

Press Release

Hospital Professional Liability Claims Severity Continues Relentless Rise

Tort Reform Proponents on Defensive

Anaheim, CA, October 27, 2014

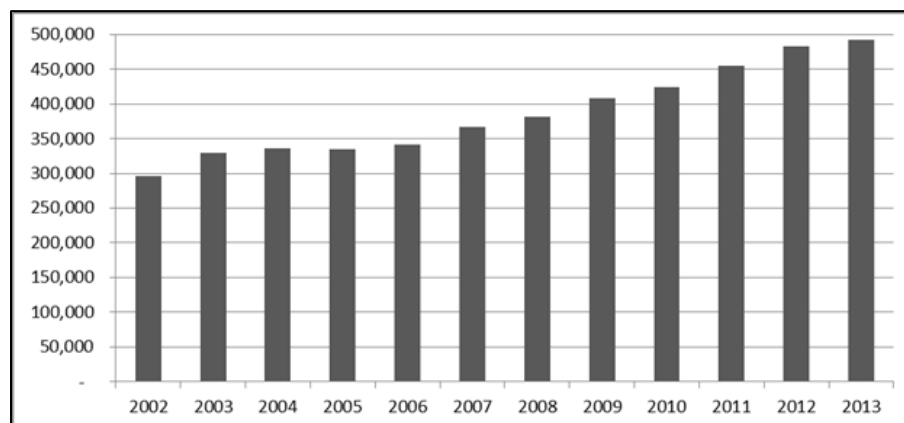
The severity of hospital professional liability claims rose for the eighth consecutive year in 2013, according to new research by Beazley, a leading insurer of hospital professional liability (HPL) risks that maintains a claims database covering 39% of US hospital beds. The finding comes as fears grow that more states may soon join Missouri and Florida in rolling back tort reform measures that have, to some extent, restrained the cost of the largest claims.

Beazley confirmed at the American Society for Healthcare Risk Management (ASHRM) annual conference in Anaheim, California that the cost of the average HPL claim rose 2% in 2013 to \$492,000. This was a slower rate of growth than the previous year, when the average claim cost rose by 6%. The proportion of claims exceeding \$2 million has increased by 14% in the last five years and now represents 28% of all the claims with indemnity recorded on the Beazley claims database.

The concern for many hospitals will be that the signature achievement of tort reform – the imposition of tight caps on non-economic damages – is under attack in many states. In Missouri and Florida, the caps have been significantly weakened following successful legal challenges. In Mississippi a similar challenge was rebuffed earlier this year. And in California a referendum due to be held in November could repeal the 39 year old Medical Injury Compensation Reform Act, raising the cap for non-economic damages from \$250,000 to over \$1 million and indexing it to inflation thereafter.

"In recent years, we have seen some convergence between the severity of claims in states that have enacted tort reform and those that haven't," said Steve Chang, team leader for healthcare claims at Beazley. "That doesn't mean to say, however, that tort reform has had no impact on the severity of claims. In 2013, the average severity of closed claims in tort reform states was \$71,000 lower than in states that had enacted no such measures. If California takes the same path as Missouri and Florida, it is likely that severity will increase."

Average cost of closed claims with indemnity, 2002 - 2013



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The largest driver of medical malpractice claims costs continues to be obstetrics cases. According to Beazley's data, obstetrics claims account for 36% of claims greater than \$2 million and 43% of claims greater than \$5 million. It is therefore encouraging that some states, led by New York, are pursuing the creation of medical indemnity funds – sometimes known as birth injury funds – to cover the future medical costs of neurologically impaired newborns.

"Birth injury funds are a welcome development," said Mr Chang. "They provide additional funding to hospitals to cover the heavy costs of health treatment for newborns injured at birth throughout their lives. In so doing they should help bring down the cost of medical malpractice insurance, to which soaring obstetrics claims have been a major contributor."

Steve Chang can be seen discussing hospital med mal claims trends on a new video, [*From Hippocrates to HIPAA: The Changing Face of Healthcare Risk*](#).

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Note to editors:

As in the past four years, Beazley has partnered with Aon at ASHRM to expand Aon's analysis on claims trends from the perspective of an excess insurer. The data contained in this release form part of that contribution. This year, Beazley's section of the Aon report focuses on high severity jurisdictions, trends on larger claims, time taken to report claims, and expense trends.

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 2013, underwrote gross premiums of \$1,970.2 million. All Lloyd's Syndicates are rated A (Excellent) by A.M. Best and also benefit from the Lloyd's chain of security.

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