, or \$630,388 per settlement.

Total paid indemnity, which is the product of average paid indemnity and the number of settlements, declined by 5.5 percent on a year-to-year basis, while average paid indemnity rose 6.4 percent over the same period. Median paid indemnity was \$250,000 for the two-year period, but was higher in 2009 than 2008.

Attorney fees were \$57.1 million, or an average of \$225,792 per settlement with an indemnity payment.¹ On average, the attorney fee was 35.8 percent of the total compensation paid to the claimant.

¹ Attorneys in this area of litigation typically work on a contingency basis, and receive fees if the claimant is compensated by the defendant(s).

Most settlements were the result of an alternative dispute resolution process, and these settlements resulted in the lowest indemnity payments. The most expensive settlements were the result of a verdict, and the average attorney fee was 38.4 percent of the average indemnity paid to the claimant.

-----Data for the two-year period ending December 31, 2009-----								
Lawsuit Settlement Method	Number of Lawsuits with Legal Expenses	Total Legal Expenses	Average Legal Expense paid by Claimant	Number of Lawsuits with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity to Claimant	Total Attorney Fees	Average Attorney Fees
Verdicts	29	\$6,011,810	\$207,304	11	\$12,785,456	\$1,162,314	\$4,906,976	\$446,089
Alternative Dispute Resolution	144	\$33,102,530	\$229,879	136	\$77,425,877	\$569,308	\$27,454,400	\$201,871
Settled by Parties	106	\$27,268,532	\$257,250	106	\$69,276,790	\$653,555	\$24,764,069	\$233,623
All Other	9	\$52,302	\$5,811	0	\$0		\$0	
Total	288	\$66,435,174	\$230,678	253	\$159,488,123	\$630,388	\$57,125,445	\$225,792

Of the 144 settlements resolved by alternative dispute resolution, 126 were resolved by mediation, resulting in \$71.5 million in paid indemnity. The average settlement as a result of mediation was \$547,406, and the average attorney fee was \$198,697, or 35 percent of the compensation paid to the claimant.

Settlements by resolution period

This table shows the duration of claims for the two-year period ending December 31, 2009. Duration is measured by the length of time between the incident date and the date the claim was settled.

Incident Date to Settlement Date	Lawsuits Settled with Indemnity Payment(s)	Total Paid Indemnity	Percent of Total Paid Indemnity	Average Paid Indemnity
0-24 Months	23	\$12,429,763	7.8%	\$540,424
24-36 Months	39	\$20,968,875	13.1%	\$537,663
36-48 Months	77	\$36,521,261	22.9%	\$474,302
48-60 Months	68	\$36,173,505	22.7%	\$531,963
60-72 Months	23	\$28,314,175	17.8%	\$1,231,051
Over 72 Months	23	\$25,080,544	15.7%	\$1,090,458
Total	253	\$159,488,123	100.0%	\$630,388

This exhibit displays claims by age at the time of closing, and shows that that average compensation rises significantly for claims that are unresolved after 60 months.

Resolution data by county

Settlements were reported by county where the medical incident occurred¹. However, an exhibit showing details by county would allow for identification of the specific settlements in counties with very few settlements were reported, violating the confidentiality requirement. To provide meaningful information regarding differences by location, we divided the state into nine regions, and used the same regional groupings that were used by the OIC in Appendix A the [Cost of the uninsured - Costs, trends and projections - November 2009](#).

Two-year period ending December 31, 2009							
Region	Total Number of Claims	Claims with Legal Expenses	Total Legal Expenses	Average Legal Expense	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity
King County	95	95	\$26,443,966	\$278,358	88	\$63,263,157	\$718,900
Pierce County	36	36	\$2,540,810	\$70,578	26	\$6,619,984	\$254,615
Snohomish County	30	30	\$6,646,316	\$221,544	28	\$15,402,758	\$550,099
Spokane County	22	22	\$10,947,402	\$497,609	19	\$22,471,600	\$1,182,716
Clark County	21	21	\$2,252,247	\$107,250	18	\$5,373,000	\$298,500
East Balance	20	20	\$1,666,345	\$83,317	17	\$3,127,952	\$183,997
Yakima/Tri-Cities	19	19	\$6,353,199	\$334,379	16	\$20,691,550	\$1,293,222
Puget Sound Metro	16	16	\$3,788,837	\$236,802	15	\$8,585,000	\$572,333
West Balance	15	15	\$1,926,351	\$128,423	15	\$4,629,122	\$308,608
North Sound	12	12	\$2,392,159	\$199,347	9	\$5,374,000	\$597,111
All	288	288	\$66,435,174	\$230,678	253	\$159,488,123	\$630,388

King County had the highest total paid indemnity, and the third highest average paid indemnity by region. Yakima/Tri-Cities and Spokane have the highest average paid indemnity at \$1.29 million and \$1.18 million respectively. If these data are compared to those submitted by insuring entities and self-insurers, it appears likely some settlements reported by attorneys involved multiple defendants.

¹ Claims reported as occurring out of state are not included in this table.

Resolution data by gender

Two-year period ending December 31, 2009							
Gender	Total Number of Claims	Claims with Defense Costs	Total Defense Costs	Average Defense Cost	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity
Female	155	155	\$38,184,359	\$246,351	136	\$89,161,775	\$655,601
Male	133	133	\$28,250,815	\$212,412	117	\$70,326,348	\$601,080
Totals	288	288	\$66,435,174	\$230,678	253	\$159,488,123	\$630,388

These data show females received higher average settlements than men. If these data are compared to those submitted by insuring entities and self-insurers, it appears likely some settlements reported by attorneys involved multiple defendants.

Resolution data by age of claimant

Claims were reported by the age group of the claimant. However, an exhibit showing details for all available age groups may allow for identification of specific claims, violating the confidentiality requirement. Age groups are combined for presentation in this report. This table shows that the most expensive settlements involved claimants under the age of 21. The average paid indemnity for the 25 settlements in this age group was \$1,495,071.

Two-year period ending December 31, 2009							
Age Group	Total Number of Claims	Claims with Legal Expenses	Total Legal Expenses	Average Legal Expenses	Claims with Paid Indemnity	Total Paid Indemnity	Average Paid Indemnity
Newborn to 20	27	27	\$17,031,920	\$630,812	25	\$37,376,775	\$1,495,071
Ages 21 to 40	75	75	\$12,505,264	\$166,737	60	\$29,671,228	\$494,520
Ages 41 to 60	130	130	\$27,109,531	\$208,535	116	\$70,151,480	\$604,754
Ages 61 to 80	45	45	\$7,656,094	\$170,135	41	\$17,363,640	\$423,503
81 and over	11	11	\$2,132,365	\$193,851	11	\$4,925,000	\$447,727
Totals	288	288	\$66,435,174	\$230,678	253	\$159,488,123	\$630,388

Report limitations

Analysis based on historical closed claim data has limitations:

Claims are reported based on the year in which they reach final resolution. Some arose from recent medical incidents, but most arose from incidents that occurred several years ago.

This report contains claims that closed during a limited period.

This report cannot be used to evaluate past or current medical professional liability insurance rates. Insurers develop medical malpractice rates using an analysis of open and closed claims, and develop rates based on an estimate of expected future claim costs and expenses.

Data may contain anomalies. The OIC audits data to improve the accuracy, consistency, and completeness of these data. OIC adopted administrative rules that contain data definitions and reporting instructions. The accuracy of the report still depends largely on the accuracy of the data reported by insuring entities, self-insurers and attorneys. People who report data may interpret data fields differently or make errors, so errors and inconsistencies may still occur.

These data have not been adjusted for economic differences occurring during the report period, such as inflation and cost of medical care.

Data do not distinguish between policies and coverage amounts. Policy limits are not reported, so the report does not analyze the data by type of policy, whether coverage is primary or excess, limits of coverage, or size of deductibles or retentions to determine if coverage limits affect the frequency or severity of claims.

Insuring entities and self-insurers report data separately for each defendant. This reporting method may overstate the frequency of “incidents” and understate the severity of an “incident,” but it keeps inconsistencies and inaccuracies to a minimum by limiting the amount of incomplete reporting by insuring entities and self-insurers.

This report does not include information about open claims. This report analyzes only closed claims data. Any claims that are still open, such as claims that are in settlement negotiations or on trial, are not included in this study. The analysis of closed claim information is valuable; however, open claims information may be more indicative of the current claims environment.

Appendices

Appendix A

Physicians Insurance, A Mutual Company													
Incurred net losses and defense and cost containment expenses reported at year-end (\$000 omitted) ⁷													
Year in Which Loss Occurred	Incurred Net Losses 2000	Incurred Net Losses 2001	Incurred Net Losses 2002	Incurred Net Losses 2003	Incurred Net Losses 2004	Incurred Net Losses 2005	Incurred Net Losses 2006	Incurred Net Losses 2007	Incurred Net Losses 2008	Incurred Net Losses 2009	One Year Development	Two-Year Development	Cumulative Development
Prior	97,092	78,582	79,280	76,693	75,390	74,815	74,694	75,446	77,898	78,570	672	3,124	-18,522
2000	64,183	61,151	64,749	62,480	60,522	61,488	62,277	61,960	62,661	59,717	-2,944	-2,243	-4,466
2001		67,031	71,027	72,956	71,297	70,034	72,263	71,521	69,888	68,838	-1,050	-2,683	1,807
2002			69,086	74,258	69,583	69,903	66,920	65,538	65,160	66,416	1,256	878	-2,670
2003				70,740	71,726	69,451	62,374	59,805	56,395	56,944	549	-2,861	-13,796
2004					74,801	76,075	77,427	72,529	61,848	57,262	-4,586	-15,267	-17,539
2005						58,927	57,553	56,813	50,539	50,419	-120	-6,394	-8,508
2006							58,655	51,073	47,126	50,657	3,531	-416	-7,998
2007								51,458	43,568	37,383	-6,185	-14,075	-14,075
2008									57,137	44,684	-12,453		-12,453
2009										55,629			
										Totals	-21,330	-39,937	-98,220

Doctors Company

Incurred net losses and defense and cost containment expenses reported at year-end (\$000 omitted)

Years in Which Loss Occurred	Incurred Net Losses 2000	Incurred Net Losses 2001	Incurred Net Losses 2002	Incurred Net Losses 2003	Incurred Net Losses 2004	Incurred Net Losses 2005	Incurred Net Losses 2006	Incurred Net Losses 2007	Incurred Net Losses 2008	Incurred Net Losses 2009	One Year Development	Two-Year Development	Cumulative Development
Prior	289,249	295,002	326,304	325,402	331,168	332,051	323,802	332,960	331,345	347,800	16,455	14,840	58,551
2000	179,090	165,000	195,250	199,540	214,191	214,786	209,729	213,150	209,874	216,736	6,862	3,586	37,646
2001		194,145	218,716	262,300	289,846	279,649	279,187	274,368	271,540	256,803	-14,737	-17,565	62,658
2002			236,482	265,120	268,739	271,900	264,569	249,089	245,650	249,422	3,772	333	12,940
2003				260,945	252,545	247,941	241,635	232,666	227,744	218,152	-9,592	-14,514	-42,793
2004					287,024	269,578	256,514	236,389	199,653	194,331	-5,322	-42,058	-92,693
2005						273,690	250,985	235,740	230,535	153,981	-76,554	-81,759	-119,709
2006							285,546	266,290	262,538	226,313	-36,225	-39,977	-59,233
2007								309,812	293,210	286,848	-6,362	-22,964	-22,964
2008									282,251	286,591	4,340		4,340
2009										382,196			
										Totals	-117,363	-200,078	-161,257

Appendix B

Rate filings that took effect in 2009

Company	Description	Approved Change	Effective Date
Ace American Insurance Co.	Human Services Prof Liab	New Program	6/11/2009
American Casualty Co. of Reading, PA	Healthcare Providers Services Org	2.1%	7/15/2009
Chicago Insurance Co.	Occupational Therapists	-4.2%	12/7/2009
Chicago Insurance Co.	Optometrists	-6.1%	12/1/2009
Continental Casualty Co.	Dentists	-0.1%	12/1/2009
Continental Casualty Co.	Hospital Prof Liab	-20.0%	4/1/2009
Doctors Company An Interinsurance Exchange	Physicians and Surgeons	-5.7%	1/1/2009
Fortress Insurance Co.	Dentists	9.4%	1/1/2009
Medical Protective Company	Physicians and Surgeons	-3.0%	12/31/2009
Medical Protective Company	Physicians Assistants	New Program	8/15/2009
Medical Protective Company	Nurse Practitioners	New Program	8/15/2009
Medical Protective Company	Dentists	-10.6%	4/1/2009
Medical Protective Company	Physicians and Surgeons	-3.9%	12/31/2008
National Union Fire Ins. Co. of Pittsburgh, PA	Healthcare Agency Prof Liab	-5.0%	8/6/2009
Northwest Dentists Ins. Co.	Dental Hygienists	New Program	10/1/2009
Northwest Dentists Ins. Co.	Dentists	5.0%	10/1/2009
Northwest Physicians Insurance Co.	Physicians and Surgeons	-4.8%	1/1/2009
PACO Assurance Company Inc.	Chiropractors	4.6%	1/1/2009
Pharmacists Mutual Ins. Co.	Pharmacists	-10.0%	11/16/2009
Physicians Insurance A Mutual Co.	Midlevel and Paramedical Employees	New Program	11/30/2009
Physicians Insurance A Mutual Co.	Dentists	New Program	6/1/2009
Physicians Insurance A Mutual Co.	Physicians and Surgeons	-10.0%	1/1/2009

Physicians Insurance			
Rate Fling Selections	2008 Filing	2009 Filing	Difference
Selected Frequency:	5.6%	5.2%	-0.4%
Selected Severity:	\$82,500	\$80,000	-2,500
Selected Pure Premium:	\$4,300	\$3,980	-320
Selected Annual Trend:	4.0%	4.0%	0.0%
Doctors Company			
Rate Fling Selections	2008 Filing	2009 Filing	Difference
Selected Frequency:	7.0%	6.5%	-0.5%
Selected Severity:	\$75,000	\$70,000	-5,000
Selected Pure Premium:	\$5,720	\$5,017	-703
Selected Annual Trend:	4.5%	3.5%	-1.0%
Medical Protective Company			
Rate Fling Selections	2009 Filing	2010 Filing	Difference
Selected Frequency:	n/a	n/a	
Selected Severity:	n/a	n/a	
Selected Pure Premium:	\$4,746	\$4,597	-149
Selected Annual Trend:	5.0%	5.0%	0.0%

Physicians Insurance did not change its rates in 2010. Recognizing that operating results have improved, Physicians Insurance has issued policyholder dividends exceeding \$5 million in both 2008 and 2009. The Doctors Company began issuing dividends on a countrywide basis in 2006.

Physicians Insurance									
Year	2008 Filing	2009 Filing	Difference						
1982	\$1,684	\$1,684	\$0						
1983	3,781	3,781	0						
1984	5,223	5,223	0						
1985	6,721	6,721	0						
1986	11,539	11,539	0						
1987	6,413	6,413	0						
1988	7,653	7,653	0						
1989	15,564	15,564	0						
1990	11,243	11,243	0						
1991	21,466	21,466	0						
1992	23,299	24,594	1,295						
				The Doctors Company					
				2008 Filing	2009 Filing	Difference			
1993	22,281	22,281	0	4,061	4,061	0			
1994	25,950	25,950	0	3,870	3,870	0			
1995	34,470	34,436	-34	4,401	4,401	0			
1996	27,234	27,207	-27	1,436	1,436	0			
1997	33,050	32,984	-66	2,372	2,372	0			
1998	33,971	33,760	-211	2,374	2,374	0			
1999	29,259	29,322	63	6,872	6,748	-124	Medical Protective		
							2009 Filing	2010 Filing	Difference
2000	33,791	33,331	-460	6,100	6,100	0	162	162	0
2001	35,098	34,715	-383	8,576	8,610	34	2,006	2,000	-6
2002	29,413	29,891	478	8,300	8,253	-47	6,633	6,555	-78
2003	27,765	26,938	-827	4,374	4,160	-214	2,550	2,530	-20
2004	28,954	28,782	-172	6,011	6,539	528	4,295	4,320	25
2005	29,498	28,706	-792	8,329	7,280	-1,049	3,530	3,330	-200
2006	28,842	26,899	-1,943		5,810			2,136	
2007		23,987							
Total	\$534,162	\$555,070	-\$3,079	\$67,076	\$72,014	-\$872	\$19,176	\$21,033	-\$279

Incurred Loss and Defense Costs (ALAE) developed to ultimate. In 2009, each insurer lowered its estimate when compared to the prior year for most years. Data are displayed in thousands (000).

Appendix C

Physicians Insurance, A Mutual Company: Ten-year history

Year	(a) Net Premium Written	(b) Underwriting Expenses Incurred	(c) Expense Ratio [b/a]	(d) Net Premiums Earned	(e) Losses and Loss Adjustment Expenses	(f) Loss Ratio [e/d]	(g) Policyholder Dividends	(h) Dividend Ratio [g/d]	(i) Combined Ratio	(j) Net Investment Income	(k) Net Investment Income Ratio [j/d]	(l) Operating Ratio
2000	57,220,818	6,661,308	11.6%	56,361,411	61,689,469	109.5%	-28,842	-0.1%	121.0%	12,796,208	22.7%	98.3%
2001	54,616,691	7,251,792	13.3%	57,136,567	62,787,536	109.9%	-7,645	0.0%	123.2%	13,730,436	24.0%	99.1%
2002	66,932,743	8,021,221	12.0%	64,760,533	88,757,781	137.1%	-2,510	0.0%	149.0%	12,436,919	19.2%	129.8%
2003	80,541,152	8,449,450	10.5%	82,411,991	83,646,815	101.5%	-2,650	0.0%	112.0%	10,446,767	12.7%	99.3%
2004	82,585,652	8,599,377	10.4%	81,804,586	75,648,999	92.5%	-1,072	0.0%	102.9%	10,399,667	12.7%	90.2%
2005	79,680,093	9,727,075	12.2%	80,356,928	67,266,247	83.7%	0	0.0%	95.9%	11,093,179	13.8%	82.1%
2006	81,465,385	9,634,830	11.8%	82,215,219	64,090,997	78.0%	0	0.0%	89.8%	12,242,635	14.9%	74.9%
2007	76,987,526	6,909,185	9.0%	78,287,526	44,521,719	56.9%	0	0.0%	65.8%	13,606,817	17.4%	48.5%
2008	71,282,640	10,716,243	15.0%	70,282,640	35,816,649	51.0%	5,048,015	7.2%	73.2%	13,982,185	19.9%	53.3%
2009	71,177,910	10,940,954	15.4%	70,577,910	46,775,240	66.3%	5,055,023	7.2%	88.8%	13,781,265	19.5%	69.3%
Totals	722,490,610	86,911,435	12.0%	724,195,311	631,001,452	87.1%	10,060,319	1.4%	100.5%	124,516,078	17.2%	83.4%

Period to period comparison:

Year	Net Premium Written	Underwriting Expenses Incurred	Expense Ratio [b/a]	Net Premiums Earned	Losses and Loss Adjustment Expenses	Loss Ratio [e/d]	Policyholder Dividends	Dividend Ratio [g/d]	Combined Ratio	Net Investment Income	Net Investment Income Ratio [j/d]	Operating Ratio
2000- 2004	341,897,056	38,983,148	11.4%	342,475,088	372,530,600	108.8%	-42,719	0.0%	120.2%	59,809,997	17.5%	102.7%
2005- 2009	380,593,554	47,928,287	12.6%	381,720,223	258,470,852	67.7%	10,103,038	2.6%	83.0%	64,706,081	17.0%	66.0%

The Doctors Company, An Interinsurance Exchange

Ten-year history:

Year	(a) Net Premium Written	(b) Underwriting Expenses Incurred	(c) Expense Ratio [b/a]	(d) Net Premiums Earned	(e) Losses and Loss Adjustment Expenses	(f) Loss Ratio [e/d]	(g) Policyholder Dividends	(h) Dividend Ratio [g/d]	(i) Combined Ratio	(j) Net Investment Income	(k) Net Investment Income Ratio [j/d]	(l) Operating Ratio
2000	218,218,351	55,219,745	25.3%	206,595,267	161,484,363	78.2%	0	0.00%	103.5%	40,566,274	19.6%	83.8%
2001	284,526,662	62,678,320	22.0%	254,571,205	250,623,211	98.4%	0	0.00%	120.5%	41,384,798	16.3%	104.2%
2002	396,352,630	83,930,896	21.2%	352,421,216	369,998,486	105.0%	0	0.00%	126.2%	38,479,520	10.9%	115.2%
2003	336,426,292	56,087,868	16.7%	331,287,350	363,035,624	109.6%	0	0.00%	126.3%	32,913,169	9.9%	116.3%
2004	459,727,858	84,889,359	18.5%	444,353,663	366,701,151	82.5%	0	0.00%	101.0%	34,487,835	7.8%	93.2%
2005	455,173,136	80,764,821	17.7%	449,816,620	283,405,291	63.0%	0	0.00%	80.7%	37,364,855	8.3%	72.4%
2006	493,082,275	97,776,987	19.8%	478,224,850	247,969,818	51.9%	21,000,000	4.39%	76.1%	44,970,862	9.4%	66.7%
2007	516,655,334	104,988,328	20.3%	521,729,949	255,575,118	49.0%	23,128,514	4.43%	73.7%	61,504,372	11.8%	62.0%
2008	500,493,524	101,299,086	20.2%	499,926,491	238,949,228	47.8%	121,450	0.02%	68.1%	94,665,140	18.9%	49.1%
2009	555,108,478	110,584,657	19.9%	547,603,861	318,310,083	58.1%	12,976,400	2.37%	80.4%	71,312,564	13.0%	67.4%
Totals	4,215,764,540	838,220,067	19.9%	4,086,530,472	2,856,052,373	69.9%	57,226,364	1.40%	91.2%	497,649,389	12.2%	79.0%

Period to period comparison:

Year	Net Premium Written	Underwriting Expenses Incurred	Expense Ratio [b/a]	Net Premiums Earned	Losses and Loss Adjustment Expenses	Loss Ratio [e/d]	Policyholder Dividends	Dividend Ratio [g/d]	Combined Ratio	Net Investment Income	Net Investment Income Ratio [j/d]	Operating Ratio
2000- 2004	1,695,251,793	342,806,188	20.2%	1,589,228,701	1,511,842,835	95.1%	0	0.0%	115.4%	187,831,596	11.8%	103.5%
2005- 2009	2,520,512,747	495,413,879	19.7%	2,497,301,771	1,344,209,538	53.8%	57,226,364	2.3%	75.8%	309,817,793	12.4%	63.4%

Medical Protective Company

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
Year	Net Premium Written	Underwriting Expenses Incurred	Expense Ratio [b/a]	Net Premiums Earned	Losses and Loss Adjustment Expenses	Loss Ratio [e/d]	Policyholder Dividends	Dividend Ratio [g/d]	Combined Ratio	Net Investment Income	Net Investment Income Ratio [j/d]	Operating Ratio
2000	267,133,843	44,030,738	16.5%	238,148,467	229,875,234	96.5%	0	0.0%	113.0%	62,192,225	26.1%	86.9%
2001	345,000,731	55,429,440	16.1%	326,858,163	253,211,741	77.5%	0	0.0%	93.5%	61,852,658	18.9%	74.6%
2002	538,435,916	80,017,238	14.9%	450,972,956	493,931,250	109.5%	0	0.0%	124.4%	57,724,376	12.8%	111.6%
2003	713,504,527	110,221,215	15.4%	701,751,650	624,304,229	89.0%	0	0.0%	104.4%	62,878,046	9.0%	95.5%
2004	526,277,512	73,816,625	14.0%	555,038,519	461,242,930	83.1%	0	0.0%	97.1%	70,520,509	12.7%	84.4%
2005	-342,582,014	56,326,242	-16.4%	-215,028,527	-221,686,668	103.1%	0	0.0%	86.7%	74,605,991	-34.7%	121.4%
2006	337,385,540	53,679,435	15.9%	299,621,579	223,126,825	74.5%	0	0.0%	90.4%	56,193,970	18.8%	71.6%
2007	343,121,058	53,155,078	15.5%	345,302,263	277,757,402	80.4%	0	0.0%	95.9%	57,887,667	16.8%	79.2%
2008	343,234,053	53,664,734	15.6%	343,846,447	254,434,736	74.0%	0	0.0%	89.6%	71,516,856	20.8%	68.8%
2009	333,975,622	62,412,706	18.7%	332,499,778	240,630,531	72.4%	0	0.0%	91.1%	83,892,685	25.2%	65.8%
Total	3,405,486,788	642,753,451	18.9%	3,379,011,295	2,836,828,210	84.0%	0	0.0%	102.8%	659,264,983	19.5%	83.3%

Appendix D

NAIC Database - Pure Direct Incurred Loss Ratios

State	Direct Premiums Written	Direct Premiums Earned	Direct Losses Incurred	Pure Direct Loss Ratio
Alabama	131,734,880	122,971,920	12,572,579	10.2%
Alaska	18,901,077	18,860,089	2,212,718	11.7%
Arizona	210,388,142	208,550,390	90,949,897	43.6%
Arkansas	67,591,288	68,652,230	24,989,709	36.4%
California	671,654,537	650,070,259	142,100,012	21.9%
Colorado	141,750,936	143,123,008	42,471,823	29.7%
Connecticut	118,636,760	119,417,586	35,252,965	29.5%
Delaware	37,452,920	36,438,461	12,516,984	34.4%
District Of Columbia	31,928,888	26,886,307	5,390,445	20.0%
Florida	460,152,739	474,864,687	174,589,360	36.8%
Georgia	228,788,088	231,684,214	62,483,363	27.0%
Hawaii	19,274,057	19,478,046	15,135,190	77.7%
Idaho	27,983,702	28,230,795	8,472,551	30.0%
Illinois	494,943,355	496,655,951	210,409,973	42.4%
Indiana	85,424,394	86,559,504	20,132,679	23.3%
Iowa	60,496,701	60,877,279	16,824,270	27.6%
Kansas	71,915,153	71,009,225	15,434,510	21.7%
Kentucky	113,619,359	115,447,505	37,388,243	32.4%
Louisiana	74,700,466	75,460,099	745,060	1.0%
Maine	43,655,949	45,435,931	18,418,088	40.5%
Maryland	284,840,310	289,265,253	162,901,498	56.3%
Massachusetts	173,204,022	169,284,513	60,381,059	35.7%
Michigan	179,173,529	181,418,936	-44,401,935	-24.5%
Minnesota	71,974,148	76,602,697	14,333,840	18.7%
Mississippi	13,932,215	14,348,431	590,985	4.1%
Missouri	155,867,385	159,189,836	47,022,583	29.5%
Montana	31,370,567	31,406,833	15,777,364	50.2%

State	Direct Premiums Written	Direct Premiums Earned	Direct Losses Incurred	Pure Direct Loss Ratio
Nebraska	32,598,684	33,375,824	10,234,810	30.7%
Nevada	86,678,222	87,550,883	34,568,697	39.5%
New Hampshire	29,507,944	29,456,367	13,404,980	45.5%
New Jersey	433,753,948	437,098,879	190,746,711	43.6%
New Mexico	28,732,393	31,377,872	12,086,661	38.5%
New York	1,335,977,777	1,343,223,143	837,120,550	62.3%
North Carolina	170,121,029	176,024,416	45,506,583	25.9%
North Dakota	8,859,121	9,299,212	-6,886,880	-74.1%
Ohio	311,648,503	330,892,900	57,558,398	17.4%
Oklahoma	108,800,120	108,704,133	71,526,851	65.8%
Oregon	80,206,417	86,282,226	28,905,388	33.5%
Pennsylvania	387,514,995	387,358,962	133,396,165	34.4%
Rhode Island	33,479,951	33,244,322	19,545,415	58.8%
South Carolina	50,711,502	50,870,884	34,585,230	68.0%
South Dakota	18,909,460	19,713,225	4,411,431	22.4%
Tennessee	188,373,012	186,583,169	18,364,521	9.8%
Texas	234,235,894	238,537,234	45,506,985	19.1%
Utah	59,430,396	57,793,288	20,934,999	36.2%
Vermont	19,377,019	18,978,506	5,991,898	31.6%
Virginia	177,736,609	178,160,223	45,108,412	25.3%
Washington	158,561,596	158,148,047	52,167,801	33.0%
West Virginia	51,720,641	52,198,992	19,076,623	36.5%
Wisconsin	90,900,110	91,973,332	33,855,898	36.8%
Wyoming	18,872,759	18,636,736	8,751,975	47.0%
Totals	8,138,063,669	8,187,672,760	2,941,565,915	35.9%
			Median:	32.4%

State	Percent of Direct Premiums Earned										Percent of Net Worth				
	Direct Premiums Earned (000s)	Losses Incurred	Loss Adjust Expense	General Expense	Selling Expense	Taxes License Fees	Div to Pclyhldr	Und Profit	Gain on Ins Trans	Tax on Trans	Profit on Ins Trans	Earned Prem to Net Worth	Inv Gain on Net Worth	Tax on Inv Gain on Net Worth	Return on Net Worth
Maryland	303,969	39.1	22.2	6.5	8.6	1.9	5.0	16.6	4.5	6.5	14.6	63.4	2.7	0.4	11.5
Massachusetts	309,252	43.0	28.8	6.5	8.4	2.3	2.3	8.8	12.5	5.1	16.3	35.9	2.7	0.4	8.1
Michigan	243,484	28.3	23.2	6.5	11.2	0.9	0.2	29.7	7.8	11.7	25.8	47.6	2.7	0.4	14.6
Minnesota	97,624	48.6	20.7	6.5	9.0	1.7	2.5	11.0	3.7	4.4	10.2	70.0	2.7	0.4	9.4
Mississippi	52,497	(31.1)	(1.1)	6.5	14.7	1.5	0.3	109.4	10.9	40.0	80.2	38.9	2.7	0.4	33.5
Missouri	210,449	18.3	18.7	6.5	10.8	1.1	6.1	38.5	6.0	14.4	30.0	55.3	2.7	0.4	18.9
Montana	43,617	14.1	20.5	6.5	8.6	2.3	0.1	47.8	5.1	17.6	35.4	61.2	2.7	0.4	23.9
Nebraska	36,648	33.6	26.2	6.5	9.9	2.2	1.3	20.2	5.5	8.0	17.8	57.2	2.7	0.4	12.4
Nevada	103,477	20.9	31.3	6.5	12.7	2.6	1.1	24.8	5.2	9.5	20.5	58.9	2.7	0.4	14.3
New Hampshire	42,024	63.8	29.4	6.5	10.8	1.6	2.2	(14.3)	6.5	(4.0)	(3.8)	52.2	2.7	0.4	0.3
New Jersey	559,578	40.2	19.2	6.5	11.7	1.1	0.1	21.3	7.5	8.7	20.1	48.8	2.7	0.4	12.1
New Mexico	52,507	43.9	28.2	6.5	9.1	1.7	0.2	10.5	6.8	4.8	12.6	51.7	2.7	0.4	8.8
New York	1,694,115	68.4	33.1	6.5	5.2	2.5	0.1	(15.8)	11.9	(3.6)	(0.2)	37.0	2.7	0.4	2.2
North Carolina	280,110	8.7	17.1	6.5	9.5	1.7	2.3	54.3	4.8	19.8	39.3	61.3	2.7	0.4	26.3
North Dakota	14,712	41.0	18.4	6.5	11.9	1.5	1.6	19.2	6.7	7.8	18.1	52.5	2.7	0.4	11.8
Ohio	446,696	18.4	19.1	6.5	12.3	1.6	1.0	41.2	7.1	15.6	32.7	50.3	2.7	0.4	18.7
Oklahoma	129,142	45.5	28.9	6.5	10.9	1.9	2.4	4.0	5.3	2.2	7.0	59.7	2.7	0.4	6.5
Oregon	116,274	13.2	19.7	6.5	7.2	1.1	0.8	51.5	5.1	18.9	37.8	59.3	2.7	0.4	24.6
Pennsylvania	722,277	44.0	26.7	6.5	7.2	1.7	1.0	13.0	7.4	5.7	14.6	49.7	2.7	0.4	9.5
Rhode Island	45,247	60.5	25.3	6.5	10.8	1.8	2.0	(6.9)	14.0	(0.2)	7.3	33.0	2.7	0.4	4.7
South Carolina	51,386	79.9	39.0	6.5	11.7	3.9	1.5	(42.5)	6.0	(13.9)	(22.6)	53.8	2.7	0.4	(9.8)
South Dakota	22,302	10.3	18.6	6.5	14.0	2.2	2.9	45.6	5.5	16.8	34.2	57.9	2.7	0.4	22.1
Tennessee	304,645	32.5	31.3	6.5	6.0	0.7	0.6	22.4	8.5	9.2	21.7	45.9	2.7	0.4	12.2

State	Percent of Direct Premiums Earned										Percent of Net Worth				
	Direct Premiums Earned (000s)	Losses Incurred	Loss Adjust Expense	General Expense	Selling Expense	Taxes License Fees	Div to Plcyhldr	Und Profit	Gain on Ins Trans	Tax on Trans	Profit on Ins Trans	Earned Prem to Net Worth	Inv Gain on Net Worth	Tax on Inv Gain on Net Worth	Return on Net Worth
Texas	374,304	7.6	12.1	6.5	12.6	1.3	0.6	59.3	7.1	21.9	44.5	50.0	2.7	0.4	24.5
Utah	72,597	39.2	41.1	6.5	6.6	2.3	0.7	3.6	6.9	2.4	8.1	52.5	2.7	0.4	6.5
Vermont	27,062	88.9	20.4	6.5	10.0	(0.8)	1.4	(26.4)	5.6	(8.3)	(12.4)	57.0	2.7	0.4	(4.8)
Virginia	271,536	27.7	16.1	6.5	11.1	2.0	1.2	35.6	4.9	13.2	27.2	60.7	2.7	0.4	18.8
Washington	219,089	39.1	21.7	6.5	8.8	1.7	3.2	19.1	5.3	7.5	16.9	59.3	2.7	0.4	12.3
West Virginia	80,252	3.9	27.4	6.5	11.4	3.4	0.4	47.1	10.7	18.2	39.6	39.0	2.7	0.4	17.7
Wisconsin	114,066	(0.7)	20.4	6.5	9.7	1.0	0.5	62.7	7.3	23.1	46.9	50.1	2.7	0.4	25.7
Wyoming	25,956	50.9	10.4	6.5	14.5	2.0	1.8	13.9	3.0	5.4	11.6	74.2	2.7	0.4	10.9
Guam	675	(14.2)	(29.8)	6.5	(2.9)	3.2	0.1	137.3	4.1	48.7	92.7	62.7	2.5	0.4	60.2
Puerto Rico	62,733	(8.2)	22.7	6.5	9.6	0.5	0.0	68.8	6.8	25.2	50.5	51.3	2.7	0.4	28.2
U.S. Virgin Islands	51	(194.6)	64.4	6.5	18.9	4.9	3.2	196.7	12.2	70.8	138.1	34.9	2.8	0.5	50.5
Countrywide	11,366,690	34.8	23.2	6.5	9.4	1.9	2.1	22.1	7.7	9.0	20.9	48.2	2.7	0.4	12.3
														Median	14.5
														Average	16.5