Beazley Analysis Shows Increase in Severity for Largest Hospital Professional Liability Claims

43% of largest claims relate to obstetric procedures

Chicago, October, 2013

Research undertaken by Beazley, a leading insurer of hospital professional liability risks that maintains a claims database covering 38% of US hospital beds, shows a 7.7% increase in average claims severity between 2011 and 2012, continuing an upward trend that began in 2006 (see Figure 1 below). The trend is heavily influenced by the growth of large claims costing $2 million or more. Alarmingly, claims severity is increasing faster in states that have passed some measures of tort law reform.

**Figure 1: Average Severity for Closed Claims with Indemnity**

Beazley’s study defines tort reform states as states that have imposed a cap on either non-economic damages or on overall damages. These states continue to register large scale claims at a lower rate than states that have not enacted tort law reform. But the gap is narrowing (see Figure 2 below).

**Figure 2: Average Severity for Closed Claims with Indemnity**
The deterioration among tort reform states is particularly marked in Maryland, where average closed claims severity rose from $423,000 in 2006 to $750,000 in 2012.

Beazley’s actuarial findings are corroborated by its claims handling experience in Maryland and elsewhere, with the company’s claims professionals reporting new tactics from plaintiffs’ attorneys. Steve Chang, head of Beazley’s healthcare claims team, said: “Where non-economic damages are capped, plaintiffs’ attorneys are pushing for inflated economic damages in the form of very large life care plans. Additionally, plaintiffs’ attorneys have shifted focus to high severity cases, driven by catastrophic injuries and the potential for large awards, in lieu of pursuing high volumes of relatively low value cases.”

**Obstetrics claims comprise almost half of largest claims**

Beazley’s findings reveal that obstetrics claims account for a large proportion of the most expensive claims: 36% of claims greater than $2 million and 43% of claims greater than $5 million. Not only have the incurred costs of obstetric claims steadily increased over time, but their rate of increase has significantly outpaced the rate of increase for non-obstetric claims.

Nat Cross, head of Beazley’s healthcare professional liability team, said: “In addition to the high financial cost, an obstetrics claim will typically exact a huge emotional toll on everyone involved. Risk management is not a perfect science, but we do believe that insurers can play a positive role in reducing the incidence and severity of claims by promoting ever improving quality and patient safety standards.”

Click here to access the complete research on large HPL claims.

---

Note to editors:
Beazley’s findings are published in Aon Risk Solution’s 2013 Hospital and Physician Professional Liability Benchmark Analysis report.

Beazley plc (BEZ.L), is the parent company of specialist insurance businesses with operations in Europe, the US, Asia and Australia. Beazley manages five Lloyd’s syndicates and, in 2012, underwrote gross premiums worldwide of $1,895.9m.

With underwriters in London, Chicago, and San Francisco, Beazley’s substantial and growing healthcare practice currently serves five of the top ten Honor Roll hospitals and six of the top ten pediatric hospitals as listed by US News and World Report, in addition to 24% of HealthGrade’s top hospitals (2012 rankings).

Beazley’s underwriters in the United States focus on writing a range of specialist insurance products. In the admitted market, coverage is provided by Beazley Insurance Company, Inc., an A.M. Best A rated carrier licensed in all 50 states. In the surplus lines market, coverage is provided by the Beazley syndicates at Lloyd’s.

For more information please go to: www.beazley.com