

2015 Medical Malpractice Annual Report

Claims closed from Jan. 1, 2010 through Dec. 31, 2014

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Rates and Forms Division

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About this report

Early in the last decade, a “hard market” emerged nationally for most types of insurance. During this period, medical professional liability 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 professional liability insurance. This law also created reporting requirements for medical malpractice claims that are resolved and closed, with the intent to collect data to support policy decisions. The OIC began publishing [annual reports](#) summarizing the data in 2010.

This is the sixth annual report. It includes a snapshot of the medical malpractice marketplace and summary closed claim and settlement data.

This report has three sections:

1. The current condition of the medical professional liability insurance market.
2. Summarized closed claim data reported by insurers, risk retention groups and self-insurers.¹
3. Summarized lawsuit-resolution data reported by attorneys.

¹ For simplicity, we will use the term “insurers” when referring to admitted insurers, surplus lines insurers and risk retention groups.

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Key statistics

About the medical professional liability insurance market

- Losses are increasing. After moderate increases in 2013, both losses and defense costs jumped sharply in 2014 by 40 percent from the prior year. The pure loss ratio² reached 68.9 percent, the highest number since 2002.
- Annual written premiums continue to decline, dropping by \$25 million over the last two years to \$176 million in 2014.
- Lower claim reserves have fueled profitability since 2007. Insurers have lowered reserves for older claims, leading to lower incurred loss and defense costs in recent years.³ For example, Physicians Insurance has lowered reserves by \$190 million over its original estimates. Reserves released from prior years translate into profit for the current year.
- Profitability remains strong. From 2011 through 2014, operating ratios for Physicians Insurance, the admitted insurer with the largest market share in Washington, have been between 85 and 90 percent.⁴
- Medical professional liability rates are stable or declining for physicians and surgeons. Medical Protective Company reduced its rates by 7.6 percent for policies effective in 2015. Washington Casualty Company filed a 10.4 percent rate reduction in 2014. Physicians Insurance, Washington's largest provider of medical professional liability insurance for physicians and surgeons, has not changed its rates since 2009, when it reduced rates by 10 percent. The Doctors Company reduced its rates by 5.1 percent in 2011, 6.6 percent in 2012, and 2.8 percent on April 1, 2013.

² 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 part of the cost to resolve claims.

³ Claim reserves are money set aside to meet future payments associated with claims incurred but not settled on a given date. If a claim reserve is too high or an investigation shows there is no legal responsibility to pay the claim, the insurer either lowers the reserve or removes the claim reserve from its books. If an insurer lowers total claim reserves for past years, incurred losses are lower in the current year.

⁴ Operating ratios measure overall profitability from underwriting and investment activities. Operating ratios are calculated using countrywide data.

About verdicts

Information submitted by insurers and self-insurers cannot be directly compared to lawsuit data submitted by attorneys. Insurers and self-insurers report data separately for each defendant, while attorneys submit one final settlement report that includes payments made by all defendants. In spite of these differences, some information reported by both groups about lawsuits is comparable.

- Over the five-year period ending December 31, 2014:
 - Insurers and self-insurers paid \$24 million to plaintiffs when a lawsuit led to a plaintiff verdict or judgment. Judgments and verdicts were few in number. Of the 26 plaintiff verdicts or judgments, 21 had a payment⁵ averaging \$1.1 million.
 - Attorneys reported that defendants paid \$19.3 million to plaintiffs when a lawsuit led to a plaintiff verdict or judgment. Judgments and verdicts were few in number, only 10, and resulted in an average payment of \$2.4 million.⁶
- Most claims resolved by the courts end in favor of the defendant. Insurers and self-insurers reported that 175 claims were resolved by the courts in their favor in 2014, compared to 164 per year on average for the previous four years.
- Defending lawsuits is costly to insurers and self-insurers. Both groups spent \$56.8 million defending lawsuits in which they ultimately prevailed—more than twice the total indemnity payments for plaintiff judgments or verdicts.

⁵ In cases where a lawsuit has more than one defendant, some defendants may not be responsible to compensate the claimant.

⁶ These data suggest that lawsuits that get to the trial stage often have more than one defendant, and the compensation to the plaintiff is higher than the average indemnity payment reported by insurers and self-insurers.

About claim data submitted by insurers and self-insurers

Total claims: Insurers and self-insurers reported closing 5,488 claims between 2010 and 2014 with an indemnity payment, defense costs, or both types of payments.^{7 8} Commercial insurers reported 3,272 claims, self-insured entities reported 1,956 claims, and risk retention groups reported 260 claims.⁹

Payments to claimants: Insurers and self-insurers paid \$566.5 million on 2,619 claims over the five-year period, or \$216,310 per paid claim.

- Average indemnity payments over the five-year period varied, from a low of \$169,887 in 2012 to a high of \$265,219 in 2014. Median indemnity payments were \$50,000 in 2010, 2011 and 2013, but dropped to \$27,600 in 2012 and increased to \$72,588 in 2014.
- Economic loss payments totaled \$306.4 million, an average of \$116,778 per paid claim. On average, insurers and self-insurers attributed 54.1 percent of each claim payment to economic loss.
- Insurers and self-insurers closed 47.7 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 the claims closed with an indemnity payment, 3.1 percent closed with a payment of \$1 million or more. These claims account for 48.2 percent of total paid indemnity over the five-year period.

Defense costs: Insurers and self-insurers paid \$214.2 million to defend 4,934 claims, an average of \$43,411 per claim. Average defense costs varied by year from \$37,193 in 2010 to \$49,751 in 2012.

Method of settlement: Insurers and self-insurers settled most claims with paid indemnity by negotiation between the claimant and the insurer. For claims with an indemnity payment, insurers and self-insurers settled:

- 75.4 percent of claims by negotiation, and these settlements comprised 58.8 percent of the total paid indemnity.
- 18.5 percent of claims by alternative dispute resolution (arbitration, mediation, or private trial). These settlements comprised 36.7 percent of the total paid indemnity over the five-year period.

⁷ This report includes claims data reported and edited through May 6, 2015.

⁸ 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 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.

⁹ Commercial insurers include both admitted and surplus lines insurers.

Payments by type of medical provider: The insurer or self-insurer identified the type of medical provider in 81.8 percent of the closed claim reports.¹⁰ Claimants made the remaining claims against an organization, not an individual medical provider.

- Nursing resulted in the most closed claims at 667. Of these claims, 467 resulted in paid indemnity, averaging \$123,919. Median paid indemnity was \$20,000.
- For physician specialties, general/family practice had the most claims at 318, with 115 resulting in paid indemnity averaging \$248,736. Median paid indemnity was \$100,000. Pediatrics had the highest average paid indemnity of \$908,133, with median paid indemnity of \$362,500.

Payments and defense costs by age of claim:

- The amount paid to claimants increased with the age of the claim. Of the 2,619 claims closed with an indemnity payment, the 864 claims closed within one year after report date had average paid indemnity of \$49,895. That figure rose to \$262,233 for 721 claims closed in the second year. The 40 claims with an indemnity payment that closed six or more years after report date had average paid indemnity of \$583,016.
- The amount paid for defense costs also increased with the age of the claim. For the 1,499 claims with defense costs closed within one year after report date, average defense costs were \$5,548. That figure rose to \$27,617 for 1,636 claims that closed in the second year. The 70 claims with defense costs that closed six or more years after report date had an average defense cost of \$263,189.

Regional comparisons: Just under one-third of the claims, or 1,762, were in King County. Of these, 50.3 percent resulted in indemnity payments totaling \$227.9 million, an average of \$257,191 per claim.

Allegations:

- Improper performance was the most common allegation with 1,054 claims and 541 indemnity payments that averaged \$144,962.
- Vicarious liability was the second-most common allegation with 675 claims and 248 indemnity payments that averaged \$232,370.

¹⁰ Physician specialties, dental specialties and other types of medical providers.

About lawsuits filed and settled by attorneys

If an attorney files a lawsuit to resolve a medical incident, he or she should report data about the lawsuit to the Office of the Insurance Commissioner (OIC) once the litigation is resolved. For settlements resolved between 2010 and 2014:

Compensation to claimants: Attorneys reported that claimants received total compensation of \$317.9 million on 336 claims, or \$946,115 per settlement. Attorney fees were \$113.5 million, an average of \$337,977 per settlement with an indemnity payment. On average, the attorney fees were 35.7 percent of the total compensation paid to the claimant.

How lawsuits settled: When an indemnity payment was made, 48.8 percent of lawsuits were settled in mediation. Mediated settlements had an average indemnity payment of \$1,111,899 and an average legal fee of \$454,651. Only eight lawsuits were reported as resolved by jury verdicts in favor of the plaintiff. These verdicts resulted in total paid indemnity of \$19.3 million, an average of \$2.4 million per case.

Regional comparisons: The largest number of lawsuits were filed in King County, with 148 lawsuits, or 42.8 percent of the statewide total. Average paid indemnity in King County was \$1.1 million, but was higher in Snohomish County at \$1.3 million and Spokane County with \$1.4 million.

Settlement by age of claimant: The most expensive settlements involved newborns and infants. In these cases, the average settlement was \$3.6 million and the average legal expense was \$1.4 million.

Introduction

Under [chapter 48.140 RCW](#), insurers, risk retention groups (collectively “insurers”) and self-insurers must submit a report to the OIC every time they close a medical malpractice claim.¹¹ 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. This report includes data submitted by insurers, self-insurers and attorneys in summary form that protects the confidentiality of people and organizations involved in the claim or settlement process.¹²

Insurers, self-insurers and attorneys must report claim data for the prior year to the OIC by March 1 of each year.¹³ Attorneys’ compliance with the reporting law has been low, and the OIC does not have enforcement mechanisms to improve compliance.¹⁴ As a result, this report provides very few summary exhibits for settlement data reported by attorneys, since the OIC cannot draw conclusions from incomplete data. Most of the exhibits in this report focus on data reported by insurers and self-insurers.¹⁵

This report has three sections:

1) Market analysis

This section is an overview of the medical professional liability insurance market in Washington and around the country that includes:

- An analysis of the profitability of the largest authorized medical malpractice insurers in Washington.
- Information about medical malpractice rate changes approved last year.
- Information about incurred losses and defense costs for medical professional liability insurance.

¹¹ 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 are in similar or related business or activities. The federal act allows one state to charter an RRG and allows the RRG to engage in the business of insurance in all states. The federal act pre-empts state law in many significant ways. See [RCW 49.92.030\(1\)](#). For simplicity, and to protect confidentiality of data, we include them with all other insurers in this report.

¹² [RCW 48.140.040\(3\)](#) says the OIC must take steps to protect the confidentiality of claim data, and [RCW 48.140.060](#) required the OIC to adopt rules to achieve this result.

¹³ See [RCW 48.140.020\(2\)](#) and [WAC 284-24E-090](#).

¹⁴ In 2010, the OIC proposed legislation, which the Legislature did not enact, that would have added enforcement mechanisms to the existing law. These bills were introduced as [SB 6412](#) and [HB 2963](#).

¹⁵ [RCW 48.140.050](#) lists information that must be provided by this report.

2) Closed claim statistics reported by insurers, risk retention groups and self-insurers

Insurers and self-insurers report claims they close with an indemnity payment and/or defense costs.^{16 17} Each closed claim report is associated with one defendant.¹⁸

People make medical malpractice claims for a variety of reasons, or “allegations.” People can make allegations against an organization, such as a hospital, against a medical provider, or both.

Insurers and self-insurers reported three primary types of closed claim data:

1. **Defense costs:** These are expenses paid to defend claims, 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.¹⁹
2. **Economic damages:** Most of these amounts are estimates of the claimant’s economic damages made by the insurer or self-insurer when it makes a payment to settle the claim.²⁰ In a few cases, a court itemized economic damages when it issued a verdict, and these amounts are included in the totals.
3. **Paid indemnity:** The amount the insurer or self-insurer paid to the claimant to resolve the claim.

¹⁶ [RCW 48.140.010](#)(1) defines a claim.

¹⁷ Under [WAC 284-24D-060](#), if an insurer or self-insurer closes a claim without an indemnity payment or defense costs, it is not required to report the claim to the OIC.

¹⁸ [RCW 48.140.010](#)(3) defines a closed claim.

¹⁹ See [WAC 284-24D-020](#)(1), [WAC 284-24D-330](#) and [WAC 284-24D-340](#).

²⁰ 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](#).

3) Lawsuit statistics reported by attorneys

If an attorney files a lawsuit alleging medical malpractice, the attorney must report data after the lawsuit is resolved. Many attorneys, however, do not comply with RCW 7.70.140, so data in this report are incomplete. The OIC cannot draw conclusions from incomplete data, so the section of the report containing lawsuit resolution data submitted by attorneys is not as detailed as the closed claim section.

Attorneys report two primary types of settlement data:

1. **Total paid indemnity:** Total compensation paid by all defendants to the claimant as the result of the lawsuit. Indemnity payments may come from several defendants if a lawsuit named more than one party.²¹
2. **Legal expenses:** All sums paid by the claimant to the attorney, including attorney fees, expert witness fees, court costs, and all other legal expenses.^{22 23}

Closed claim and lawsuit statistics are different

One cannot compare data reported by insurers and self-insurers to the data reported by attorneys because insurers and self-insurers report:

- All closed claims if the insurer or self-insurer makes payments or incurs expenses to defend the claim. Attorneys report data only if they filed a lawsuit against one or more defendants.
- Data separately for each defendant. Attorneys submit one final settlement report that includes payments made by all defendants they sued.

Example: If an attorney sues several medical providers for their actions related to an incident with a poor medical outcome, some providers may resolve the litigation early, while others may be involved in the dispute resolution process for years. Insurers and self-insurers report claims as they resolve the claims against their customers, while an attorney waits until claims against all defendants are resolved to report the settlement.

One final reason the OIC cannot make comparisons: Insurers, self-insurers and risk retention groups have been much more diligent in reporting closed claim data.

²¹ [WAC 284-24E-150](#).

²² Attorney fees for legal representation are generally contingent fees that are payable if indemnity payments are made by one or more defendants.

²³ [RCW 7.70.140\(2\)\(b\)\(v\)](#).

Snapshot of the medical professional liability insurance market

This section of the report provides an overview of the medical malpractice market in Washington primarily using calendar year premium and loss data obtained from the National Association of Insurance Commissioners (NAIC).

Market participants

The medical professional liability insurance market has three primary participants:

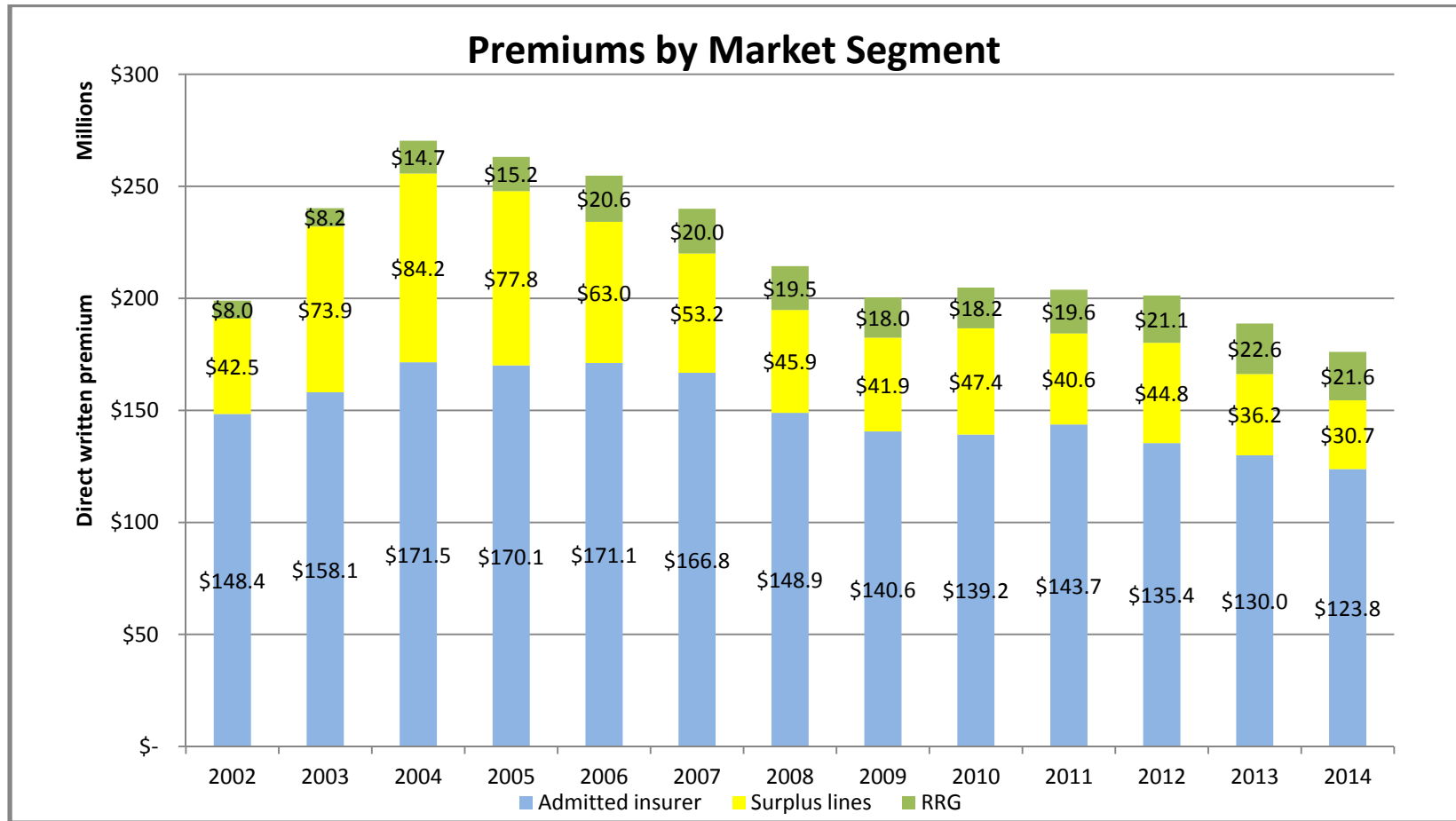
- Admitted insurers regulated by the OIC.
- Unregulated surplus lines insurers.
- Risk retention groups regulated by their home state.

In 2000, admitted insurers wrote 95.4 percent of medical professional liability insurance premiums in Washington. Physicians Insurance Group led the market with 52.7 percent of the admitted market share and 50.3 percent of total market share.²⁴ By 2014, the admitted market wrote only 70.3 percent of premium, and the remainder of the market belonged to surplus lines insurers and risk retention groups. Physicians Insurance still had about half of the admitted market share at 50.7 percent, but its share of the overall market was much lower at 35.6 percent.

The market for medical professional liability insurance is changing. In the hard market of the early 2000s, many physicians absorbed double-digit premium increases, and many sought relief by becoming hospital employees. Physician groups are consolidating into larger entities, further limiting new and renewal business opportunities for insurers. In response to changing market conditions, Physicians Insurance filed a new program for hospitals and employed physicians in 2011, reflecting the company's need to expand its product offerings in the face of continued movement of physicians from independent practice to employment with hospitals or in large physician groups.

²⁴ 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 distribution of written premiums for each segment of the medical professional liability insurance market. After steady declines beginning in 2005, total premiums were fairly stable from 2009 through 2012, before declining again in 2013 and 2014.

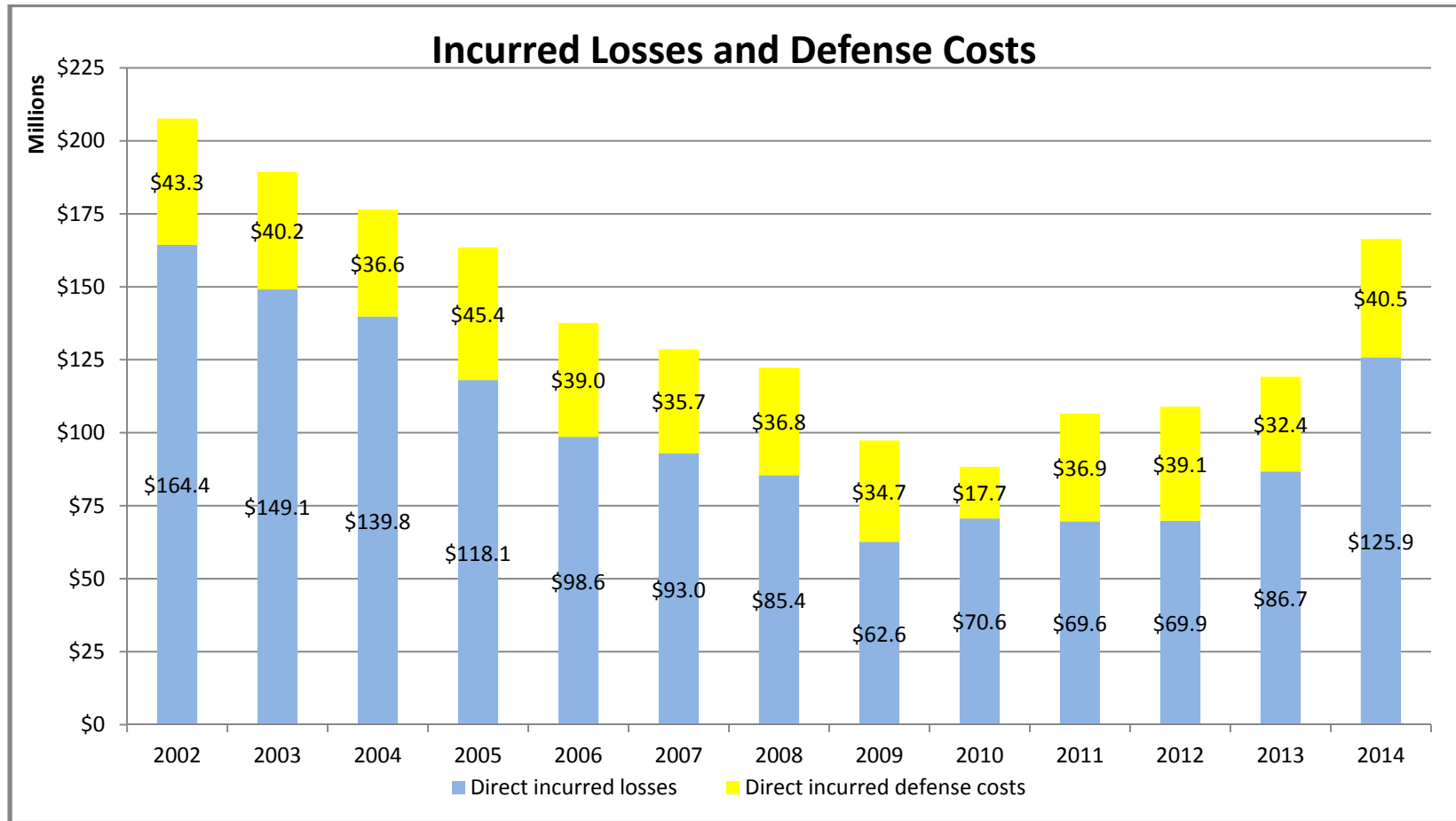


Loss history

The overall loss and defense cost ratio for medical professional liability insurance in Washington increased dramatically in 2014, due to large increases in both losses and defense costs, compounded by continued decreases in premiums. The 91.1 percent loss and defense cost ratio for 2014, while still moderately profitable, represents the fourth year-over-year increase in a row, and is much higher than any of the previous 10 years. The following table shows data 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	Incurred loss & defense cost ratio
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%
2010	\$204,786,151	\$199,165,328	\$70,634,175	35.5%	\$17,701,695	\$88,335,870	44.4%
2011	\$203,869,400	\$201,195,699	\$69,646,648	34.6%	\$36,923,847	\$106,570,495	53.0%
2012	\$201,288,240	\$193,926,182	\$69,871,999	36.0%	\$39,070,682	\$108,942,681	56.2%
2013	\$188,761,301	\$187,007,042	\$86,745,683	46.4%	\$32,432,507	\$119,178,190	63.7%
2014	\$176,091,879	\$182,705,913	\$125,854,675	68.9%	\$40,501,079	\$166,355,754	91.1%

This chart shows statewide industry incurred losses and defense costs by calendar year. Incurred losses and defense costs bottomed out in 2010. After three years of relatively gradual increases, incurred losses and defense costs jumped significantly in 2014.



Lower claim reserves

Data reported to the NAIC by Physicians Insurance and The Doctors Company show generally favorable loss development trends. Loss development is the change in the estimated cost of a particular group of claims between the beginning and end of a period in time. Favorable development means that later estimates of losses and defense costs were lower than the earlier estimates.²⁵

Reserves released from prior years translate into profit for the current year, and favorable reserve development generally results in lower insurance rates over time. Appendix C shows a summary of the medical professional liability rate filings filed recently with the OIC. Both Medical Protective Company and Washington Casualty Company filed rate decreases in the last year.

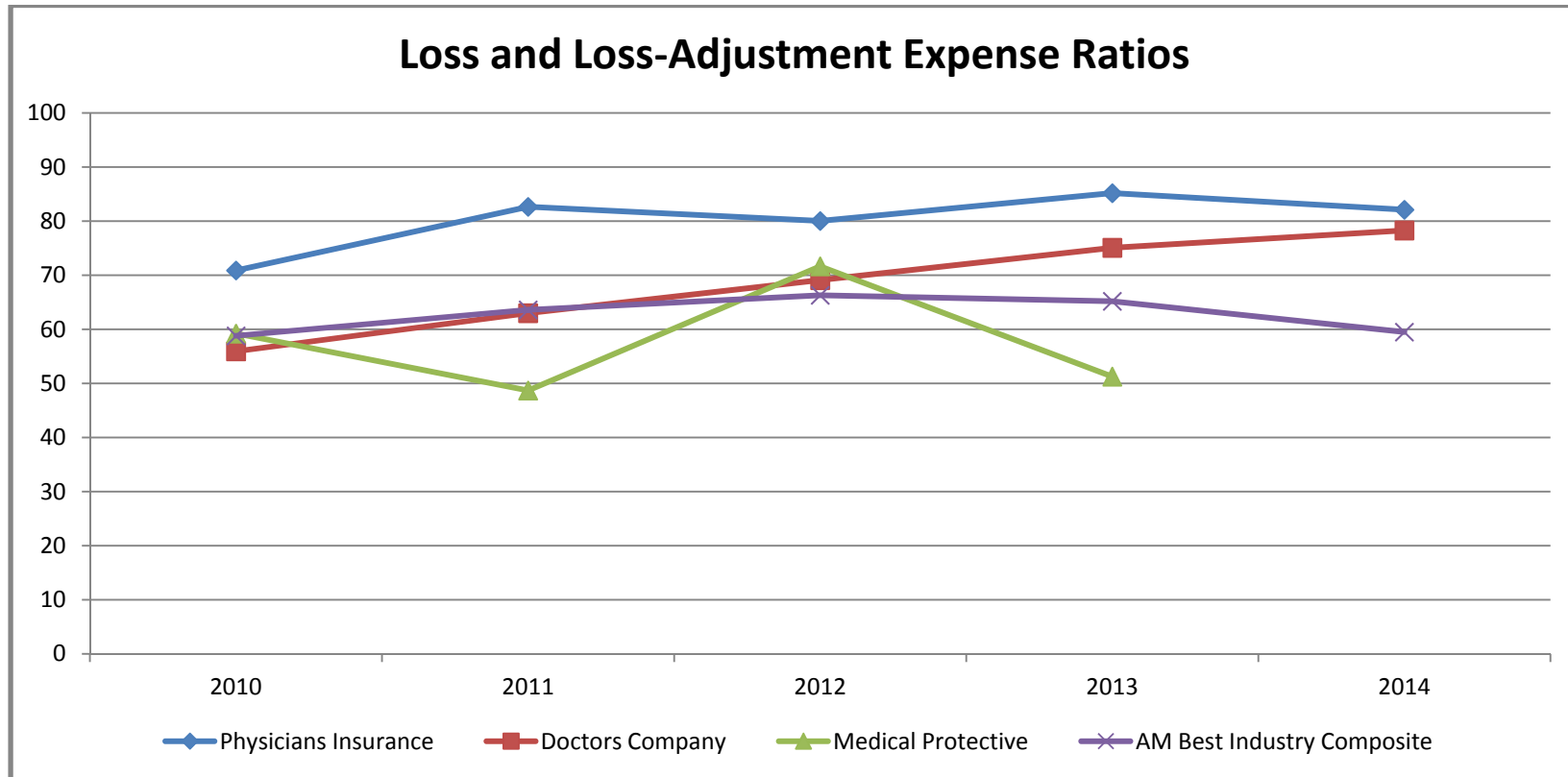
The first page of Appendix B shows data from Physicians Insurance's 2014 annual statement.²⁶ This table shows the change in incurred loss and defense cost reserves over time. Overall, Physicians Insurance has had very favorable incurred loss development. Two-year development was (\$28.9) million, and cumulative development over the entire period was (\$189.6) million. The loss development for 2013 losses was particularly large, with Physicians Insurance reducing its estimate by \$8.9 million, a substantial amount compared to the original estimate of \$65.6 million. Physicians Insurance has returned some of these profits to policyholders in the form of dividends totaling \$35.4 million from 2008 to 2014.

Appendix B also shows development for The Doctors Company, which is one of the top writers of medical professional liability insurance in the United States, with \$680.1 million in direct written premium in 2014. Loss development has been generally favorable for The Doctors Company, but the one-year development for 2013 losses was slightly unfavorable, with an increase of \$399,000, about 0.1 percent of the company's original estimate of \$478.9 million for that year. Total development over the entire period was highly favorable at (\$740.3) million. Only 2.7 percent of The Doctors Company written premiums come from Washington, so much of the reserve development is the result of lower estimates in other states.

²⁵ Insurers compile the first estimate of incurred losses three months after the end of the year. Medical malpractice claims often take a long time to resolve and the first estimate of incurred losses may be very inaccurate and subject to revisions in later years. There will be changes to total incurred losses from one period to the next, as more claims are paid and the insurer revises reserves for other claims using new information. "Loss development" is the technical term for the change in incurred losses from period to period.

²⁶ 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.

This chart compares loss and defense cost ratios for Physicians Insurance, The Doctors Company, and Medical Protective²⁷ to industry-wide data obtained from A.M. Best.²⁸ Loss ratios for Physicians Insurance continue to be higher than for the market overall.



²⁷ The 2014 data point is missing for Medical Protective Company because net premium and loss data for the company were distorted in 2014 by loss portfolio transfer agreements between Medical Protective and its affiliates.

²⁸ Best's Special Report – U.S. Medical Professional Liability Segment Review, April 30, 2015. Current and historical results represent all companies that have filed with A.M. Best as of April 14, 2015, or approximately 99 percent of the total composite.

Washington market in 2013

Physicians Insurance Company dominates the admitted medical professional liability insurance market in Washington. The Doctors Company and Medical Protective are important participants in the market due both to premium volume and their strong position in the national medical professional liability marketplace. Results for Physicians Insurance are the best indicator of the profitability of medical professional liability insurance sold to physicians in this state. Data from the Doctors Company and Medical Protective provide a snapshot of the overall profitability of medical professional liability insurance nationwide.

Insurer	2014 direct written premiums (millions)		
	Washington	Nationwide	WA % of nationwide
Physicians Insurance	\$62.7	\$73.6	85.2%
The Doctors Company	\$18.4	\$680.1	2.7%
Washington Casualty Company	\$10.4	\$13.6	76.7%
Medical Protective Company	\$7.9	\$570.3	1.4%

Admitted insurer	Washington direct written premiums (millions)	Admitted market share
Physicians Insurance	\$62.7	50.7%
The Doctors Company	\$18.4	14.9%
Washington Casualty Company	\$10.4	8.4%
Medical Protective Company	\$7.9	6.4%
Northwest Dentists Insurance Company	\$5.0	4.0%
American Casualty Company of Reading, PA	\$4.0	3.3%
NCMIC Insurance Company	\$2.5	2.0%
Continental Casualty Company	\$2.2	1.8%
All other admitted insurers	\$10.6	8.6%
Total	\$123.8	100.0%

The national market in 2014

Appendix A shows the profitability for these insurers for the 10-year period ending December 31, 2014 using two ratios:

- The operating ratio, which is the combined ratio minus the net investment income ratio.^{29 30}
- The combined ratio, which is the sum of the expense ratio, loss ratio, and dividend ratio.^{31 32 33}

This table summarizes overall profitability by operating ratios.³⁴ Operating ratios for Physicians Insurance were very low from 2007 through 2010, but increased to higher but still profitable levels in the last four years. The higher operating ratio for The Doctors Company in 2014 was due in large part to losses in the company's portfolio of common stock of its affiliates.

Year	Operating ratio		
	Physicians Insurance	Doctors Company	Medical Protective
2005	82.1%	72.3%	
2006	74.9%	68.3%	71.6%
2007	48.5%	62.9%	79.2%
2008	53.3%	48.5%	68.8%
2009	69.3%	69.6%	65.8%
2010	74.1%	51.4%	51.9%
2011	86.2%	63.1%	41.9%
2012	86.2%	77.9%	65.8%
2013	89.7%	86.6%	42.6%
2014	85.7%	101.7%	

²⁹ The operating ratio measures a company's overall operational profitability from underwriting and investment activities. If an operating ratio is below 100, the company is making a profit from its underwriting and investment activities.

³⁰ The net investment income ratio is calculated by dividing net investment income by net earned premiums.

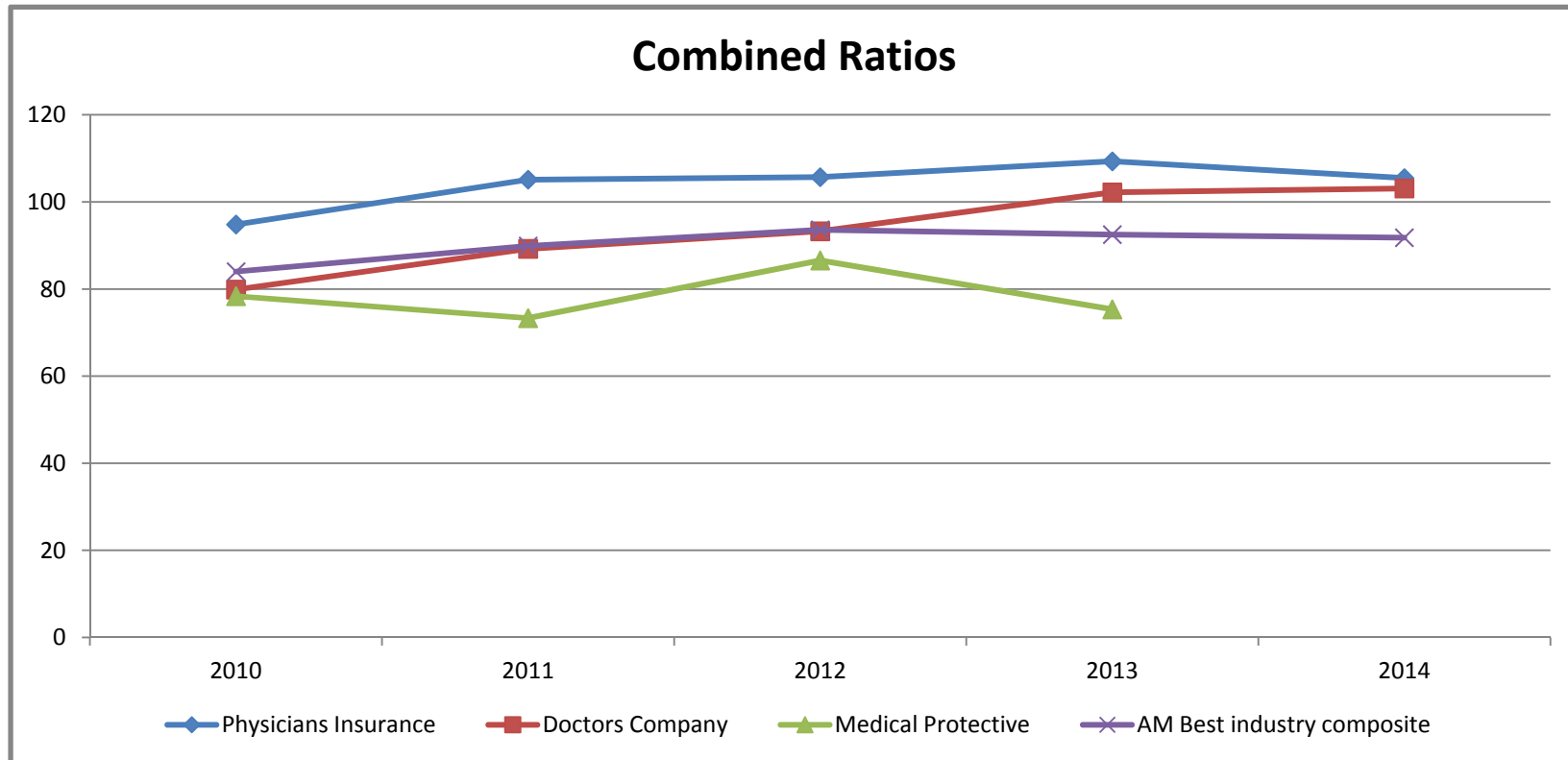
³¹ The expense ratio is calculated by dividing incurred underwriting expenses by net written premiums.

³² The loss ratio is calculated by dividing losses and defense costs by net earned premiums.

³³ The dividend ratio is calculated by dividing policyholder dividends by net earned premiums.

³⁴ Acquisition by Berkshire Hathaway distorted the 2005 operating ratio of the Medical Protective Company. Loss portfolio transfers between Medical Protective and its affiliates distorted its 2014 operating ratio. As a result, we only provide operating ratios for calendar years 2006-2013. Refer to Appendix A.

This chart compares combined ratios from Physicians Insurance, The Doctors Company, and Medical Protective to cumulative data obtained from A.M. Best.^{35 36}



³⁵ Best's Special Report – U.S. Medical Professional Liability Segment Review, April 30, 2015. Current and historical results represent all companies that have filed with A.M. Best as of April 14, 2015, or approximately 99 percent of the total composite.

³⁶ The combined ratio measures how well an insurance company is performing in its daily operations. A ratio below 100 percent means the company is making an underwriting profit. A company can make an operating profit if the combined ratio is above 100%, because the ratio does not include investment income.

Information about medical malpractice claims

	Year closed					Five-year total
	2010	2011	2012	2013	2014	
Total claims closed	928	1,206	1,183	1,133	1,038	5,488
Number of indemnity payments	459	535	613	545	467	2,619
Total paid indemnity	\$97,728,452	\$115,202,580	\$104,140,627	\$125,586,308	\$123,857,297	\$566,515,264
Average indemnity payment	\$212,916	\$215,332	\$169,887	\$230,434	\$265,219	\$216,310
Median indemnity payment	\$50,000	\$50,000	\$27,600	\$50,000	\$72,588	\$50,000
Total economic loss	\$51,270,280	\$52,361,868	\$55,176,465	\$69,974,173	\$77,643,041	\$306,425,827
Average economic loss	\$111,700	\$97,873	\$90,011	\$128,393	\$166,259	\$117,001
Median economic loss	\$29,800	\$25,000	\$22,500	\$25,000	\$25,192	\$25,000
Number of claims with defense costs	790	1,065	908	1,133	1,038	4,934
Total defense costs	\$29,382,154	\$43,058,358	\$45,173,651	\$45,028,516	\$51,546,983	\$214,189,662
Average defense cost	\$37,193	\$40,430	\$49,751	\$39,743	\$49,660	\$43,411
Median defense cost	\$6,580	\$9,076	\$12,625	\$12,412	\$15,473	\$11,121

Payments to claimants

Over the five-year period, insurers and self-insurers paid \$566.5 million on 2,619 claims, or \$216,310 per paid claim.³⁷ Both the average indemnity payment and median indemnity payment were higher in 2014 than in the prior four years.³⁸

Over the five-year period, total economic loss was \$306.4 million, or an average of \$116,778 per paid claim. On average, insurers and self-insurers attributed 54.1 percent of indemnity payments to economic loss. Median economic loss was \$25,000.

³⁷ These data differ from what we reported in prior reports, because reporting entities can edit their data. For example, a reporting entity can re-open a claim, make additional payments, and edit the report to show it closed a year later than earlier reported.

³⁸ 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).

Defense costs

Insurers and self-insurers paid \$214.2 million to defend 4,934 claims, or an average of \$43,411 per claim with defense costs. Total defense costs increased 14.5 percent in 2014 compared to 2013. Claims reported by insurers and self-insurers included defense costs 89.9 percent of the time.

Related claims

Insurers and self-insurers identified medical incidents for which they defended more than one claim. This happens if a claimant alleges more than one medical provider or facility is responsible for his or her injury and the insurer or self-insurer covers both parties. For incidents that occurred between 2008 and 2014, 18.1 percent of individual claim reports were part of a multiclaim incident. About half of the 717 reported incidents resulted in indemnity payments. The aggregate average indemnity payment per incident was \$509,175, which is 2.3 times the average per claim indemnity payment of \$222,357 for the seven-year period.³⁹

Often, not all of the individual claims related to a given incident are resolved at the same time, so there can be a lag between the insurer's or self-insurer's first claim report related to an incident and its final report that closes the series of related claims. This means that average indemnity payments at the incident level will increase over time as additional claims related to previously reported incidents are resolved.

³⁹ This discussion of incident-level information uses all available closed claim data, which insurers started reporting to the OIC in 2008. The remainder of our analysis of closed claim data uses information related to claims closed between 2010 and 2014.

Lawsuit summary

This table summarizes data related to litigation.⁴⁰

Five-year period ending December 31, 2014							
	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
No lawsuit filed	2,824	1,473	\$128,947,021	\$87,540	2,289	\$14,355,252	\$6,271
Lawsuit filed	2,664	1,146	\$437,568,243	\$381,822	2,645	\$199,834,410	\$75,552
Total	5,488	2,619	\$566,515,264	\$216,310	4,934	\$214,189,662	\$43,411

Of the 5,488 total claims, claimants filed lawsuits 48.5 percent of the time. Insurers and self-insurers incurred defense costs in 99.3 percent of the claims in which the plaintiff filed a lawsuit, averaging \$75,552. Lawsuits resulted in indemnity payments 43 percent of the time, averaging \$381,822. For claims without litigation, claimants were compensated 52.2 percent of the time, with an average indemnity payment of \$87,540.

⁴⁰ These data are not comparable to lawsuit settlement data reported by attorneys. Insurers and self-insurers report data separately for each defendant. Attorneys submit one settlement report that includes payments made by all defendants named in the lawsuit.

Method of settlement

This table shows that insurers and self-insurers most often settled claims by negotiation, comprising 39.8 percent of the reported claims and 58.8 percent of total paid indemnity.

Five-year period ending December 31, 2014									
<u>Method of claim resolution</u>	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Median paid indemnity	Claims with defense costs	Total defense costs	Average defense costs	Median defense costs
Abandoned by claimant	1,846	129	\$796,104	\$6,171	\$900	1,823	\$26,369,805	\$14,465	\$2,489
Settled by parties	2,183	1,976	\$333,315,686	\$168,682	\$32,540	1,656	\$72,975,079	\$44,067	\$18,853
Court disposed claim	856	29	\$24,595,103	\$848,107	\$75,000	855	\$60,697,895	\$70,992	\$22,107
Alternative dispute resolution	603	485	\$207,808,371	\$428,471	\$200,000	600	\$54,146,883	\$90,245	\$53,525
Total	5,488	2,619	\$566,515,264	\$216,310	\$50,000	4,934	\$214,189,662	\$43,411	\$11,121

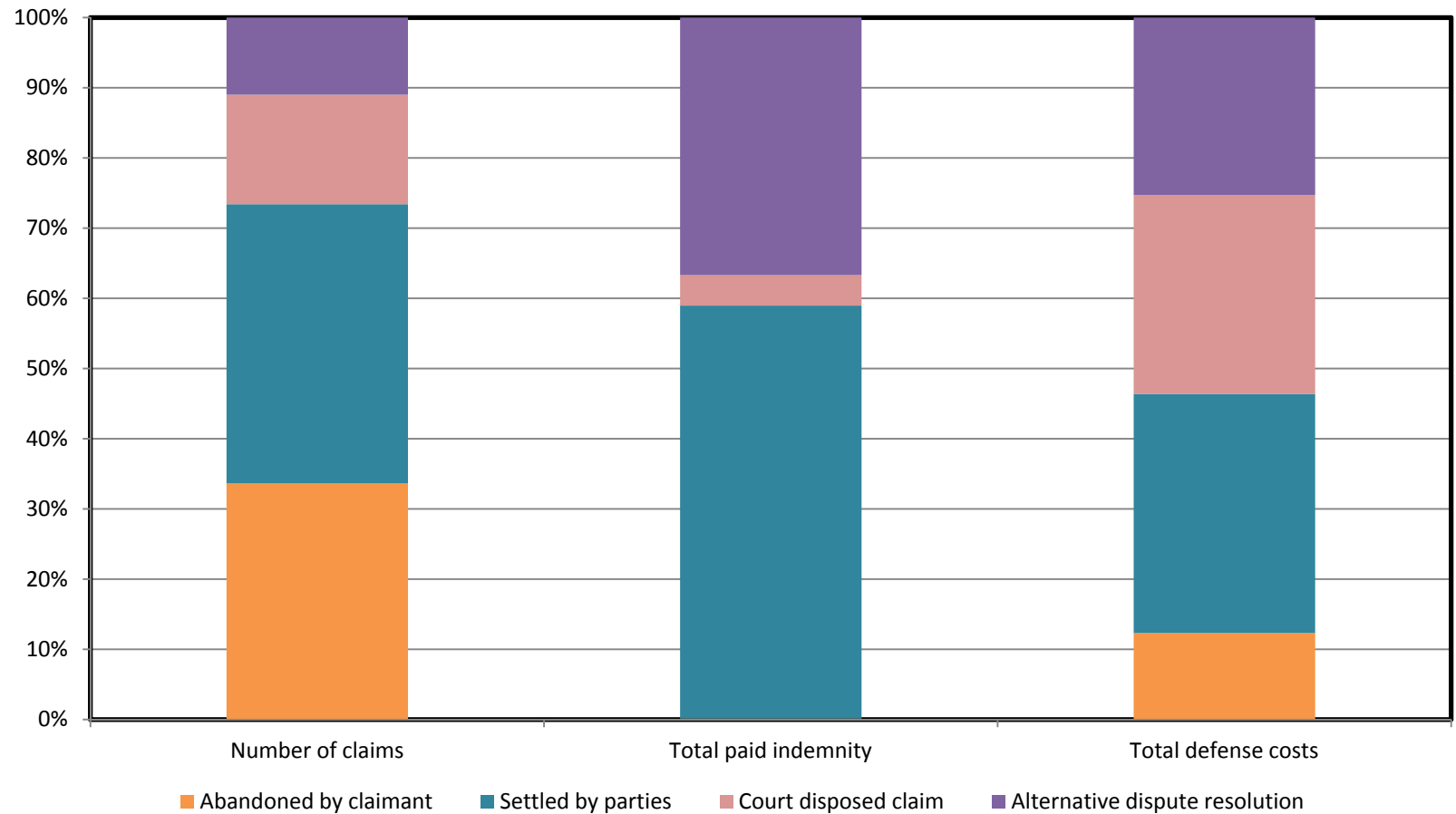
Plaintiff verdicts or judgments were few in number. Insurers and self-insurers reported 26 claims resolved by plaintiff verdict or judgment, of which 21 claims resulted in an indemnity payment averaging \$1.1 million.⁴¹ These claims comprised 0.5 percent of total claims and 3 percent all claims resolved by the courts. The courts ruled in favor of defendants in the vast majority of cases.

Of the 2,183 claims settled by the parties, insurers and self-insurers resolved most through informal negotiation. These settlements occurred before either party requested arbitration, mediation, or a private trial 44 percent of the time, and only 2.2 percent of claims settled after the start of a trial or hearing.

Of the 1,846 claims abandoned by the claimant, 99 percent of these claims were abandoned before a formal trial or hearing.

⁴¹ In cases where a lawsuit has more than one defendant, some defendants may not be responsible to compensate the claimant.

Distributions by Method of Settlement



About one-third of claims were abandoned by the claimant. Claims settled by the courts accounted for a small portion of total indemnity payments, but a substantial portion of total defense costs.

Insurers and self-insurers used alternative dispute resolution to settle 603 claims. Mediation was used to resolve 89.4 percent of these claims. Mediation led to the second-highest average paid indemnity at \$434,769. Median paid indemnity for claims settled by mediation was \$200,000 and median defense costs were \$49,719. Private trials were the most costly form of alternative dispute resolution for both average paid indemnity and average defense costs.⁴²

Five-year period ending December 31, 2014							
Method of alternative dispute resolution	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
Arbitration award for plaintiff	22	22	\$4,925,566	\$223,889	22	\$2,410,405	\$109,564
Arbitration decision for defense	16	0	\$0	\$0	16	\$1,993,335	\$124,583
Mediation	539	448	\$194,776,468	\$434,769	537	\$45,402,164	\$84,548
Private trial	26	15	\$8,106,337	\$540,422	25	\$4,340,979	\$173,639
Total	603	485	\$207,808,371	\$428,471	600	\$54,146,883	\$90,245

⁴² A private trial most closely resembles an actual court trial and the procedures used are almost identical. The main difference is that the parties must agree to an individual, usually a retired judge, to sit as a "judge pro tempore" (temporary judge) and render a decision. As its title suggests, the trial is held in private and may be confidential.

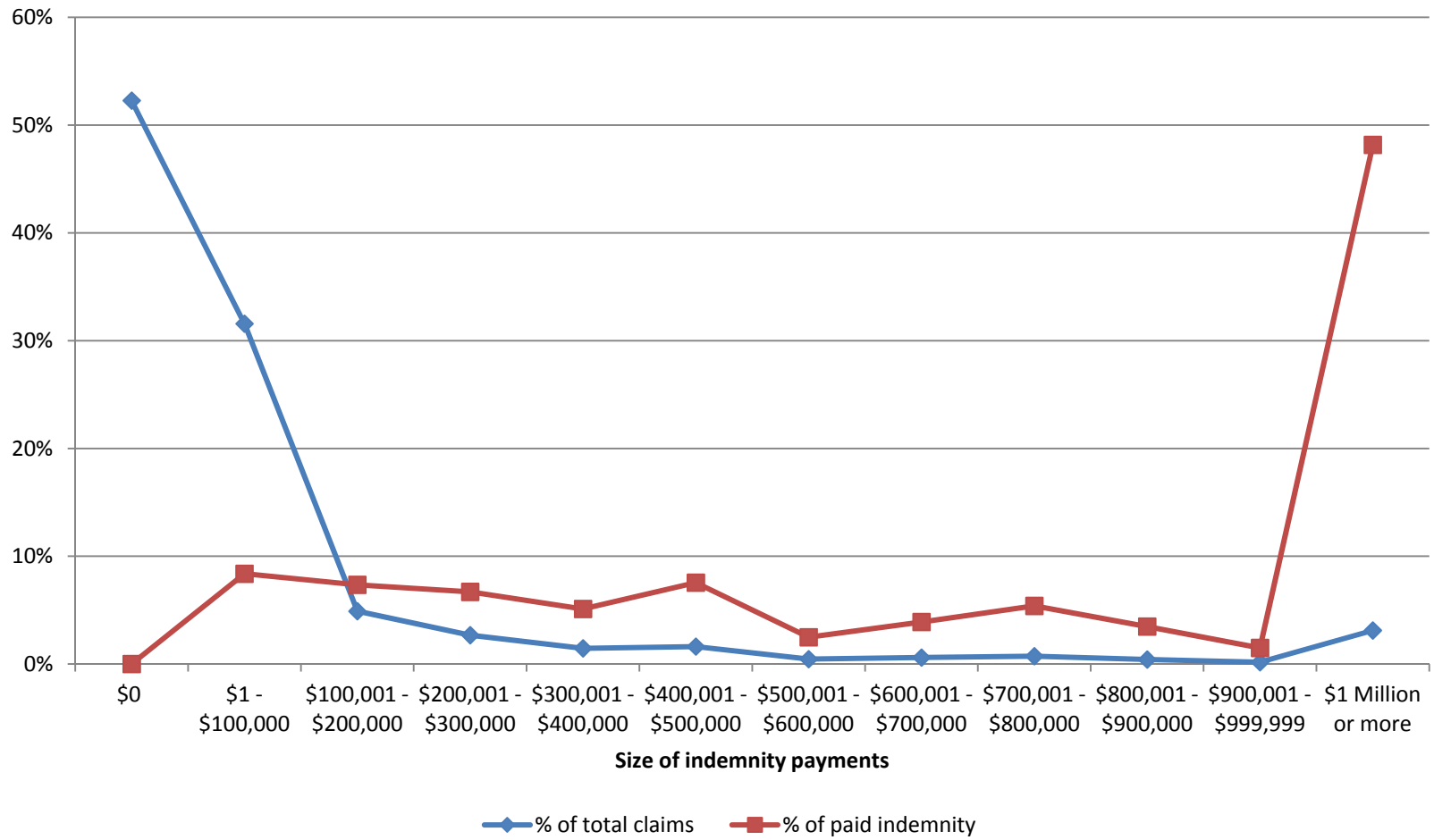
Size of indemnity payments

This table shows that insurers and self-insurers settled about half of all claims without making an indemnity payment, and two-thirds of the remaining claims had indemnity payments of \$100,000 or less. The average indemnity payment in this range was \$27,383.

There were 171 claims settled for \$1 million or more, and those claims produced 48.2 percent of the total paid indemnity, an average of \$1.6 million per claim.

Five-year period ending December 31, 2014					
<u>Range of paid indemnity</u>	Total number of claims	% of claims	Total paid indemnity	% of paid indemnity	Average paid indemnity
\$0	2,869	52.3%			
\$1 - \$100,000	1,733	31.6%	\$47,454,806	8.4%	\$27,383
\$100,001 - \$200,000	269	4.9%	\$41,630,872	7.3%	\$154,762
\$200,001 - \$300,000	147	2.7%	\$37,936,343	6.7%	\$258,070
\$300,001 - \$400,000	80	1.5%	\$28,939,643	5.1%	\$361,746
\$400,001 - \$500,000	89	1.6%	\$42,754,436	7.5%	\$480,387
\$500,001 - \$600,000	25	0.5%	\$14,100,248	2.5%	\$564,010
\$600,001 - \$700,000	33	0.6%	\$22,082,819	3.9%	\$669,176
\$700,001 - \$800,000	40	0.7%	\$30,569,619	5.4%	\$764,240
\$800,001 - \$900,000	23	0.4%	\$19,706,132	3.5%	\$856,788
\$900,001 - \$999,999	9	0.2%	\$8,474,792	1.5%	\$941,644
\$1 Million or more	171	3.1%	\$272,865,554	48.2%	\$1,595,705
Total	5,488	100.0%	\$566,515,264	100.0%	\$216,310

Indemnity Payment Distribution



Claims with paid indemnity below and above \$500,000

Most claims were resolved with an indemnity payment of \$500,000 or less; the median paid indemnity for these claims was \$30,000. Insurers and self-insurers paid much more money to settle claims over \$500,000, and median paid indemnity for these claims was \$1 million. Many physicians carry malpractice insurance with a policy limit of \$1 million per incident, so many claims were settled for exactly \$1 million.

Five-year period ending December 31, 2014						
<u>Range of paid indemnity</u>	Total number of claims	% of claims with paid indemnity	Total paid indemnity	% of total paid indemnity	Average paid indemnity	Median paid indemnity
\$500,000 or less	2,318	88.5%	\$198,716,100	35.1%	\$85,727	\$30,000
Over \$500,000	301	11.5%	\$367,799,164	64.9%	\$1,221,924	\$1,000,000
Total	2,619	100.0%	\$566,515,264	100.0%	\$216,310	\$50,000

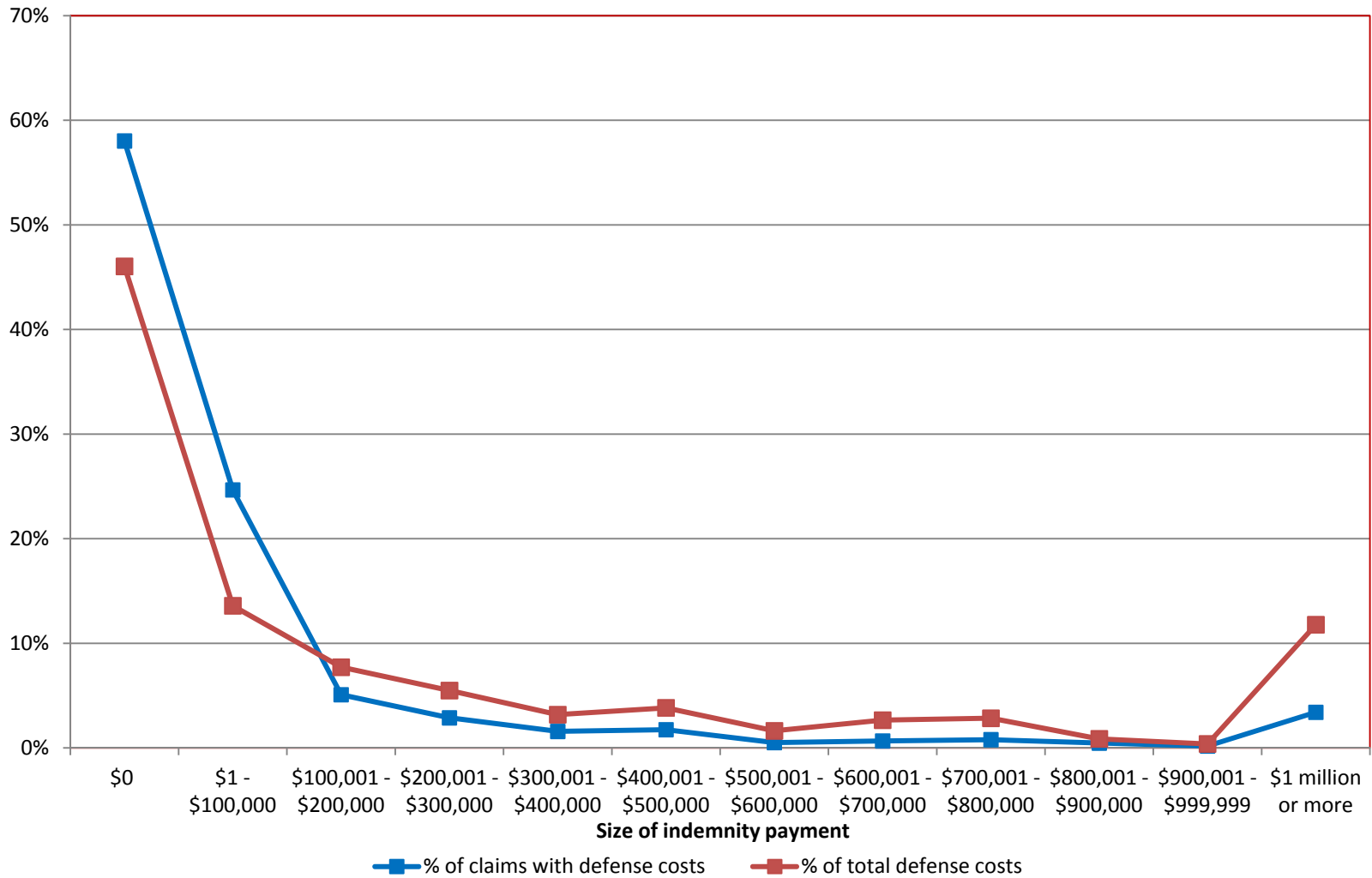
Defense costs by size of indemnity payment

This table shows how defense costs are related to the size of the indemnity payment. Insurers and self-insurers did not make an indemnity payment for 58 percent of claims with defense costs, yet these claims accounted for 46 percent of all defense costs. Average defense costs for these claims were \$34,440.

There were 168 claims with defense costs that settled for \$1 million or more, and those claims produced 11.8 percent of the total defense costs, or an average of \$150,169 per claim.

<u>Range of paid indemnity</u>	<u>Five-year period ending December 31, 2014</u>				
	<u>Number of claims with defense costs</u>	<u>% of claims with defense costs</u>	<u>Total defense costs</u>	<u>% of total defense costs</u>	<u>Average defense cost</u>
\$0	2,863	58.0%	\$98,602,142	46.0%	\$34,440
\$1 - \$100,000	1,217	24.7%	\$29,108,674	13.6%	\$23,918
\$100,001 - \$200,000	251	5.1%	\$16,527,657	7.7%	\$65,847
\$200,001 - \$300,000	142	2.9%	\$11,758,788	5.5%	\$82,808
\$300,001 - \$400,000	78	1.6%	\$6,816,917	3.2%	\$87,396
\$400,001 - \$500,000	86	1.7%	\$8,204,592	3.8%	\$95,402
\$500,001 - \$600,000	25	0.5%	\$3,501,174	1.6%	\$140,047
\$600,001 - \$700,000	33	0.7%	\$5,689,741	2.7%	\$172,416
\$700,001 - \$800,000	39	0.8%	\$6,077,011	2.8%	\$155,821
\$800,001 - \$900,000	23	0.5%	\$1,855,172	0.9%	\$80,660
\$900,001 - \$999,999	9	0.2%	\$819,361	0.4%	\$91,040
\$1 million or more	168	3.4%	\$25,228,433	11.8%	\$150,169
Total	4,934	100.0%	\$214,189,662	100.0%	\$43,411

Distribution of Defense Costs by Size of Indemnity Payment



Defense costs for claims with paid indemnity below and above \$500,000

Most claims with defense costs and the majority of total defense costs were for claims with paid indemnity in the \$0 to \$500,000 range. Median defense costs for claims up to \$500,000 were \$9,072, versus \$94,070 for claims settled for more than \$500,000. Many medical malpractice claims have relatively small amounts paid for defense costs.

Five-year period ending December 31, 2014						
<u>Range of paid indemnity</u>	Number of claims with defense costs	% of claims with defense costs	Total defense costs	% of total defense costs	Average defense cost	Median defense cost
\$0 to \$500,000	4,637	94.0%	\$171,018,770	79.8%	\$36,881	\$9,072
Over \$500,000	297	6.0%	\$43,170,892	20.2%	\$145,357	\$94,070
Total	4,934	100.0%	\$214,189,662	100.0%	\$43,411	\$11,121

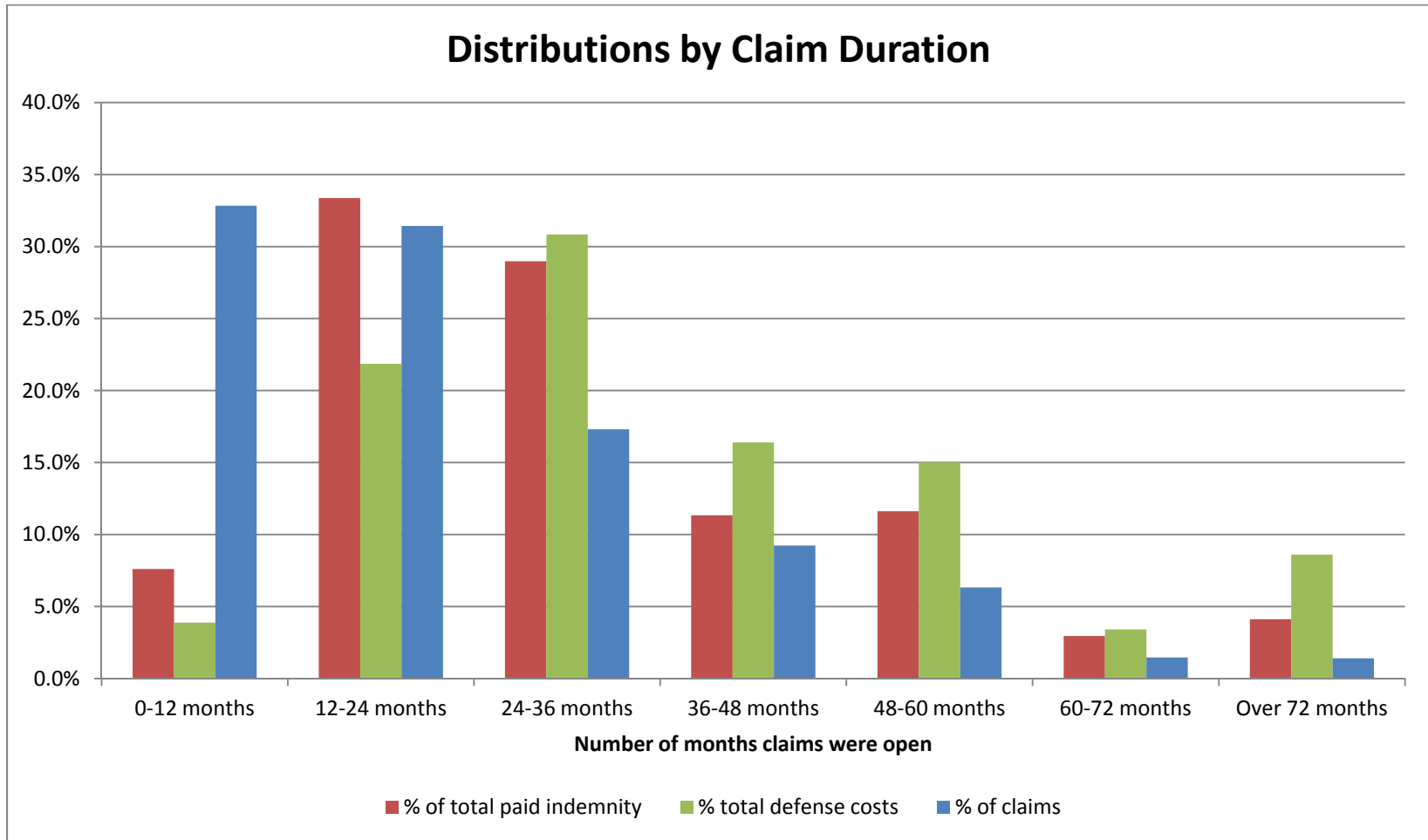
Paid indemnity and defense costs by age of claim

This table shows claims by age at the date they were closed. Average indemnity and average defense costs tend to increase with the age of the claim.

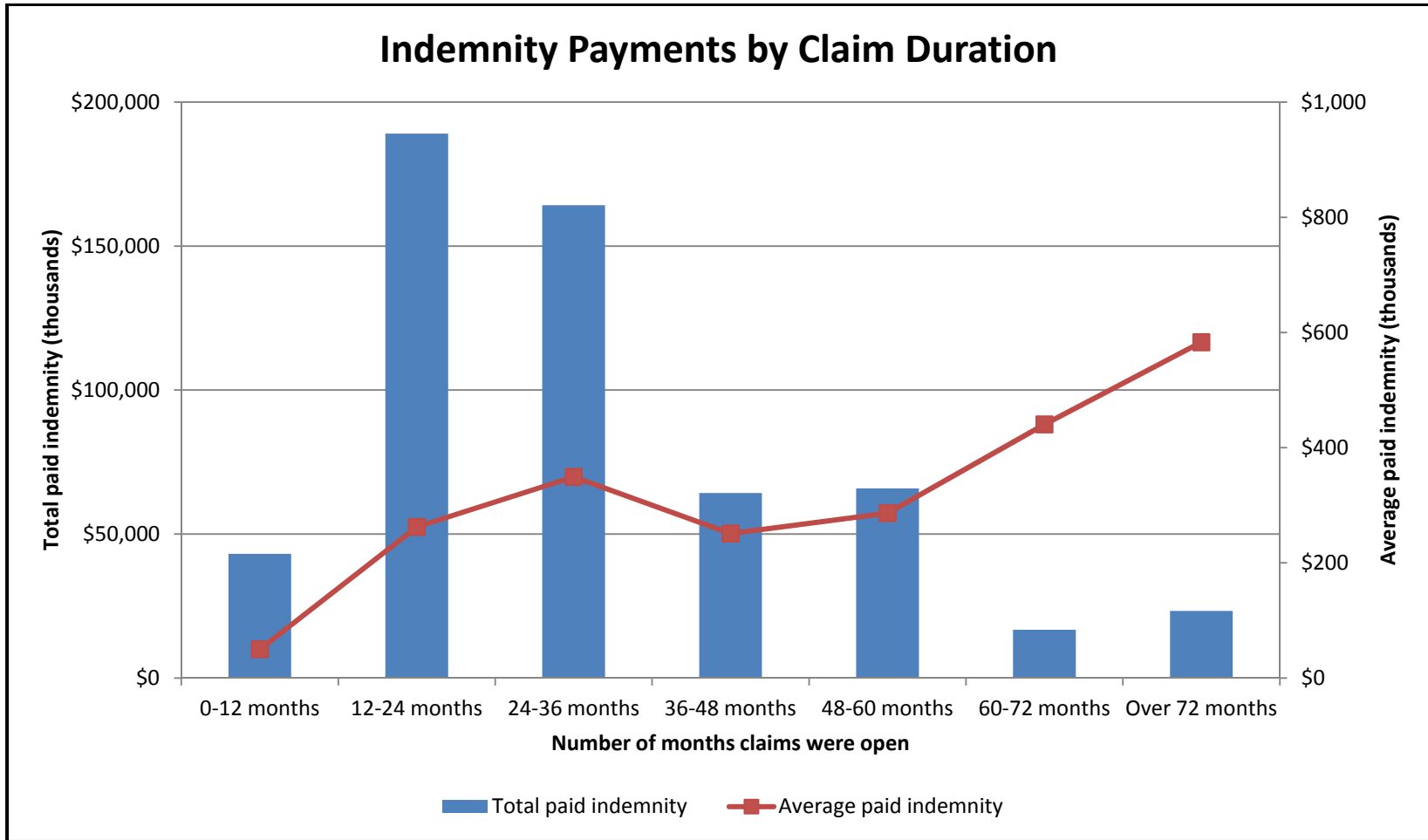
Five-year period ending December 31, 2014								
Notice date to closed date	Total number of claims	% of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense costs
0-12 months	1,802	32.8%	864	43,109,695	\$49,895	1,499	8,316,046	\$5,548
12-24 months	1,725	31.4%	721	189,069,758	\$262,233	1,636	46,816,910	\$28,617
24-36 months	950	17.3%	470	164,196,604	\$349,354	925	66,062,035	\$71,418
36-48 months	507	9.2%	256	64,230,143	\$250,899	469	35,117,461	\$74,877
48-60 months	347	6.3%	230	65,850,389	\$286,306	261	32,155,126	\$123,200
60-72 months	80	1.5%	38	16,738,045	\$440,475	74	7,298,852	\$98,633
Over 72 months	77	1.4%	40	23,320,630	\$583,016	70	18,423,232	\$263,189
Total	5,488	100.0%	2,619	\$566,515,264	\$216,310	4,934	\$214,189,662	\$43,411

Claims closed within the first 12 months after the insurer was first notified represented 32.8 percent of total claims and had the lowest average defense costs and average paid indemnity. For the entire group of 5,488 claims, the average length of time between loss date and date closed was 22.4 months and the median length of time was 18 months. The oldest group of claims had the highest average defense costs and average paid indemnity. Insurers and self-insurers closed 81.6 percent of all claims within 36 months after they received notice of the claim. Overall, claims closed within 36 months account for 70 percent of total paid indemnity and 56.6 percent of total defense costs.

This chart shows the distribution of claims, indemnity payments and defense costs in relation to the time between the date the claim was made and the date it was settled.



This chart shows total and average paid indemnity by age of claim.

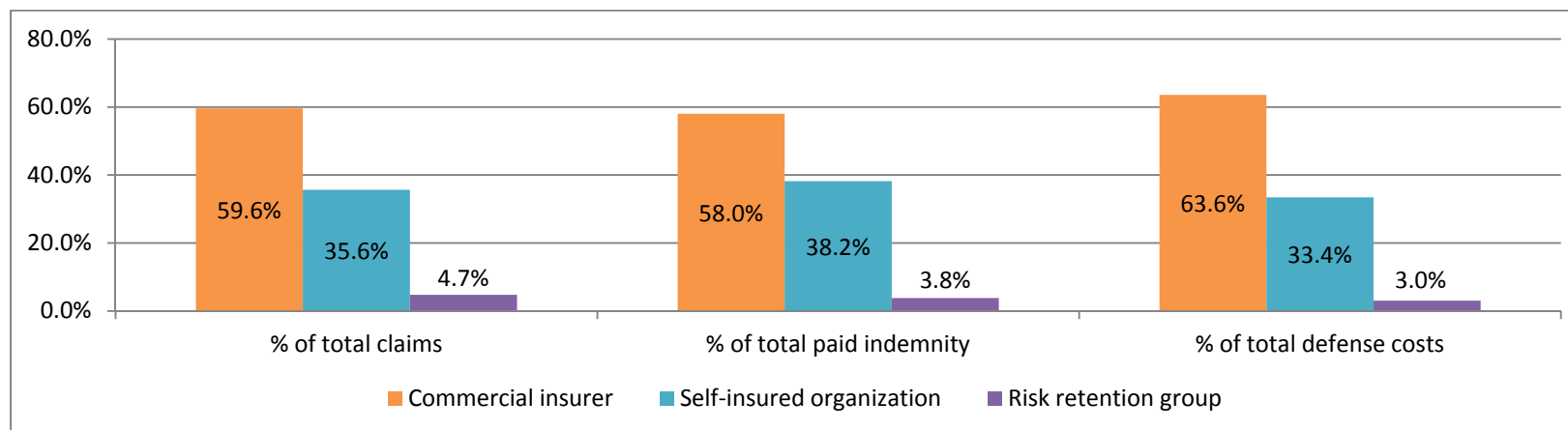


Type of insuring entity

Commercial insurers reported the highest number of claims and had the highest average defense costs.⁴³ Self-insured organizations reported the second-highest number of claims.

Reporting entity	Five-year period ending December 31, 2014						
	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense costs
Commercial insurer	3,272	1,438	\$328,744,870	\$228,613	2,952	\$136,192,181	\$46,136
Self-insured organization	1,956	1,024	\$216,282,194	\$211,213	1,765	\$71,533,854	\$40,529
Risk retention group	260	157	\$21,488,200	\$136,868	217	\$6,463,627	\$29,786
Total	5,488	2,619	\$566,515,264	\$216,310	4,934	\$214,189,662	\$43,411

This chart shows the distribution of claims, indemnity payments and defense costs for each type of reporting entity.



⁴³ Commercial insurers include admitted (licensed) and surplus lines insurers.

Severity of injury

This table shows compensation by severity of injury.⁴⁴ Insurers and self-insurers most often classified injuries as minor and temporary. Minor temporary injuries comprised 29.1 percent of total claims, 8.3 percent of total paid indemnity and 11.7 percent of defense costs.

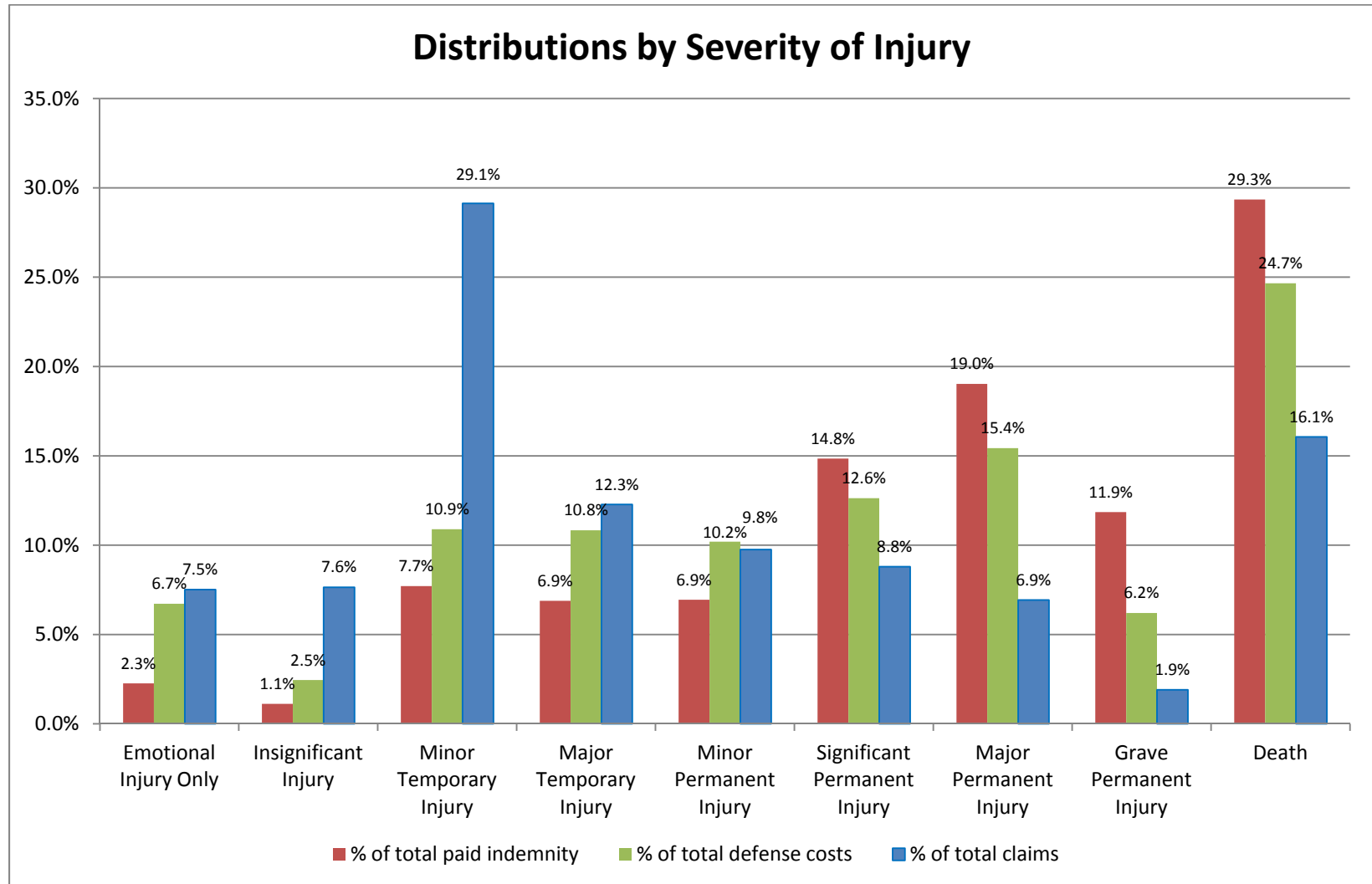
Five-year period ending December 31, 2014									
<u>Injury outcome</u>	Number of claims	Claims with paid indemnity	Paid indemnity	Average paid indemnity	Median paid indemnity	Claims with defense costs	Defense costs	Average defense costs	Median defense costs
Emotional injury only	415	186	\$15,061,604	\$80,976	\$16,833	353	\$13,684,028	\$38,765	\$6,580
Insignificant injury	374	174	\$5,761,613	\$33,113	\$1,500	312	\$4,133,285	\$13,248	\$3,214
Minor temporary injury	1,599	859	\$46,775,014	\$54,453	\$12,500	1,309	\$25,025,119	\$19,118	\$3,538
Major temporary injury	716	350	\$45,880,701	\$131,088	\$50,000	650	\$23,606,034	\$36,317	\$8,330
Minor permanent injury	522	254	\$37,128,823	\$146,176	\$75,000	470	\$19,797,157	\$42,122	\$12,700
Significant permanent injury	488	211	\$90,198,630	\$427,482	\$210,000	482	\$27,960,308	\$58,009	\$24,201
Major permanent injury	399	179	\$102,514,637	\$572,707	\$500,000	397	\$32,329,549	\$81,435	\$33,199
Grave permanent injury	99	47	\$71,521,590	\$1,521,736	\$1,000,000	96	\$14,028,850	\$146,134	\$78,650
Death	876	359	\$151,672,652	\$422,486	\$250,000	865	\$53,625,332	\$61,995	\$23,468
Total	5,488	2,619	\$566,515,264	\$216,310	\$50,000	4,934	\$214,189,662	\$43,411	\$11,121

Grave permanent injuries had the highest average paid indemnity at \$1.5 million and median paid indemnity at \$1 million.⁴⁵ Major permanent injuries had the second-highest average paid indemnity at \$572,707 and median paid indemnity at \$500,000. Death of the patient had the fourth-highest average paid indemnity at \$422,486 and median paid indemnity at \$250,000.

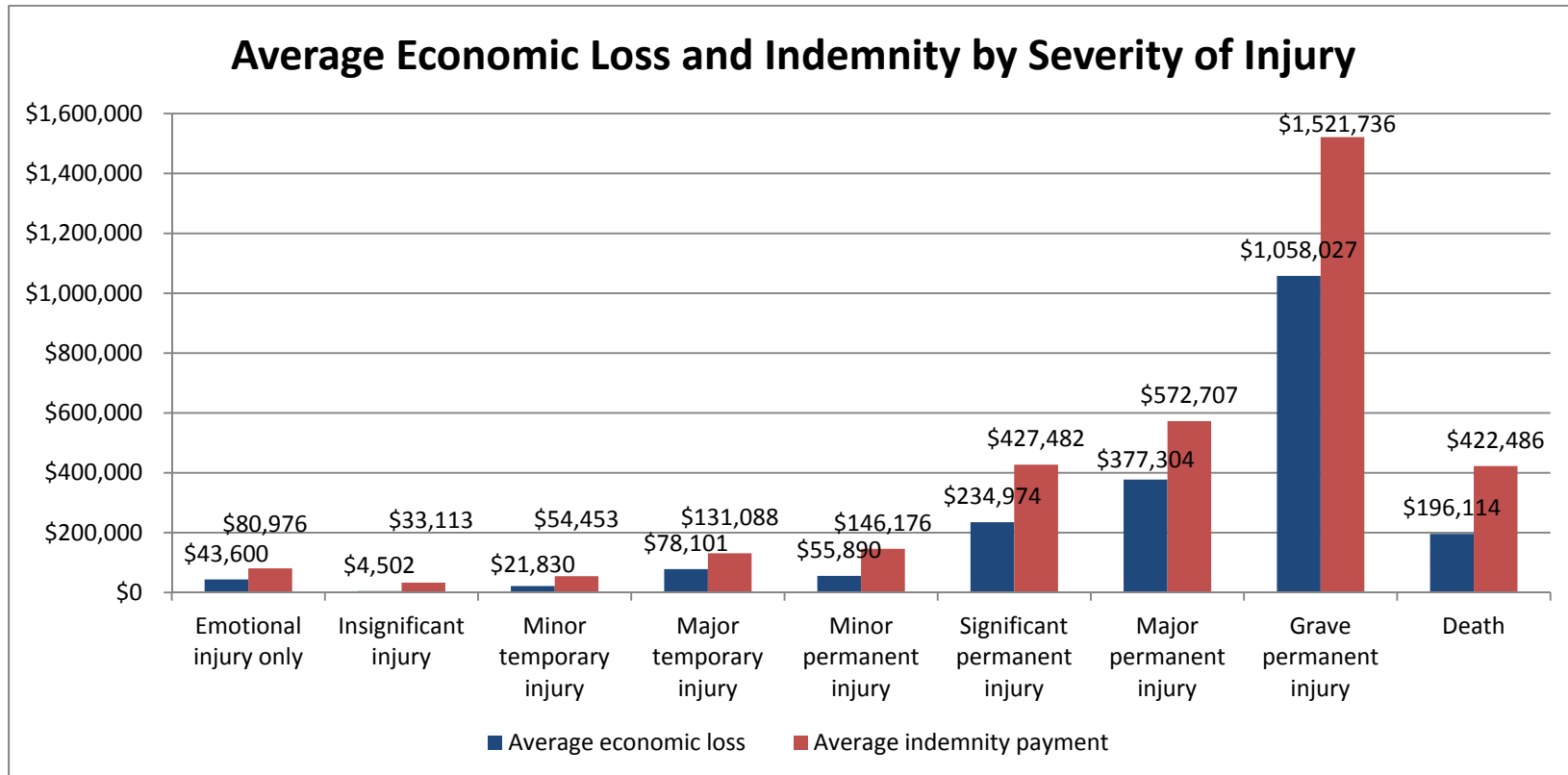
⁴⁴ For a description of each type of injury outcome, see [WAC 284-24D-220](#).

⁴⁵ Grave permanent injuries include quadriplegia and severe brain damage, requiring lifelong dependent care.

This chart shows distributions of claims, indemnity payments and defense costs by severity of injury.



If they made an indemnity payment, insurers and self-insurers reported the economic loss related to the injury.⁴⁶ The insurer or self-insurer either estimated the economic losses or reported the amount of economic loss awarded by a court. Claims involving death of the patient had lower average paid indemnity and average economic loss than claims for major permanent injury, grave permanent injury, or significant permanent injury. If a person dies, compensation for economic loss is largely calculated based on lost income and services the deceased would have provided. This chart shows the relationship between injury outcome, average paid indemnity and average economic loss.



⁴⁶ Economic damages are defined in [RCW 4.56.250](#), and the components of economic losses are described in [WAC 284-24D-360](#).

Type of health care organization

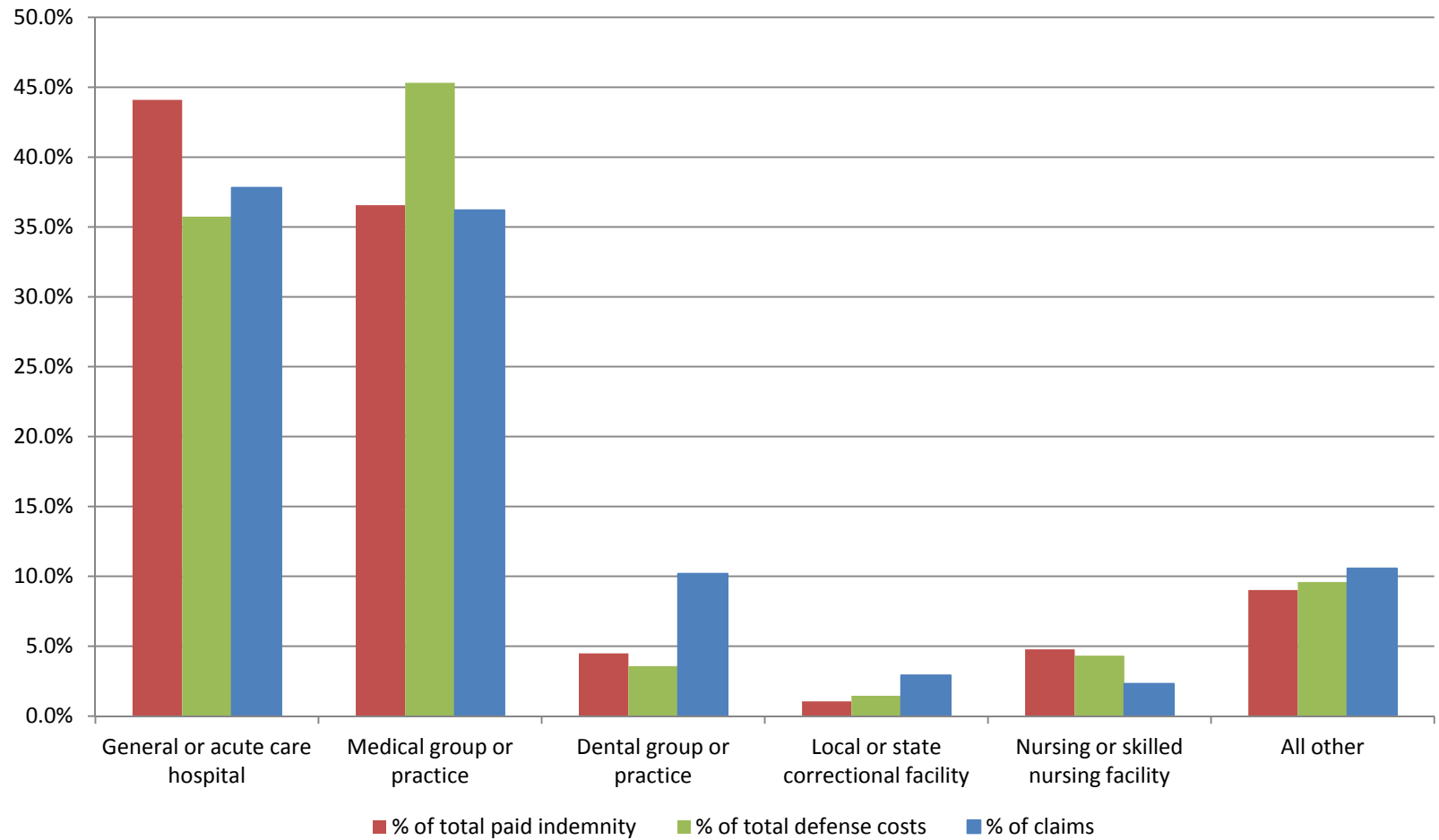
This exhibit shows data segmented by the type of health care organization or provider group.⁴⁷

Health care organization	Five-year period ending December 31, 2014									
	Total number of claims	Claims with paid indemnity	Total paid indemnity	% of total paid indemnity	Average paid indemnity	Median paid indemnity	Claims with defense costs	Total defense costs	% of total defense costs	Average defense costs
General or acute-care hospital	2,075	983	\$249,818,480	44.1%	\$254,139	\$45,360	1,895	\$76,542,786	35.7%	\$40,392
Medical group or practice	1,987	815	\$207,150,604	36.6%	\$254,173	\$85,000	1,876	\$97,074,325	45.3%	\$51,745
Dental group or practice	559	390	\$25,402,259	4.5%	\$65,134	\$20,000	379	\$7,648,974	3.6%	\$20,182
Local or state correctional facility	160	37	\$5,945,538	1.0%	\$160,690	\$35,000	153	\$3,114,564	1.5%	\$20,357
Nursing or skilled nursing facility	127	86	\$27,072,256	4.8%	\$314,794	\$150,000	124	\$9,268,068	4.3%	\$74,742
Ambulatory clinic or center	78	37	\$4,127,941	0.7%	\$111,566	\$11,500	66	\$828,590	0.4%	\$12,554
Physical/occupational therapy	68	55	\$1,414,566	0.2%	\$25,719	\$12,000	30	\$986,736	0.5%	\$32,891
Chiropractic group or practice	64	27	\$3,884,354	0.7%	\$143,865	\$31,000	64	\$2,753,942	1.3%	\$43,030
Podiatric group or practice	47	15	\$2,504,500	0.4%	\$166,967	\$67,500	47	\$1,465,619	0.7%	\$31,183
Pharmacy	29	26	\$2,160,664	0.4%	\$83,102	\$80,000	21	\$182,564	0.1%	\$8,694
Health center	22	12	\$487,502	0.1%	\$40,625	\$6,600	18	\$350,991	0.2%	\$19,500
All other organizations	272	136	36,546,600	6.5%	\$268,725		261	13,972,503	6.5%	\$53,534
Total	5,488	2,619	\$566,515,264	100.0%	\$216,310	\$50,000	4,934	\$214,189,662	100.0%	\$43,411

General or acute-care hospitals had the largest number of total claims and claims with indemnity payments. Nursing facilities had the highest average paid indemnity at \$314,794, highest median paid indemnity at \$150,000, and the highest average defense costs at \$74,742.

⁴⁷ Under [RCW 48.140.060](#) and [RCW 42.56.400\(10\)](#), the commissioner must protect the identify of each insuring entity, self-insurer, claimant, health care provider, or health care facility involved in a particular claim or collection of claims. For this reason, types of organizations with few claims are grouped together.

Distributions by Type of Health Care Organization



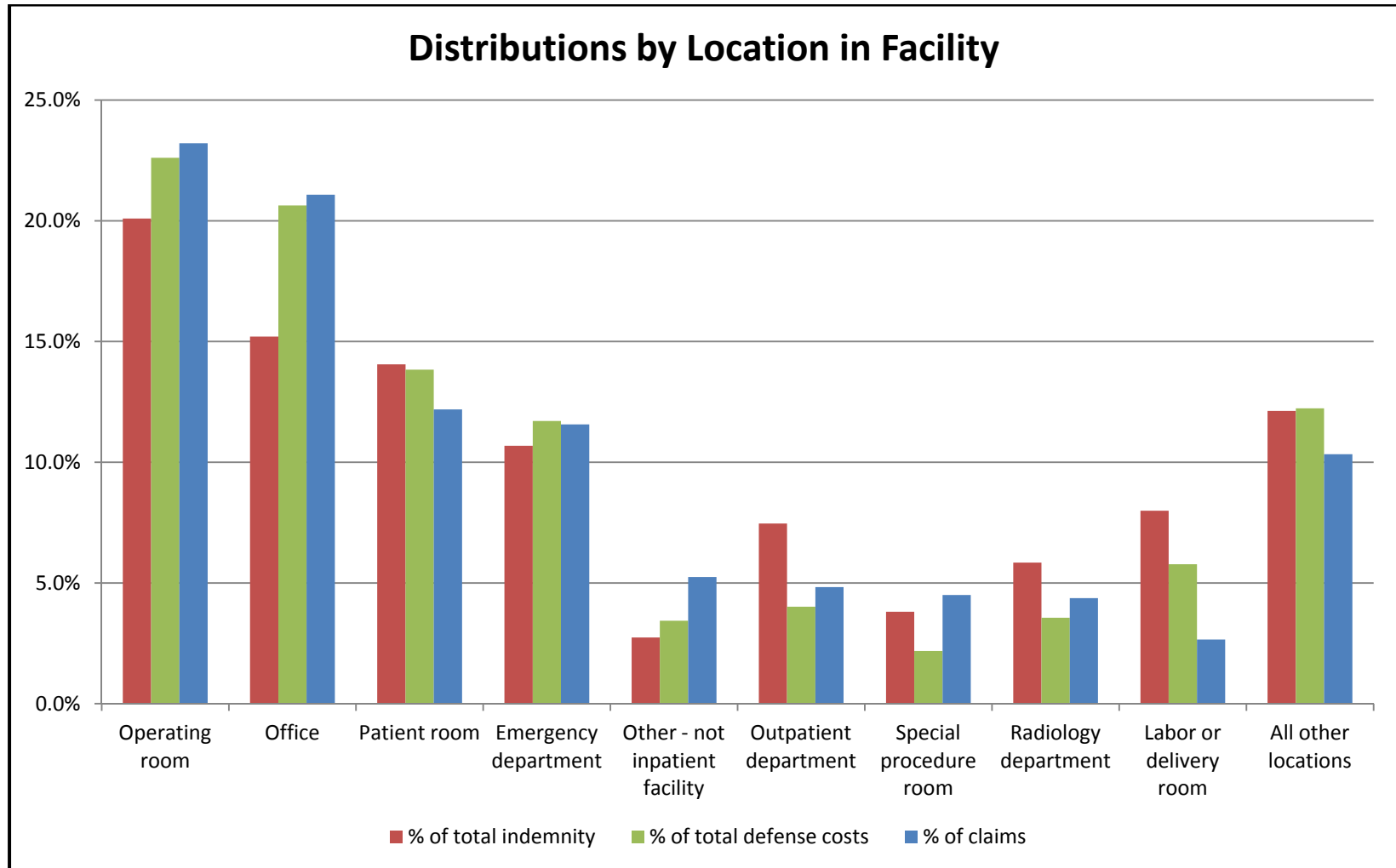
Location in the facility

This table shows data by location within the medical facility where the incident leading to the claim occurred.

Five-year period ending December 31, 2014											
Location within facility	Total number of claims	% of total claims	Claims with paid indemnity	Total paid indemnity	% of total paid indemnity	Average paid indemnity	Median paid indemnity	Claims with defense costs	Total defense costs	% of total defense costs	Average defense costs
Operating room	1,274	23.2%	508	\$113,828,533	20.1%	\$224,072	\$60,000	1,193	\$48,428,640	22.6%	\$40,594
Office	1,157	21.1%	583	\$86,154,728	15.2%	\$147,778	\$35,000	982	\$44,203,004	20.6%	\$45,013
Patient room	669	12.2%	375	\$79,609,584	14.1%	\$212,292	\$54,448	606	\$29,630,602	13.8%	\$48,895
Emergency department	635	11.6%	221	\$60,504,831	10.7%	\$273,778	\$75,000	602	\$25,074,120	11.7%	\$41,651
Other - not inpatient facility	288	5.2%	85	\$15,538,619	2.7%	\$182,807	\$45,000	275	\$7,359,962	3.4%	\$26,763
Outpatient department	265	4.8%	144	\$42,262,847	7.5%	\$293,492	\$18,250	241	\$8,609,117	4.0%	\$35,722
Special procedure room	247	4.5%	161	\$21,562,479	3.8%	\$133,928	\$37,500	193	\$4,677,532	2.2%	\$24,236
Radiology department	240	4.4%	115	\$33,095,802	5.8%	\$287,790	\$35,000	227	\$7,630,921	3.6%	\$33,616
Labor or delivery room	146	2.7%	66	\$45,274,869	8.0%	\$685,983	\$237,500	142	\$12,367,561	5.8%	\$87,096
Physical therapy department	79	1.4%	66	\$5,009,473	0.9%	\$75,901	\$13,825	39	\$1,581,652	0.7%	\$40,555
Walk-in clinic	75	1.4%	40	\$5,629,391	1.0%	\$140,735	\$45,425	66	\$3,363,759	1.6%	\$50,966
Laboratory	52	0.9%	34	\$7,940,768	1.4%	\$233,552	\$9,530	43	\$2,012,187	0.9%	\$46,795
Rehabilitation center	41	0.7%	25	\$4,377,773	0.8%	\$175,111	\$95,000	39	\$3,003,254	1.4%	\$77,007
Critical care unit	40	0.7%	17	\$3,389,639	0.6%	\$199,391	\$55,000	37	\$2,409,625	1.1%	\$65,125
Pharmacy	33	0.6%	30	\$2,552,606	0.5%	\$85,087	\$9,900	23	\$268,635	0.1%	\$11,680
Catheterization lab	31	0.6%	21	\$8,776,609	1.5%	\$417,934	\$200,000	29	\$1,679,615	0.8%	\$57,918
Facility support areas	30	0.5%	23	\$2,332,082	0.4%	\$101,395	\$25,000	30	\$2,922,589	1.4%	\$97,420
Recovery room	28	0.5%	16	\$6,240,319	1.1%	\$390,020	\$222,500	28	\$1,810,607	0.8%	\$64,665
Nursery	21	0.4%	14	\$3,907,302	0.7%	\$279,093	\$4,123	15	\$987,228	0.5%	\$65,815
All other locations	137	2.5%	75	18,527,010	3.3%	\$247,027		124	6,169,052	2.9%	\$49,750
Total	5,488	100.0%	2,619	\$566,515,264	100.0%	\$216,310	\$50,000	4,934	\$214,189,662	100.0%	\$43,411

The largest numbers of claims resulted from incidents occurring in operating rooms, followed by incidents that occurred in medical professionals' offices. These two locations represented 44.3 percent of reported claims.

This chart shows the distribution of claims, indemnity payments and defense costs by location within the facility for the nine locations with the largest number of claims.

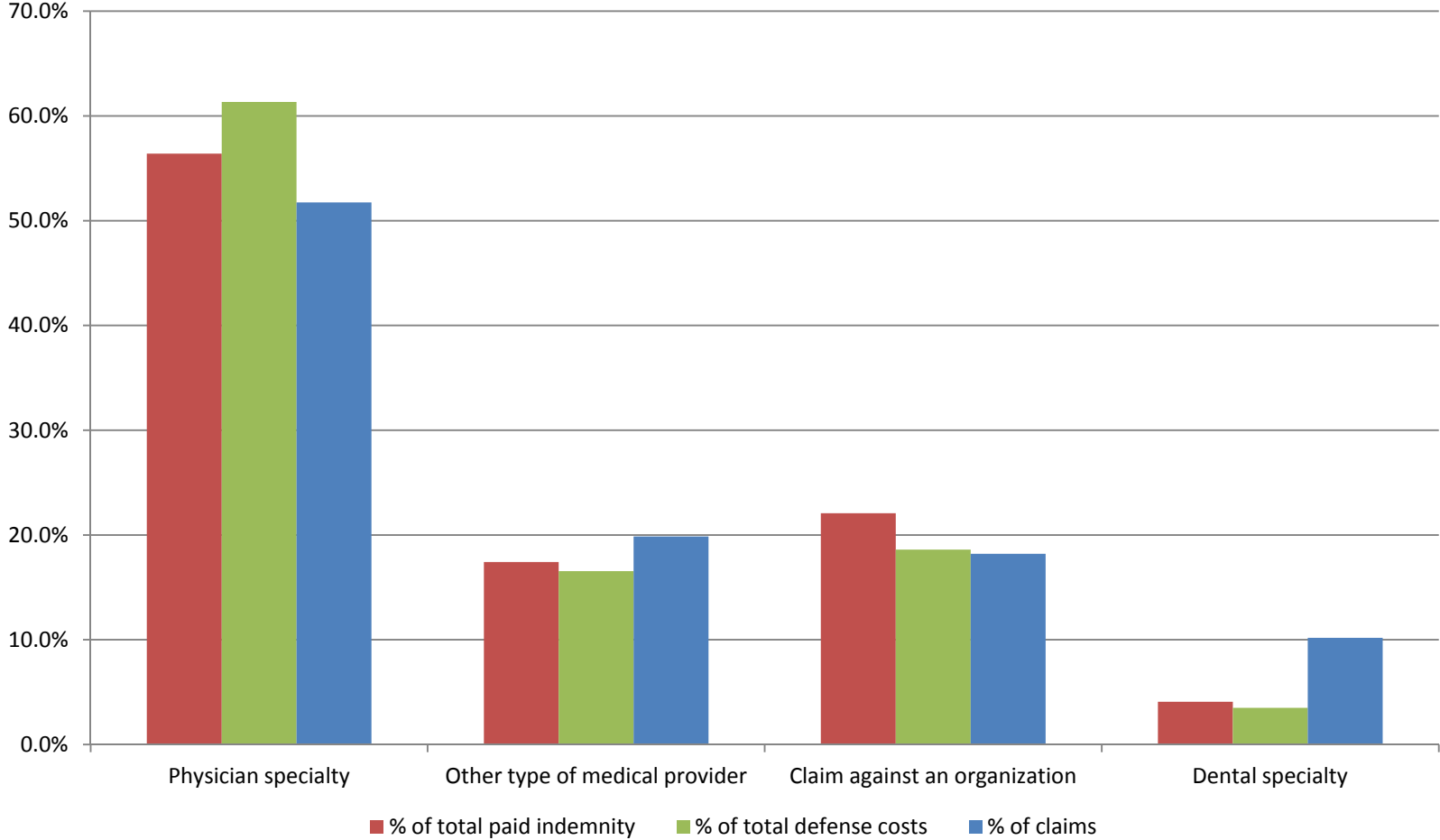


Type of medical provider

Five-year period ending December 31, 2014											
Provider group	Total number of claims	Claims with paid indemnity	Total paid indemnity	% of total paid indemnity	Average paid indemnity	Median paid indemnity	Claims with defense costs	Total defense costs	% of total defense costs	Average defense cost	Median defense cost
Physician specialty	2,840	1,041	\$319,565,649	56.4%	\$306,979	\$100,000	2,731	\$131,379,667	61.3%	\$48,107	\$11,331
Other type of medical provider	1,090	711	\$98,713,308	17.4%	\$138,837	\$20,000	901	\$35,448,360	16.5%	\$39,343	\$10,599
Claim against an organization	999	476	\$125,100,788	22.1%	\$262,817	\$60,000	924	\$39,862,423	18.6%	\$43,141	\$16,460
Dental specialty	559	391	\$23,135,519	4.1%	\$59,170	\$20,000	378	\$7,499,212	3.5%	\$19,839	\$2,429
Total	5,488	2,619	\$566,515,264	100.0%	\$216,310	\$50,000	4,934	214,189,662	100.0%	\$43,411	\$11,121

The type of provider with the highest percentage of claims, 56.4 percent, was physician specialties, which includes surgeons, general-practice physicians, radiologists, neurologists, psychiatrists, and many more. These claims had the highest average defense cost at \$48,107, the highest average indemnity payment at \$306,979 and the highest median indemnity payment at \$100,000. The other type of medical provider category includes nursing, physician assistants, technicians, pharmacy, podiatry, and psychology, among others.

Distributions by Type of Provider



This table shows claim data for physician specialties that had the largest number of claims.⁴⁸

Five-year period ending December 31, 2014											
Provider specialty	Number of claims	Claims with paid indemnity	Paid indemnity	% of total paid indemnity	Average paid indemnity	Median paid indemnity	Claims with defense costs	Defense costs	% of total defense costs	Average defense cost	Median defense cost
General practice-family practice	318	115	\$28,604,583	9.0%	\$248,736	\$100,000	309	\$15,069,333	11.5%	\$48,768	\$7,171
Emergency medicine	312	87	\$20,557,092	6.4%	\$236,288	\$75,000	303	\$10,529,469	8.0%	\$34,751	\$7,441
General surgery	304	141	\$28,201,955	8.8%	\$200,014	\$70,000	283	\$11,937,883	9.1%	\$42,183	\$11,112
Orthopedic surgery	287	89	\$20,346,991	6.4%	\$228,618	\$75,000	279	\$9,853,140	7.5%	\$35,316	\$5,564
Obstetrics and gynecology	264	104	\$37,905,992	11.9%	\$364,481	\$95,000	256	\$12,450,673	9.5%	\$48,635	\$8,318
Radiology	225	82	\$27,369,664	8.6%	\$333,776	\$86,250	215	\$9,331,270	7.1%	\$43,401	\$14,117
Internal medicine	175	47	\$15,445,474	4.8%	\$328,627	\$187,500	170	\$9,025,790	6.9%	\$53,093	\$14,918
Anesthesiology	114	52	\$7,529,366	2.4%	\$144,796	\$9,034	101	\$4,150,837	3.2%	\$41,097	\$12,305
Cardiovascular diseases	91	29	\$11,845,577	3.7%	\$408,468	\$168,000	90	\$5,507,988	4.2%	\$61,200	\$22,786
Gastroenterology	78	21	\$4,200,131	1.3%	\$200,006	\$35,000	71	\$3,538,612	2.7%	\$49,840	\$7,513
Pediatrics	74	40	\$36,325,336	11.4%	\$908,133	\$362,500	71	\$8,485,744	6.5%	\$119,518	\$37,604
Plastic surgery	69	27	\$4,852,471	1.5%	\$179,721	\$50,000	69	\$1,868,721	1.4%	\$27,083	\$3,962
Urological surgery	68	23	\$7,185,512	2.2%	\$312,414	\$200,000	66	\$3,624,969	2.8%	\$54,924	\$20,431
Otolaryngology	64	30	\$9,351,713	2.9%	\$311,724	\$150,000	59	\$2,506,057	1.9%	\$42,476	\$4,973
Neurological surgery	49	20	\$9,949,126	3.1%	\$497,456	\$225,000	49	\$4,466,263	3.4%	\$91,148	\$46,911
Ophthalmology	47	21	\$7,630,795	2.4%	\$363,371	\$150,000	45	\$1,734,369	1.3%	\$38,542	\$20,589
Hospitalist	46	16	\$7,564,504	2.4%	\$472,782	\$500,000	44	\$3,225,918	2.5%	\$73,316	\$25,271
Radiation oncology	34	11	\$2,715,395	0.8%	\$246,854	\$162,500	33	\$1,697,449	1.3%	\$51,438	\$29,397
Dermatology	30	10	\$1,425,843	0.4%	\$142,584	\$51,750	29	\$577,804	0.4%	\$19,924	\$5,634
Neurology	29	13	\$4,888,500	1.5%	\$376,038	\$150,000	28	\$1,685,215	1.3%	\$60,186	\$11,582
Psychiatry	28	13	\$3,680,000	1.2%	\$283,077	\$175,000	28	\$2,065,716	1.6%	\$73,776	\$17,132
All other physician types	134	50	\$21,989,629	6.9%	\$439,793		133	\$8,046,447	6.1%	\$60,500	
Total	2,840	1,041	\$319,565,649	100.0%	\$306,979	\$100,000	2,731	\$131,379,667	100.0%	\$48,107	\$11,331

⁴⁸ Under [RCW 48.140.060](#) and [RCW 42.56.400\(10\)](#), some specialties are grouped together to maintain confidentiality.

The largest number of claims reported against physician specialties were for general and family-practice physicians. The most common allegations against general and family-practice physicians were delay in diagnosis with 48 claims, followed by failure to diagnose with 46 claims, improper performance with 31 claims and improper management with 25 claims.

Pediatrics was the specialty ranked highest in average paid indemnity and average defense costs. The most common allegations against this physician specialty were failure to diagnose with 19 claims and failure to monitor with 6 claims.

This table shows claim data for other types of medical providers.⁴⁹ Nursing staff accounted for 667 claims, resulting in 467 indemnity payments averaging \$123,919. The most common allegations against nursing staff were failure to monitor with 100 claims, followed by failure to ensure patient safety with 68 claims and improper performance with 51 claims. Podiatry had the second highest total number of claims at 70 and the most common allegation against this type of medical provider was improper performance with 40 claims.

Five-year period ending December 31, 2014										
Provider type	Total number of claims	Claims with paid indemnity	Total paid indemnity	% of total paid indemnity	Average paid indemnity	Median paid indemnity	Claims with defense costs	Total defense costs	% of total defense costs	Average defense cost
Nursing	667	467	\$57,870,242	59.3%	\$123,919	\$20,000	546	\$23,186,168	66.1%	\$42,466
Podiatry	70	20	\$2,926,148	3.0%	\$146,307	\$50,000	69	\$2,066,702	5.9%	\$29,952
Physical therapy	69	58	\$3,636,057	3.7%	\$62,691	\$11,000	28	\$1,118,947	3.2%	\$39,962
Chiropractic	63	27	\$3,884,354	4.0%	\$143,865	\$31,000	63	\$2,716,077	7.7%	\$43,112
Physician assistant	58	28	\$4,661,724	4.8%	\$166,490	\$70,000	55	\$2,186,876	6.2%	\$39,761
Pharmacy	38	34	\$2,256,025	2.3%	\$66,354	\$10,000	28	\$227,412	0.6%	\$8,122
Radiology technician	21	15	\$9,968,543	10.2%	\$664,570	\$28,000	19	\$319,088	0.9%	\$16,794
Psychology	19	8	\$1,405,000	1.4%	\$175,625	\$47,500	19	\$1,056,012	3.0%	\$55,580
Laboratory technician	14	6	\$284,531	0.3%	\$47,422	\$3,020	11	\$40,185	0.1%	\$3,653
All other types	71	42	\$10,636,033	10.9%	\$253,239		63	\$2,157,556	6.2%	\$34,247
Total	1,090	705	\$97,528,657	100.0%	\$138,339	\$20,000	901	\$35,075,023	100.0%	\$38,929

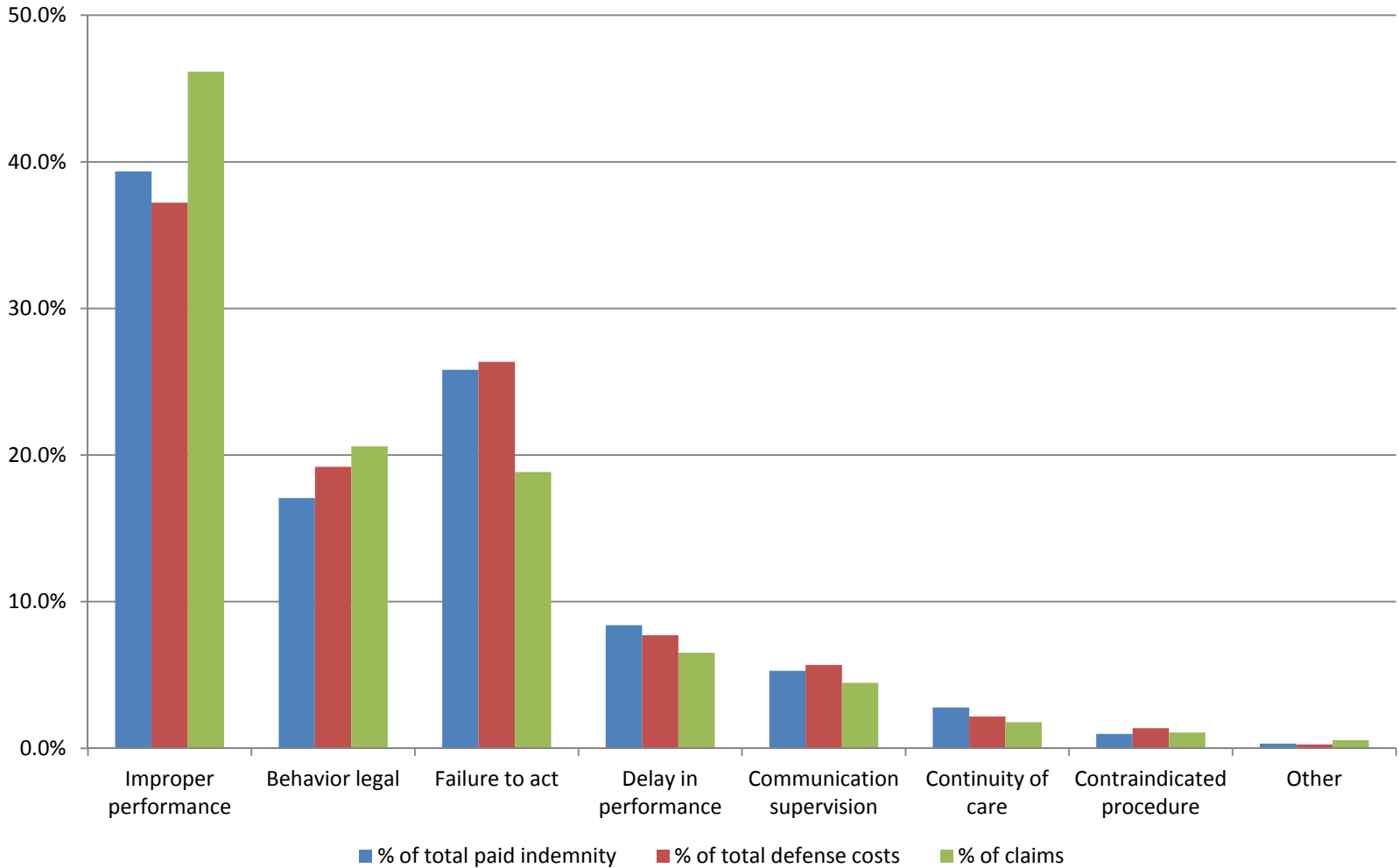
⁴⁹ Under [RCW 48.140.060](#) and [RCW 42.56.400](#)(10), some types of providers are grouped together to maintain confidentiality.

Claim allegations

Insurers and self-insurers identified the primary complaint that led to the medical malpractice claim. This table shows the major classes of allegations.

<u>Allegation group</u>	<u>Five-year period ending December 31, 2014</u>								
	Total number of claims	Claims with paid indemnity	Total paid indemnity	% of total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	% of total defense costs	Average defense cost
Error/improper performance	2,533	1,330	\$222,912,704	39.3%	\$167,604	2,176	\$79,718,965	37.2%	\$36,636
Behavior/legal	1,130	536	\$96,694,951	17.1%	\$180,401	1,017	\$41,130,641	19.2%	\$40,443
Failure to take appropriate action	1,034	412	\$146,227,558	25.8%	\$354,921	991	\$56,465,235	26.4%	\$56,978
Delay in performance	358	128	\$47,604,903	8.4%	\$371,913	354	\$16,512,498	7.7%	\$46,645
Communication/supervision	245	140	\$29,941,157	5.3%	\$213,865	220	\$12,186,473	5.7%	\$55,393
Continuity of care/care management	98	45	\$15,787,627	2.8%	\$350,836	91	\$4,660,870	2.2%	\$51,218
Unnecessary/contraindicated procedure	59	22	\$5,529,364	1.0%	\$251,335	54	\$2,943,407	1.4%	\$54,508
Other class of allegation	31	6	\$1,817,000	0.3%	\$302,833	31	\$571,573	0.3%	\$18,438
Total	5,488	2,619	\$566,515,264	100.0%	\$216,310	4,934	\$214,189,662	100.0%	\$43,411

Distributions by Allegation Group



This table shows the most common specific allegations for each major class of allegation.

Five-year period ending December 31, 2014							
<u>Error/improper performance</u>	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
Improper performance	1,054	541	\$78,424,194	\$144,962	868	\$29,367,539	\$33,834
Improper technique	369	170	\$22,918,500	\$134,815	331	\$7,420,698	\$22,419
Improper management	225	87	\$22,780,877	\$261,849	217	\$14,199,692	\$65,436
Surgical or other foreign body retained	104	57	\$4,960,216	\$87,021	95	\$2,459,030	\$25,885
Wrong diagnosis or misdiagnosis (original diagnosis is incorrect)	74	32	\$13,331,780	\$416,618	69	\$3,919,135	\$56,799
Equipment utilization problem	61	44	\$9,601,800	\$218,223	52	\$3,246,671	\$62,436
Intubation problem	56	35	\$1,099,098	\$31,403	35	\$973,884	\$27,825
Patient monitoring problem	54	38	\$6,632,482	\$174,539	50	\$3,063,901	\$61,278
Wrong dosage ordered of correct medication	46	34	\$4,406,500	\$129,603	22	\$599,336	\$27,243
Problem with appliance, prostheses, orthotic, restorative, splint or device	45	18	\$1,698,515	\$94,362	44	\$939,652	\$21,356
Wrong procedure or treatment	40	21	\$2,081,769	\$99,132	37	\$1,382,962	\$37,377
Wrong medication administered	39	22	\$2,282,630	\$103,756	38	\$931,130	\$24,503
Wrong body part	37	30	\$2,037,728	\$67,924	32	\$685,521	\$21,423
Wrong dosage administered	36	24	\$6,403,327	\$266,805	33	\$1,414,408	\$42,861
Wrong medication ordered	36	18	\$19,870,083	\$1,103,894	34	\$2,233,902	\$65,703
Radiology or imaging error	30	18	\$4,924,801	\$273,600	29	\$585,757	\$20,199
Wrong dosage dispensed	30	24	\$2,461,228	\$102,551	24	\$429,907	\$17,913
Patient positioning problem	28	17	\$737,544	\$43,385	23	\$572,024	\$24,871
Wrong medication dispensed	26	21	\$3,583,052	\$170,622	22	\$819,054	\$37,230

Five-year period ending December 31, 2014

	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
<u>Communication/supervision</u>							
Failure to instruct or communicate with patient or family	88	46	\$11,259,112	\$244,763	79	\$3,274,233	\$41,446
Failure to supervise	47	29	\$4,997,094	\$172,314	42	\$3,588,492	\$85,440
Communication problem between practitioners	40	19	\$2,002,611	\$105,401	37	\$2,032,238	\$54,925
Improper supervision	30	16	\$2,217,616	\$138,601	27	\$1,404,433	\$52,016
Failure to report on patient condition	25	20	\$8,147,384	\$407,369	23	\$1,651,324	\$71,797
Failure to respond to patient	15	10	\$1,317,340	\$131,734	12	\$235,753	\$19,646
<u>Failure to take appropriate action</u>							
Failure to diagnose	521	172	\$79,436,939	\$461,843	513	\$27,545,968	\$53,696
Failure to monitor	183	116	\$23,265,107	\$200,561	154	\$12,571,498	\$81,633
Failure to treat	109	31	\$10,825,521	\$349,210	107	\$5,417,074	\$50,627
Failure to recognize a complication	62	28	\$12,727,115	\$454,540	62	\$4,017,523	\$64,799
Failure to perform procedure	41	14	\$3,170,325	\$226,452	41	\$1,490,146	\$36,345
Failure to use aseptic technique	34	19	\$2,030,490	\$106,868	32	\$429,298	\$13,416
Failure to order appropriate test	28	13	\$5,004,095	\$384,930	27	\$2,419,299	\$89,604
<u>Delay in performance</u>							
Delay in diagnosis	226	78	\$28,238,152	\$362,028	223	\$8,783,652	\$39,389
Delay in treatment	93	35	\$11,486,751	\$328,193	92	\$4,343,311	\$47,210
Delay in performance	24	12	\$6,610,000	\$550,833	24	\$2,787,186	\$116,133

Five-year period ending December 31, 2014

<u>Behavior/legal</u>	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
Vicarious liability	675	248	\$57,627,671	\$232,370	624	\$25,601,287	\$41,028
Failure to ensure patient safety	168	138	\$25,795,752	\$186,926	153	\$4,581,492	\$29,944
Sexual misconduct	68	54	\$4,370,000	\$80,926	39	\$2,958,532	\$75,860
Improper conduct	52	18	\$4,193,995	\$233,000	50	\$3,102,015	\$62,040
Failure to obtain consent or lack of informed consent	41	12	\$1,525,733	\$127,144	39	\$1,361,608	\$34,913
Breach of patient confidentiality	24	12	\$196,500	\$16,375	21	\$196,752	\$9,369
Equipment malfunction	16	13	\$641,564	\$49,351	14	\$115,410	\$8,244
Failure to conform with regulation, statute, or rule	15	11	\$978,873	\$88,988	11	\$1,167,046	\$106,095
Failure to protect a third party	11	10	\$241,661	\$24,166	11	\$156,599	\$14,236
<u>Continuity of care/care management</u>							
Failure or delay in referral or consultation	58	27	\$13,164,088	\$487,559	57	\$3,604,321	\$63,234
Premature discharge from institution	27	13	\$1,851,255	\$142,404	23	\$701,168	\$30,486
<u>Unnecessary/contraindicated procedure</u>							
Unnecessary procedure	36	11	\$3,891,739	\$353,794	35	\$2,155,949	\$61,599

This table shows the most common allegations made against physician specialties.

<u>Allegation made against physician specialty</u>	<u>Five-year period ending December 31, 2014</u>						
	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
Improper performance	530	197	\$47,812,635	\$242,704	511	\$20,722,190	\$40,552
Failure to diagnose	459	146	\$63,167,237	\$432,652	451	\$24,517,186	\$54,362
Improper technique	225	82	\$17,930,448	\$218,664	207	\$5,837,927	\$28,203
Delay in diagnosis	187	57	\$23,461,072	\$411,598	184	\$7,517,576	\$40,856
Improper management	173	56	\$16,362,809	\$292,193	172	\$12,604,991	\$73,285
Surgical or other foreign body retained	78	36	\$3,112,258	\$86,452	73	\$1,746,694	\$23,927
Delay in treatment	73	24	\$5,924,001	\$246,833	72	\$1,863,931	\$25,888
Failure to treat	68	13	\$7,580,166	\$583,090	67	\$3,489,113	\$52,076
Wrong diagnosis or misdiagnosis (original diagnosis is incorrect)	62	24	\$11,239,920	\$468,330	58	\$3,527,616	\$60,821
Failure to monitor	59	22	\$10,080,010	\$458,182	56	\$4,379,285	\$78,202
Failure to instruct or communicate with patient or family	53	24	\$6,420,919	\$267,538	50	\$2,460,720	\$49,214
Failure to recognize a complication	47	22	\$11,937,360	\$542,607	47	\$3,732,497	\$79,415
Intubation problem	38	21	\$478,518	\$22,787	27	\$918,730	\$34,027
Failure to perform procedure	35	10	\$1,107,325	\$110,733	35	\$1,043,114	\$29,803
Equipment utilization problem	33	22	\$5,714,905	\$259,768	30	\$2,650,864	\$88,362
Failure or delay in referral or consultation	33	11	\$5,242,804	\$476,619	32	\$2,109,414	\$65,919
Radiology or imaging error	27	15	\$4,842,165	\$322,811	26	\$546,387	\$21,015
Wrong medication ordered	27	11	\$17,920,196	\$1,629,109	26	\$1,454,833	\$55,955
Wrong body part	25	20	\$1,661,730	\$83,087	23	\$611,194	\$26,574
Failure to order appropriate test	23	10	\$4,214,095	\$421,410	22	\$2,128,413	\$96,746

This table shows the most common allegations made against dental specialties.

Five-year period ending December 31, 2014							
<u>Allegation made against dental provider</u>	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
Improper performance	354	272	\$13,266,516	\$48,774	200	\$3,492,032	\$17,460
Improper technique	69	40	\$2,052,349	\$51,309	60	\$649,426	\$10,824
Improper management	22	12	\$640,693	\$53,391	18	\$681,692	\$37,872
Wrong procedure or treatment	14	10	\$469,205	\$46,921	12	\$180,333	\$15,028

This table shows the most common allegations made against other types of medical providers.

<u>Allegation made against other type of medical provider</u>	Five-year period ending December 31, 2014						
	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
Improper performance	163	67	\$15,840,043	\$236,419	150	\$5,031,511	\$33,543
Failure to monitor	106	82	\$10,226,093	\$124,708	82	\$7,013,887	\$85,535
Improper technique	73	46	\$2,475,703	\$53,820	62	\$920,114	\$14,841
Failure to ensure patient safety	73	64	\$1,910,897	\$29,858	68	\$485,898	\$7,146
Sexual misconduct	52	45	\$1,637,500	\$36,389	23	\$1,252,195	\$54,443
Failure to diagnose	41	16	\$5,500,541	\$343,784	41	\$2,309,471	\$56,329
Patient monitoring problem	31	23	\$2,532,261	\$110,098	27	\$1,067,732	\$39,546
Improper management	27	17	\$2,693,079	\$158,416	25	\$905,146	\$36,206
Wrong dosage ordered of correct medication	26	23	\$1,847,000	\$80,304	5	\$46,631	\$9,326
Delay in diagnosis	25	12	\$4,139,653	\$344,971	25	\$847,981	\$33,919
Failure to treat	25	12	\$2,083,105	\$173,592	25	\$1,690,950	\$67,638
Equipment utilization problem	24	19	\$3,038,540	\$159,923	19	\$523,758	\$27,566
Wrong dosage administered	20	12	\$4,361,411	\$363,451	17	\$650,933	\$38,290
Wrong dosage dispensed	19	18	\$2,332,327	\$129,574	14	\$211,949	\$15,139
Intubation problem	18	14	\$620,580	\$44,327	8	\$55,154	\$6,894
Surgical or other foreign body retained	18	15	\$1,680,529	\$112,035	16	\$682,914	\$42,682
Wrong medication dispensed	16	15	\$1,565,052	\$104,337	13	\$297,047	\$22,850
Wrong medication administered	16	10	\$2,027,295	\$202,730	15	\$357,943	\$23,863
Failure to supervise	14	10	\$1,556,821	\$155,682	11	\$1,250,431	\$113,676
Vicarious liability	14	12	\$510,296	\$42,525	3	\$19,080	\$6,360
Failure to report on patient condition	12	12	\$5,635,010	\$469,584	12	\$1,052,303	\$87,692

This table shows the most common allegations made against an organization.

Five-year period ending December 31, 2014							
<u>Allegation made against an organization</u>	Total number of claims	Claims with paid indemnity	Total paid indemnity	Average paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
Vicarious liability	628	230	\$56,259,818	\$244,608	589	\$25,013,596	\$42,468
Failure to ensure patient safety	86	71	\$23,713,011	\$333,986	76	\$3,946,719	\$51,931
Failure to supervise	27	17	\$3,277,773	\$192,810	25	\$2,124,448	\$84,978
Failure to monitor	16	11	\$2,884,004	\$262,182	14	\$973,764	\$69,555
Improper supervision	16	10	\$1,901,958	\$190,196	14	\$908,447	\$64,889
Failure to instruct or communicate with patient or family	14	12	\$2,879,345	\$239,945	13	\$419,698	\$32,284

The most common claim against an organization is vicarious liability. Vicarious liability is secondary liability in which the organization becomes responsible for the acts of an employee or other third party when it had had the right, ability or duty to control those activities.

County statistics

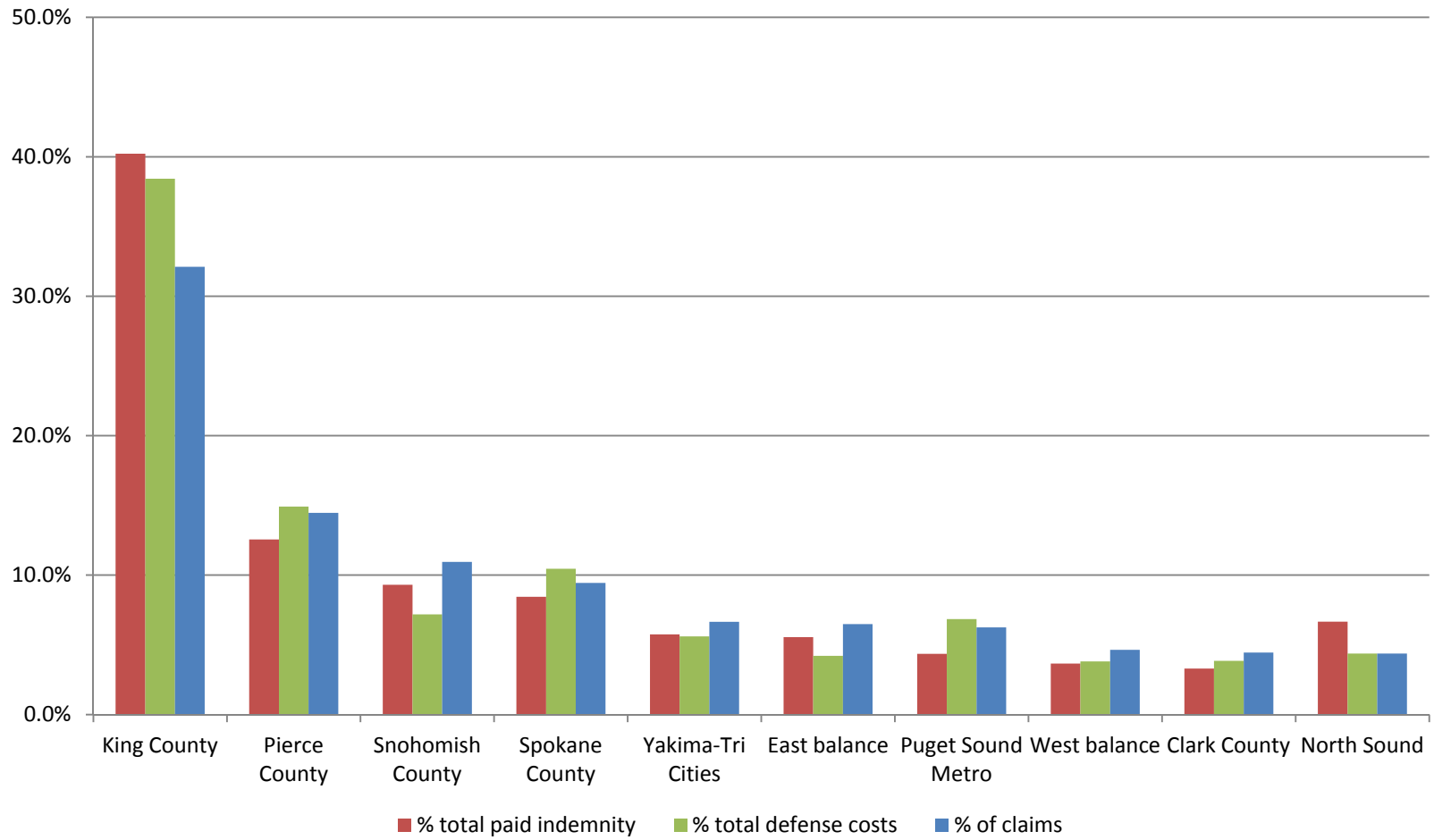
Insurers and self-insurers reported the county where the medical incident occurred.⁵⁰ To provide information about differences by location, we divided the state into nine regions.⁵¹ King County had the highest total paid indemnity and highest average defense costs, while average indemnity payments were highest in the North Puget Sound region. A few claims were reported as occurring out of state (not shown).

Region	Five-year period ending December 31, 2014									
	Total number of claims	Claims with paid indemnity	Total paid indemnity	Median paid indemnity	Average paid indemnity	Average economic loss	Claims with defense costs	Total defense costs	Average defense costs	Median defense costs
King County	1,762	886	\$227,871,550	\$45,000	\$257,191	\$146,157	1,499	\$82,300,122	\$54,903	\$11,999
Pierce County	794	302	\$71,115,034	\$71,762	\$235,480	\$105,912	762	\$31,958,245	\$41,940	\$11,855
Snohomish County	601	374	\$52,743,634	\$6,000	\$141,026	\$74,560	523	\$15,377,410	\$29,402	\$9,777
Spokane County	518	208	\$47,859,225	\$51,176	\$230,092	\$152,290	503	\$22,397,264	\$44,527	\$10,502
Yakima-Tri Cities	365	178	\$32,551,192	\$50,000	\$182,872	\$103,987	309	\$12,009,624	\$38,866	\$13,581
East balance	356	157	\$31,468,267	\$77,500	\$200,435	\$136,694	335	\$9,011,093	\$26,899	\$8,456
Puget Sound Metro	343	158	\$24,642,768	\$75,000	\$155,967	\$60,718	327	\$14,664,586	\$44,846	\$13,458
West balance	255	115	\$20,705,969	\$50,000	\$180,052	\$73,746	240	\$8,166,355	\$34,026	\$11,343
Clark County	244	132	\$18,671,240	\$50,000	\$141,449	\$42,765	201	\$8,244,133	\$41,016	\$11,614
North Sound	240	105	\$37,711,385	\$75,000	\$359,156	\$202,917	225	\$9,366,149	\$41,627	\$7,590

⁵⁰ Under [RCW 48.140.060](#) and [RCW 42.56.400](#)(10), some counties are grouped together to maintain confidentiality.

⁵¹ **Yakima-Tri Cities** includes Benton, Franklin and Yakima counties. **East balance** includes Adams, Asotin, Chelan, Columbia, Douglas, Ferry, Garfield, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille, Stevens, Walla Walla and Whitman counties. **Puget Sound Metro** includes Kitsap and Thurston counties. **West balance** includes Clallam, Cowlitz, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Pacific, Skamania and Wahkiakum counties. **North Sound** includes Island, San Juan, Skagit and Whatcom counties.

Distributions by Region

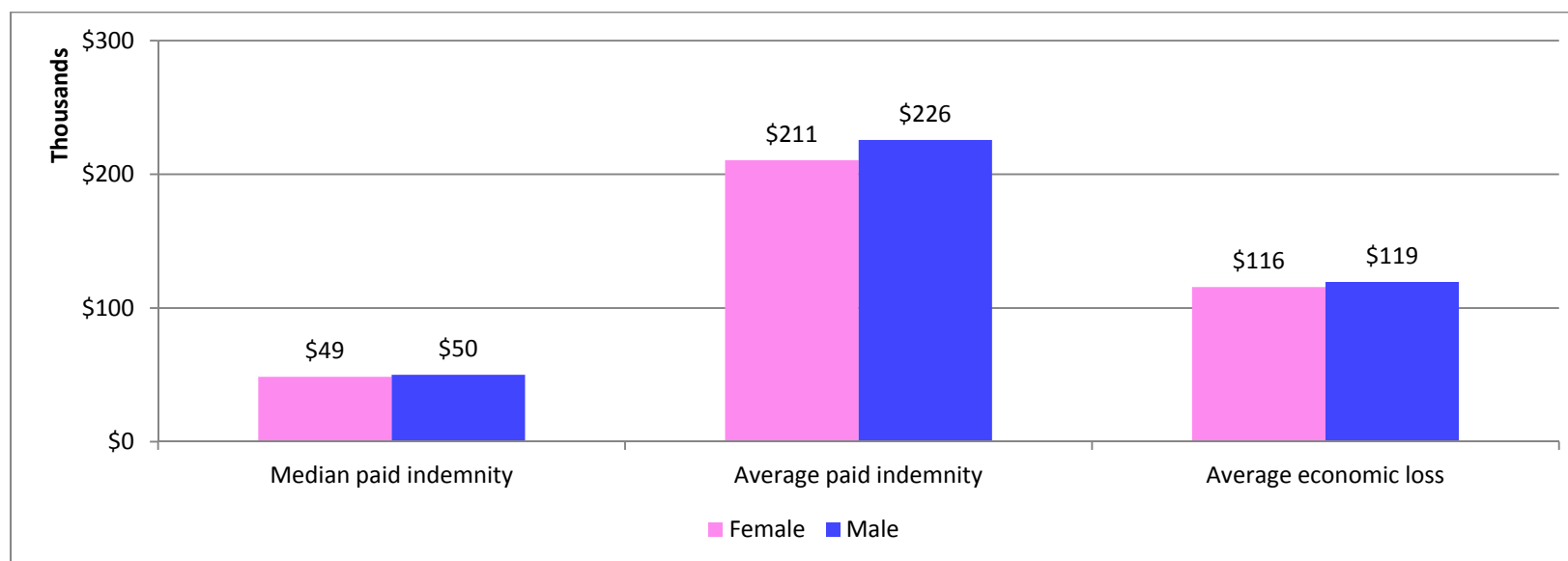


Gender statistics

Of the 5,488 claims closed, 56.8 percent of the claims reported the injured party was female and 43 percent of the claims reported the injured party was male. For a few claims, the gender was reported as unknown (not shown).

Five-year period ending December 31, 2014									
Gender	Total number of claims	Claims with paid indemnity	Total paid indemnity	Median paid indemnity	Average paid indemnity	Average economic loss	Claims with defense costs	Total defense costs	Average defense costs
Female	3,118	1,577	\$332,100,848	\$48,500	\$210,590	\$115,678	2,792	\$120,657,523	\$43,215
Male	2,361	1,037	\$234,036,786	\$50,000	\$225,686	\$119,477	2,134	\$93,049,827	\$43,603

Average payments and defense costs were slightly higher when the injured party was male. The chart below illustrates this comparison.

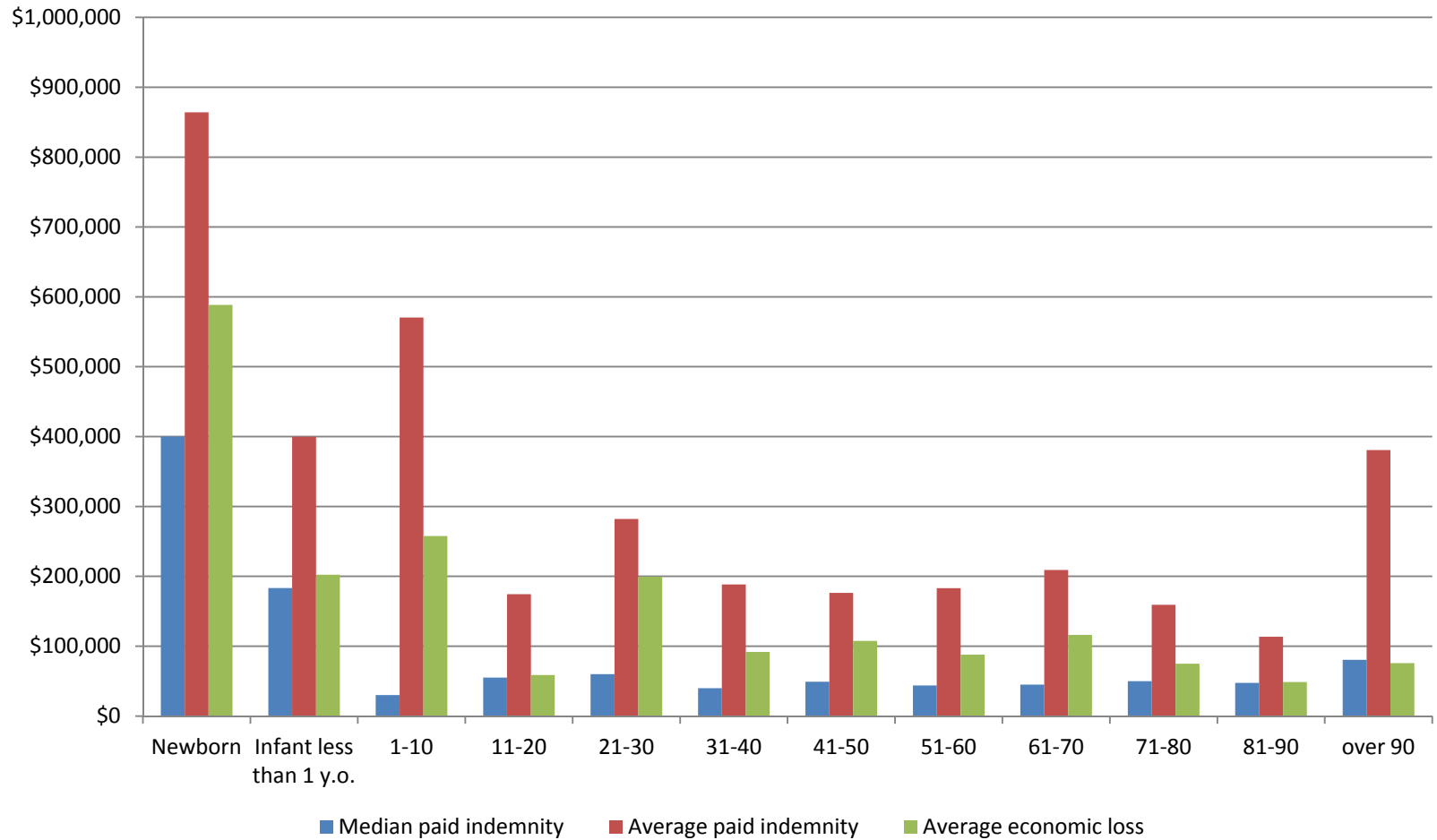


Age statistics

Insurers and self-insurers reported the age group of the claimant.

<u>Age group</u>	<u>Five-year period ending December 31, 2014</u>									
	Total number of claims	Claims with paid indemnity	Total paid indemnity	Total economic loss	Average paid indemnity	Average economic loss	Median paid indemnity	Claims with defense costs	Total defense costs	Average defense cost
Newborn	104	50	\$43,207,965	\$29,423,659	\$864,159	\$588,473	\$400,000	99	\$12,731,817	\$128,604
Infant <1 year	75	30	\$11,992,646	\$6,070,703	\$399,755	\$202,357	\$183,334	66	\$3,346,502	\$50,705
1-10	135	61	\$34,799,374	\$15,721,332	\$570,482	\$257,727	\$30,024	126	\$5,348,844	\$42,451
11-20	188	89	\$15,522,518	\$5,229,918	\$174,410	\$58,763	\$55,000	180	\$10,324,969	\$57,361
21-30	487	233	\$65,751,960	\$46,483,196	\$282,197	\$199,499	\$60,000	456	\$19,041,877	\$41,759
31-40	754	346	\$65,161,831	\$31,746,904	\$188,329	\$91,754	\$40,000	662	\$29,758,905	\$44,953
41-50	1,175	528	\$93,041,683	\$56,789,840	\$176,215	\$107,557	\$49,051	1,055	\$40,016,557	\$37,930
51-60	1,169	559	\$102,352,078	\$49,127,152	\$183,099	\$87,884	\$43,745	1,033	\$42,353,096	\$41,000
61-70	729	357	\$74,642,808	\$41,451,208	\$209,083	\$116,110	\$45,000	644	\$26,529,746	\$41,195
71-80	432	217	\$34,565,986	\$16,256,418	\$159,290	\$74,914	\$50,000	401	\$15,195,432	\$37,894
81-90	200	117	\$13,294,313	\$5,702,144	\$113,627	\$48,736	\$47,500	178	\$5,850,315	\$32,867
over 90	40	32	\$12,182,102	\$2,423,353	\$380,691	\$75,730	\$80,500	34	\$3,691,602	\$108,577
Total	5,488	2,619	\$566,515,264	\$306,425,827	\$216,310	\$117,001	\$50,000	4,934	\$214,189,662	\$43,411

Payment Averages by Age Group



Trends

This chart shows estimates of trends in frequency and severity.⁵² Average claim costs and the number of reported claims have been increasing.

Year closed	Average paid indemnity	Average limited indemnity	Average defense costs	Average of limited indemnity + defense costs	Number of claims closed
2008	235,067	186,013	49,307	139,607	886
2009	246,303	181,109	42,972	124,160	865
2010	212,916	167,450	37,193	114,485	928
2011	215,332	174,497	40,430	113,113	1,206
2012	169,887	144,012	49,751	112,809	1,183
2013	230,434	178,419	39,743	125,566	1,133
2014	265,219	233,227	49,660	154,590	1,038
Annual trend	0.0%	1.8%	0.6%	1.1%	4.6%

Average limited indemnity amounts were calculated by restricting individual claims to a maximum of \$1 million, which is a way to reduce volatility in the trend estimate.

These trends should not be considered reliable estimates of changes in medical malpractice insurance costs over time for several reasons. For example, since medical malpractice claims can take several years to close, the averages shown for each year closed include data from incidents that occurred over many years. Thus trends estimated using closed-year data can be distorted by changes in claims settlement rates. The trend in the number of claims closed is a poor estimate of frequency trend. A frequency is calculated as the number of claims per exposure (e.g., per policy or per physician). Since insurers do not report policy counts, physician counts, or other exposure data, we cannot calculate a true frequency trend. These trend estimates could also be distorted by changes in data reporting compliance over time.

⁵² An analysis of trends in frequency and severity is required by [RCW 48.140.050\(1\)\(a\)\(i\)](#). Trends shown are based on exponential least squares regression.

Statistics from medical malpractice lawsuits

This section of the report presents data submitted by plaintiffs' attorneys following the resolution of lawsuits filed against health care providers and facilities.

	<u>Year settled</u>					Five-year total
	2010	2011	2012	2013	2014	
Settlements reported by attorneys	90	87	60	58	51	346
Number of settlements with paid indemnity	85	84	59	57	51	336
Total paid indemnity	\$85,073,584	\$45,892,345	\$44,247,074	\$72,113,776	\$70,567,961	\$317,894,740
Average payment to claimant	\$1,000,866	\$546,337	\$749,950	\$1,265,154	\$1,383,686	\$946,115
Median payment to claimant	\$270,000	\$237,500	\$212,500	\$390,000	\$500,000	\$287,500
Total legal expenses	\$34,598,555	\$18,891,184	\$18,109,028	\$31,971,142	\$27,091,674	\$130,661,583
Total attorney fees	\$31,188,630	\$15,886,463	\$15,853,136	\$26,706,371	\$23,925,616	\$113,560,216
Average legal expense	\$384,428	\$217,140	\$301,817	\$551,227	\$531,209	\$377,635
Average fee paid to attorney	\$366,925	\$189,125	\$268,697	\$468,533	\$469,130	\$337,977

Indemnity payments to claimants: Over the five-year period ending December 31, 2014, claimants received total compensation of \$317.9 million on 346 settlements, averaging \$946,115 per settlement. Median paid indemnity was \$287,500 over the same period.

Claimants paid \$130.7 million for legal expenses, averaging \$377,635 per lawsuit. Claimants paid \$113.6 million in attorney fees, or an average of \$337,977 per settlement.⁵³ On average, the attorney fee was 35.7 percent of the total compensation paid to the claimant.

The average indemnity payment per settlement reported by attorneys was 4.4 times the average indemnity payment reported by insurers on a per defendant basis. Per-lawsuit averages are expected to be higher than per-defendant averages, since settlements reported by attorneys can

⁵³ Attorneys in this area of litigation typically work on a contingency basis, and receive fees if one or more defendants compensate the claimant.

involve multiple defendants. Averages reported by attorneys may be biased high; attorneys might be less likely to report data to the OIC for lawsuits resulting in small indemnity payments.

Compliance by attorneys: Based on data from the [Administrative Office of the Courts](#), the level of compliance by attorneys with the law is quite low. For example, between 2009 and 2012 there were 1,179 medical malpractice lawsuits resolved in this state, but attorneys reported data for only 368 of these lawsuits. Since the OIC does not have an enforcement mechanism to improve compliance, the OIC does not expect any significant increase in the number of settlements reported in future years.⁵⁴

How lawsuits were settled

Most settlements were the result of an alternative dispute resolution process, and these settlements resulted in the second-highest average indemnity payment. The largest settlements were the result of a judgment or verdict, averaging \$2.4 million each. The average attorney fee for settlements resolved in court was \$975,639, or 40.3 percent of the total judgment or verdict.

Five-year period ending December 31, 2014								
Lawsuit settlement method	Number of settlements with legal expenses	Total legal expenses	Average legal expense paid by claimant	Number of settlements with paid indemnity	Total paid indemnity	Average paid indemnity to claimant	Total attorney fees	Attorney fees per settlement with indemnity
Verdicts	10	\$8,888,174	\$888,817	8	\$19,343,873	\$2,417,984	\$7,805,109	\$975,639
Alternative dispute resolution	185	\$77,727,834	\$420,150	181	\$187,661,967	\$1,036,806	\$68,143,487	\$376,483
Settled by parties	147	\$44,035,339	\$299,560	147	\$110,888,900	\$754,346	\$37,611,620	\$255,861
All other	4	\$10,236	\$2,559	0	\$0	-	\$0	-
Total	346	\$130,661,583	\$377,635	336	\$317,894,740	\$946,115	\$113,560,216	\$337,977

Of the 185 settlements resolved by alternative dispute resolution, 164 were resolved in mediation, resulting in \$182.4 million in indemnity payments. The average mediated settlement resulted in an indemnity payment of \$1.1 million. The average attorney fee for settlements resolved in mediation was \$401,730, or 36.1 percent of the total settlement. When other legal expenses are added, such as expert witnesses, claimants paid an average of \$454,651 for total legal expenses – or 40.9 percent of the total mediated settlement.

⁵⁴ In 2010, the OIC proposed legislation ([SB 6412](#) and [HB 2963](#)) that would have added enforcement mechanisms to the existing law. This legislation was not enacted.

Settlements by county

Region	Five-year period ending December 31, 2014						
	Settlements with legal expenses	Total legal expenses	Average legal expense	Settlements with paid indemnity	Total paid indemnity	Average paid indemnity	Median paid indemnity
King County	148	\$66,853,704	\$451,714	147	\$161,022,890	\$1,095,394	\$275,000
Pierce County	39	\$11,329,816	\$290,508	35	\$27,287,383	\$779,640	\$300,000
Clark County	33	\$4,900,208	\$148,491	32	\$11,609,920	\$362,810	\$142,500
Yakima-Tri Cities	24	\$7,252,970	\$302,207	23	\$15,583,363	\$677,538	\$350,000
Snohomish County	24	\$11,526,081	\$480,253	22	\$28,149,000	\$1,279,500	\$275,000
Puget Sound Metro	20	\$8,240,292	\$412,015	20	\$20,336,500	\$1,016,825	\$500,000
Spokane County	18	\$9,820,233	\$545,569	18	\$25,903,933	\$1,439,107	\$336,092
East balance	16	\$3,266,377	\$204,149	15	\$9,209,165	\$613,944	\$175,000
North Sound	14	\$5,481,425	\$391,530	14	\$13,877,586	\$991,256	\$600,000
West balance	10	\$1,990,477	\$199,048	10	\$4,915,000	\$491,500	\$170,000
Total	346	\$130,661,583	\$377,635	336	\$317,894,740	\$946,115	\$287,500

Attorneys reported settlement data by county where the medical incident occurred. To provide meaningful information regarding differences by location, we divided the state into nine regions.⁵⁵ King County had the highest total paid indemnity, and the third-highest average paid indemnity. Spokane County had the highest average paid indemnity at \$1.4 million. The North Sound region had the highest median payment at \$600,000.

⁵⁵ Under [RCW 48.140.060](#) and [RCW 42.56.400](#)(10), some counties are grouped together to maintain confidentiality. **Yakima-Tri Cities** includes Benton, Franklin and Yakima counties. **East balance** includes Adams, Asotin, Chelan, Columbia, Douglas, Ferry, Garfield, Grant, Kittitas, Lincoln, Okanogan, Pend Oreille, Stevens, Walla Walla and Whitman counties. **Puget Sound Metro** includes Kitsap and Thurston counties. **West balance** includes Clallam, Cowlitz, Grays Harbor, Jefferson, Klickitat, Lewis, Mason, Pacific, Skamania and Wahkiakum counties. **North Sound** includes Island, San Juan, Skagit and Whatcom counties.

Gender of plaintiff

Five-year period ending December 31, 2014							
Gender	Settlements with legal fees	Total legal fees	Average legal expense paid by claimant	Settlements with paid indemnity	Total paid indemnity	Average indemnity paid to claimant	Median paid indemnity
Female	213	\$85,742,412	\$402,547	207	\$205,495,088	\$992,730	\$270,000
Male	133	\$44,919,171	\$337,738	129	\$112,399,652	\$871,315	\$300,000
Total	346	\$130,661,583	\$377,635	336	\$317,894,740	\$946,115	\$287,500

These data show females received a higher average settlement than males, but the median settlement was lower. Significantly more settlements involved female claimants: 61.6 percent compared to 38.4 percent with male claimants.

Age of plaintiff

Attorneys reported the age group of the claimant. This table shows that the most expensive settlements involved newborns and infants. The average paid indemnity for the 15 settlements in this age group was \$3.6 million, and the median payment was \$1 million. The 1- to 10-year-old age group had the second-highest average paid indemnity at \$2.6 million.

<u>Age group</u>	<u>Five-year period ending December 31, 2014</u>						
	Settlements with legal expenses	Total legal expenses	Average legal expenses	Settlements with paid indemnity	Total paid indemnity	Average paid indemnity	Median paid indemnity
Newborn/infant	15	\$20,870,233	\$1,391,349	15	\$54,283,633	\$3,618,909	\$1,000,000
Ages 1-10	11	\$11,472,060	\$1,042,915	11	\$28,335,262	\$2,575,933	\$1,000,000
Ages 11-20	13	\$1,371,212	\$105,478	13	\$3,038,000	\$233,692	\$120,000
Ages 21-30	21	\$7,990,272	\$380,489	20	\$19,759,136	\$987,957	\$127,500
Ages 31-40	43	\$14,200,197	\$330,237	43	\$35,012,208	\$814,237	\$375,000
Ages 41-50	64	\$20,294,511	\$317,102	62	\$48,835,894	\$787,676	\$247,710
Ages 51-60	77	\$30,364,732	\$394,347	76	\$73,119,768	\$962,102	\$212,500
Ages 61-70	48	\$12,314,207	\$256,546	46	\$28,262,890	\$614,411	\$420,000
Ages 71-80	37	\$8,076,384	\$218,281	34	\$18,682,949	\$549,499	\$262,500
Ages 81 and over	17	\$3,707,775	\$218,104	16	\$8,565,000	\$535,313	\$237,500
Total	346	\$130,661,583	\$377,635	336	\$317,894,740	\$946,115	\$287,500

Report limitations

Analysis based on historical closed claim data has limitations:

1. There is a natural mismatch between premiums and losses used to calculate loss ratios and profitability ratios for commercial insurers. Premiums used for loss ratios are earned during the calendar year, but the amounts booked as incurred loss during the same calendar year are from claims from various accident years. As a result, most losses do not correspond to the same policies that the premium comes from.
2. Claims are reported based on the year in which they reach final resolution. Some arose from recent medical incidents, but many arose from incidents that occurred several years ago.
3. This report contains claims that closed during a limited period.
4. The OIC cannot use data in this report 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.
5. In producing this report, the OIC has relied upon data submitted to it by insurers, self-insurers, and attorneys. 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, but the accuracy of the report still depends largely on the accuracy of the data reported by insurers and self-insurers and attorneys. People who report data may interpret data fields differently or make errors.
6. The OIC has not adjusted these data for economic differences occurring during the report period, such as inflation and the cost of medical care.
7. These data do not distinguish between policies and coverage amounts. Insurers and self-insurers do not report policy limits, 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.
8. Insurers and self-insurers reported 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 insurers and self-insurers.
9. 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. For example, the impact of recent legislation or judicial decisions will not be reflected in a closed claim database.

10. Although insurers and self-insurers report data only after the claim has been closed, they occasionally re-open claims that were previously closed. Amounts reported may not be the true, ultimate amounts.

Appendices

Appendix A: Profitability

Physicians Insurance, A Mutual Company												
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
<u>Year</u>	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 [i-k]
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%
2010	69,704,876	11,304,529	16.2%	65,704,876	46,581,041	70.9%	5,064,296	7.7%	94.8%	13,636,915	20.8%	74.1%
2011	73,321,941	11,206,238	15.3%	70,370,781	58,164,474	82.7%	5,050,240	7.2%	105.1%	13,338,762	19.0%	86.2%
2012	67,765,626	12,136,167	17.9%	65,640,184	52,544,310	80.0%	5,069,039	7.7%	105.7%	12,759,941	19.4%	86.2%
2013	72,889,552	12,288,351	16.9%	69,671,138	59,350,315	85.2%	5,066,054	7.3%	109.3%	13,644,483	19.6%	89.7%
2014	76,701,101	12,732,714	16.6%	75,121,138	61,689,384	82.1%	5,070,027	6.7%	105.5%	14,861,343	19.8%	85.7%
Total	740,976,650	107,596,286	14.5%	728,228,340	536,800,376	73.7%	35,422,694	4.9%	93.1%	132,947,525	18.3%	74.8%
Five-year period-to-period results												
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%
2010-2014	360,383,096	59,667,999	16.6%	346,508,117	278,329,524	80.3%	25,319,656	7.3%	104.2%	68,241,444	19.7%	84.5%

Doctors Company, An Interinsurance Exchange

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
<u>Year</u>	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 [i-k]
2005	459,727,858	80,764,821	17.6%	449,816,620	283,405,291	63.0%	0	0.0%	80.6%	37,364,855	8.3%	72.3%
2006	455,173,136	97,776,987	21.5%	478,224,850	247,969,818	51.9%	21,000,000	4.4%	77.7%	44,970,862	9.4%	68.3%
2007	493,082,275	104,988,328	21.3%	521,729,949	255,575,118	49.0%	23,128,514	4.4%	74.7%	61,504,372	11.8%	62.9%
2008	516,655,334	101,299,086	19.6%	499,926,491	238,949,228	47.8%	121,450	0.0%	67.4%	94,665,140	18.9%	48.5%
2009	500,493,524	110,584,657	22.1%	547,603,861	318,310,083	58.1%	12,976,400	2.4%	82.6%	71,312,564	13.0%	69.6%
2010	555,108,478	118,217,900	21.3%	525,540,006	293,984,096	55.9%	13,838,518	2.6%	79.9%	149,742,807	28.5%	51.4%
2011	527,973,477	120,861,889	22.9%	536,671,691	338,084,016	63.0%	17,898,564	3.3%	89.2%	140,035,865	26.1%	63.1%
2012	564,467,114	118,162,349	20.9%	584,386,263	403,909,176	69.1%	18,824,501	3.2%	93.3%	89,575,627	15.3%	77.9%
2013	596,528,843	142,931,788	24.0%	641,792,914	481,878,612	75.1%	20,186,134	3.1%	102.2%	99,733,738	15.5%	86.6%
2014	675,729,455	148,922,813	22.0%	659,903,069	516,688,550	78.3%	18,211,496	2.8%	103.1%	9,510,008	1.4%	101.7%
Total	5,344,939,494	1,144,510,618	21.4%	5,445,595,714	3,378,753,988	62.0%	146,185,577	2.7%	86.1%	798,415,838	14.7%	71.5%
Five-year period-to-period results												
2005-2009	2,425,132,127	495,413,879	20.4%	2,497,301,771	1,344,209,538	53.8%	57,226,364	2.3%	76.5%	309,817,793	12.4%	64.1%
2010-2014	2,919,807,367	649,096,739	22.2%	2,948,293,943	2,034,544,450	69.0%	88,959,213	3.0%	94.3%	488,598,045	16.6%	77.7%

The 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 [i-k]
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%
2010	334,684,035	64,039,347	19.1%	322,277,708	190,873,450	59.2%	0	0.0%	78.4%	85,414,752	26.5%	51.9%
2011	327,172,569	80,572,831	24.6%	302,854,289	147,482,689	48.7%	0	0.0%	73.3%	95,314,696	31.5%	41.9%
2012	643,824,861	96,030,575	14.9%	616,894,746	442,008,223	71.7%	0	0.0%	86.6%	128,234,185	20.8%	65.8%
2013	366,900,050	88,271,745	24.1%	371,799,546	190,645,983	51.3%	0	0.0%	75.3%	121,841,200	32.8%	42.6%
2014	-680,001,929	20,854,006	-3.1%	-575,282,426	-658,979,231	114.5%	0	0.0%	111.5%	97,914,323	-17.0%	128.5%
Total	2,350,295,859	572,680,457	24.4%	2,359,813,930	1,307,980,608	55.4%	0	0.0%	79.8%	798,210,334	33.8%	46.0%

2012 and 2014 net data for Medical Protective were distorted by loss portfolio transfer agreements between Medical Protective and its affiliates.

Appendix B: Reserve development

Physicians Insurance, A Mutual Company

Incurred net losses and defense and cost containment expenses (\$000 omitted)

Amounts reported at year-end

Year in which losses occurred	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	One year development	Two year development	Cumulative development
Prior	126,833	121,024	111,866	98,918	92,816	80,128	70,575	69,547	69,114	69,314	200	-233	-57,519
2005	58,927	57,553	56,813	50,539	50,419	48,778	48,570	45,737	45,306	45,287	-19	-450	-13,640
2006		58,655	51,073	47,126	50,657	47,881	44,851	43,507	42,596	40,511	-2,085	-2,996	-18,144
2007			51,458	43,568	37,383	35,768	36,921	34,514	33,247	32,838	-409	-1,676	-18,620
2008				57,137	44,684	38,672	36,794	33,629	30,644	29,637	-1,007	-3,992	-27,500
2009					55,629	54,621	51,841	50,073	51,595	49,254	-2,341	-819	-6,375
2010						61,648	52,493	48,490	46,159	45,100	-1,059	-3,390	-16,548
2011							68,571	61,519	54,457	50,314	-4,143	-11,205	-18,257
2012								64,479	58,836	60,309	1,473	-4,170	-4,170
2013									65,630	56,757	-8,873		-8,873
2014										65,379			
										Total	-18,263	-28,931	-189,646

Doctors Company, An Interinsurance Exchange

Incurred net losses and defense and cost containment expenses (\$000 omitted)

Amounts reported at year-end

Year in which losses occurred	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	One year development	Two year development	Cumulative Development
Prior	553,350	512,881	476,067	423,251	420,689	409,746	378,554	371,926	376,553	376,347	-18,428	-18,603	-177,003
2005	273,690	250,985	235,740	230,535	153,981	151,133	160,942	161,837	162,946	162,550	-396	713	-111,140
2006		285,546	266,290	262,538	226,313	188,137	182,573	182,943	186,763	184,050	-2,713	1,107	-101,496
2007			309,812	293,210	286,848	221,388	194,708	193,339	192,063	189,798	-2,265	-3,541	-120,014
2008				282,251	286,591	286,186	294,745	245,867	243,268	241,550	-1,718	-4,317	-40,701
2009					382,196	359,494	327,778	323,624	288,348	284,449	-3,899	-39,175	-97,747
2010						384,936	360,284	358,923	352,613	312,559	-40,054	-46,364	-72,377
2011							402,382	401,470	401,593	398,810	-2,783	-2,660	-3,572
2012								437,363	421,491	420,738	-753	-16,625	-16,625
2013									478,868	479,267	399		399
2014										523,776			
										Total	-72,610	-129,465	-740,276

The Medical Protective Company

Incurred net losses and defense and cost containment expenses (\$000 omitted)

Amounts reported at year-end

Year in which losses occurred	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	One year development	Two year development	Cumulative Development
Prior	502,403	483,250	494,775	493,487	485,710	472,819	462,751	476,540	468,504	431,570	-36,934	-44,970	-70,833
2005	186,317	182,699	172,663	163,122	153,353	135,757	121,087	120,248	109,647	99,724	-9,923	-20,524	-86,593
2006		230,307	219,045	207,190	195,312	157,294	131,346	124,635	111,453	91,730	-19,723	-32,905	-138,577
2007			278,967	265,104	251,428	237,911	187,241	180,017	164,520	126,922	-37,598	-53,095	-152,045
2008				285,000	271,527	257,782	244,108	222,419	197,674	145,576	-52,098	-76,843	-139,424
2009					291,750	278,022	264,576	287,984	253,520	170,649	-82,871	-117,335	-121,101
2010						293,913	279,180	305,693	293,658	175,727	-117,931	-129,966	-118,186
2011							282,074	314,451	301,159	169,322	-131,837	-145,129	-112,752
2012								322,195	315,585	163,486	-152,099	-158,709	-158,709
2013									322,225	157,295	-164,930		-164,930
2014										174,469			
										Total	-805,944	-779,476	-1,263,150

Appendix C: Rate filing information

<u>NAIC Code</u>	<u>Company</u>	<u>Description</u>	<u>Approved Change</u>	<u>Effective Date</u>
19917	Liberty Insurance Underwriters, Inc.	Allied Health	4.8%	9/1/2015
32417	Northwest Dentists Ins. Co.	Dentists	-0.3%	7/1/2015
26344	Great American Assurance Company	Social Services and Allied Health	New Program	1/6/2015
26832	Great American Alliance Insurance Company	Social Services and Allied Health	New Program	1/6/2015
16691	Great American Insurance Company	Social Services and Allied Health	New Program	1/6/2015
22136	Great American Insurance Company of New York	Social Services and Allied Health	New Program	1/6/2015
32417	Northwest Dentists Ins. Co.	Dentists	1.6%	1/1/2015
11843	Medical Protective Company	Physicians and Surgeons	-7.6%	12/31/2014
33391	ProAssurance Indemnity Company, Inc.	Dentists	New Program	12/30/2014
	Insurance Services Office Inc.	Hospitals and Physicians, Surgeons and Dentists	-12.0%	11/1/2014
10801	Fortress Insurance Co.	Dentists	5.0%	10/1/2014
42510	Washington Casualty Company	Physicians and Surgeons	-10.4%	10/1/2014
25224	Great Divide Insurance Co.	Dentists	New Program	9/9/2014
11843	Medical Protective Company	Dentists	-2.0%	9/1/2014
36927	Colony Specialty Insurance Company	Allied Health	New Program	8/29/2014
42510	Washington Casualty Company	Dentists	New Program	4/10/2014
20427	American Casualty Co. of Reading, PA	Healthcare Providers Services Organization	5.6%	4/1/2014
11843	Medical Protective Company	Multi-Specialty Health Care Providers	New Program	2/14/2014
25054	Hudson Insurance Company	Nurses	New Program	1/14/2014
32417	Northwest Dentists Ins. Co.	Dentists	4.2%	1/1/2014

Neither Physicians Insurance nor The Doctors Company submitted new rate filings for physicians and surgeons since last year's report. Both companies continued issuing substantial policyholder dividends, as they have since 2008 and 2006, respectively.

These tables show information from each company's two most recent physicians and surgeons rate filings.

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	2012 Filing	2013 Filing	Difference
Selected Frequency:	6.7%	6.7%	0.0%
Selected Severity:	\$113,000	\$115,750	\$2,750
Selected Pure Premium:	\$7,571	\$7,755	\$184
Selected Annual Trend:	3.5%	3.5%	0.0%

Medical Protective Company			
Rate Fling Selections	2013 Filing	2015 Filing	Difference
Selected Frequency:	n/a	n/a	
Selected Severity:	n/a	n/a	
Selected Pure Premium:	\$6,689	\$5,900	-\$789
Selected Annual Trend:	4.0%	4.0%	0.0%

Physicians Insurance									
Year	2008 filing	2009 filing	Difference						
1990	\$11,243	\$11,243	\$0						
1991	\$21,466	\$21,466	\$0						
1992	\$23,299	\$24,594	\$1,295						
1993	\$22,281	\$22,281	\$0						
1994	\$25,950	\$25,950	\$0						
1995	\$34,470	\$34,436	-\$34						
1996	\$27,234	\$27,207	-\$27						
1997	\$33,050	\$32,984	-\$66						
1998	\$33,971	\$33,760	-\$211						
1999	\$29,259	\$29,322	\$63						
2000	\$33,791	\$33,331	-\$460						
2001	\$35,098	\$34,715	-\$383						
2002	\$29,413	\$29,891	\$478	The Doctors Company					
				2012 filing	2013 filing	Difference			
2003	\$27,765	\$26,938	-\$827	\$14,328	\$14,328	\$0	Medical Protective		
2004	\$28,954	\$28,782	-\$172	\$7,955	\$7,954	-\$1	2013 filing	2015 filing	Difference
2005	\$29,498	\$28,706	-\$792	\$8,262	\$8,262	\$0	\$7,569	\$5,204	-\$2,365
2006	\$28,842	\$26,899	-\$1,943	\$10,114	\$9,947	-\$167	\$6,059	\$5,635	-\$424
2007		\$23,987		\$5,670	\$5,685	\$15	\$4,783	\$4,541	-\$242
2008				\$11,700	\$11,550	-\$150	\$1,317	\$1,576	\$259
2009				\$10,500	\$10,150	-\$350	\$4,031	\$4,094	\$63
2010				\$6,850	\$7,900	\$1,050	\$3,374	\$3,644	\$270
2011				\$12,400	\$12,600	\$200	\$3,994	\$2,157	-\$1,837
2012								\$1,808	
Total			-\$3,079			\$597			-\$4,276

These tables show insurer estimates of loss and defense costs by year that claims were reported. For each company, the two estimates shown are from that company's two most recent rate filings. Data are displayed in thousands.

Appendix D: 2012 NAIC profitability report - medical professional liability insurance

State	Direct premiums earned (000s)	Percent of direct premiums earned										Percent of net worth			
		Losses incurred	Loss adjust expense	General expense	Selling expense	Taxes license fees	Dividend to plcyhldr	Under-writing profit	Invest gain on ins. trans.	Tax on ins. 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
Alabama	128,219	23.7	21.4	8.0	8.1	1.8	0.7	36.1	15.4	16.9	34.6	40.9	4.6	1.3	17.5
Alaska	22,176	-8.6	15.0	8.0	9.1	1.9	19.3	55.2	9.0	21.8	42.4	56.9	4.6	1.3	27.5
Arizona	232,868	26.7	18.7	8.0	11.1	1.4	17.9	16.1	12.5	9.1	19.5	45.5	4.7	1.3	12.2
Arkansas	67,682	71.5	20.4	8.0	13.7	2.4	2.3	-18.3	17.7	-1.5	0.9	37.5	4.7	1.3	3.7
California	730,932	37.9	30.1	8.0	12.0	1.9	4.3	5.8	11.2	5.2	11.9	50.1	4.7	1.3	9.3
Colorado	161,198	32.2	18.9	8.0	9.4	1.3	8.6	21.5	10.7	10.5	21.7	51.7	4.6	1.3	14.6
Connecticut	154,830	32.0	19.9	8.0	13.1	2.3	2.8	21.9	19.2	13.0	28.1	35.2	4.7	1.3	13.3
Delaware	38,778	33.1	24.0	8.0	12.3	2.0	0.5	20.1	15.5	11.4	24.3	40.0	4.7	1.3	13.1
Dist. of Columbia	36,207	9.3	13.4	8.0	13.6	2.3	0.5	52.8	16.4	23.0	46.1	39.2	4.7	1.3	21.5
Florida	592,570	47.1	16.6	8.0	13.4	2.2	1.2	11.6	12.0	7.4	16.2	48.2	4.7	1.3	11.2
Georgia	262,577	34.5	23.6	8.0	11.6	2.8	3.2	16.2	15.5	10.0	21.7	40.4	4.7	1.3	12.1
Hawaii	28,547	-5.0	7.3	8.0	9.9	3.2	20.1	56.5	10.9	22.8	44.6	50.5	4.7	1.3	25.9
Idaho	30,912	29.3	27.9	8.0	13.3	1.8	8.7	11.0	11.4	7.0	15.3	49.9	4.7	1.3	11.0
Illinois	557,044	20.0	22.8	8.0	12.0	2.8	7.0	27.4	18.7	14.8	31.3	35.8	4.7	1.3	14.6
Indiana	121,126	5.1	7.5	8.0	10.2	1.9	0.3	66.9	20.4	29.1	58.2	34.0	4.7	1.3	23.1
Iowa	69,271	4.9	14.0	8.0	13.5	1.2	3.5	54.8	13.2	22.9	45.2	45.9	4.7	1.3	24.1
Kansas	66,182	30.8	27.8	8.0	12.3	1.4	4.5	15.1	12.1	8.7	18.6	48.9	4.7	1.3	12.5
Kentucky	123,446	38.9	27.1	8.0	12.1	1.9	1.1	10.9	20.1	9.4	21.6	34.2	4.7	1.3	10.7
Louisiana	105,329	22.1	15.3	8.0	11.5	2.8	4.8	35.5	15.5	16.7	34.2	41.4	4.7	1.3	17.6
Maine	43,999	13.6	13.1	8.0	10.4	1.9	5.3	47.6	13.7	20.5	40.8	44.1	4.7	1.3	21.4

State	Direct premiums earned (000s)	Percent of direct premiums earned										Percent of net worth			
		Losses incurred	Loss adjust expense	General expense	Selling expense	Taxes license fees	Dividend to plcyhldr	Under-writing profit	Invest gain on ins. trans.	Tax on ins. 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	251,314	144.1	34.1	8.0	11.8	1.7	12.0	-111.8	15.3	-34.9	-61.7	41.3	4.7	1.3	-22.1
Massachusetts	308,904	32.2	24.7	8.0	9.6	2.3	3.4	19.8	22.4	13.2	29.1	32.0	4.7	1.3	12.7
Michigan	194,811	24.6	22.8	8.0	13.5	1.6	0.4	29.0	14.4	14.2	29.2	42.7	4.7	1.3	15.9
Minnesota	81,582	38.2	14.6	8.0	12.4	1.7	3.0	22.1	10.4	10.6	21.9	54.1	4.7	1.3	15.2
Mississippi	50,773	26.6	14.8	8.0	15.6	1.5	1.2	32.2	16.0	15.7	32.5	39.8	4.7	1.3	16.3
Missouri	157,542	22.5	11.7	8.0	11.8	1.0	7.8	37.1	12.6	16.5	33.2	47.1	4.7	1.3	19.0
Montana	41,266	34.5	22.9	8.0	11.5	2.2	1.6	19.2	10.6	9.7	20.1	53.3	4.7	1.3	14.1
Nebraska	36,482	41.1	24.4	8.0	11.3	1.9	2.6	10.6	13.5	7.5	16.6	45.0	4.7	1.3	10.9
Nevada	78,639	45.2	36.3	8.0	13.4	3.1	1.1	-7.2	12.1	0.8	4.0	47.5	4.7	1.3	5.3
New Hampshire	39,715	30.1	11.9	8.0	11.8	1.8	1.7	34.7	16.3	16.7	34.3	39.3	4.7	1.3	16.9
New Jersey	470,141	54.1	22.0	8.0	13.6	1.1	0.2	0.9	19.3	5.7	14.5	35.1	4.7	1.3	8.5
New Mexico	51,429	46.6	40.1	8.0	12.3	2.3	0.2	-9.6	15.9	1.1	5.2	40.7	4.7	1.3	5.5
New York	1,663,618	48.9	29.0	8.0	7.0	2.8	1.0	3.4	25.1	8.2	20.3	29.2	4.6	1.3	9.3
North Carolina	203,833	6.3	17.4	8.0	11.8	1.9	2.6	52.0	12.8	21.8	43.0	46.3	4.7	1.3	23.3
North Dakota	11,969	20.5	5.1	8.0	16.5	1.9	4.4	43.5	9.9	18.0	35.4	54.4	4.7	1.3	22.7
Ohio	320,654	15.2	13.2	8.0	13.5	2.0	1.9	46.1	16.7	20.8	42.0	38.8	4.7	1.3	19.7
Oklahoma	111,551	27.9	27.6	8.0	12.3	1.9	0.3	22.1	13.3	11.4	24.0	45.9	4.7	1.3	14.4
Oregon	92,690	66.1	29.3	8.0	10.3	1.3	4.2	-19.3	11.7	-3.5	-4.1	49.1	4.6	1.3	1.3
Pennsylvania	694,874	49.0	29.5	8.0	9.1	1.8	1.0	1.6	15.8	4.9	12.4	41.0	4.6	1.3	8.4
Rhode Island	42,821	56.3	23.7	8.0	12.0	2.0	0.1	-2.2	27.6	6.9	18.5	26.9	4.7	1.3	8.3
South Carolina	63,818	30.6	30.6	8.0	13.5	3.3	2.3	11.6	13.2	7.7	17.1	45.3	4.7	1.3	11.1
South Dakota	17,445	73.7	27.4	8.0	15.5	2.2	4.5	-31.4	15.1	-6.8	-9.5	42.2	4.7	1.3	-0.6
Tennessee	237,946	36.8	41.5	8.0	7.6	0.8	4.0	1.3	19.5	5.9	14.9	35.2	4.6	1.3	8.6

State	Direct premiums earned (000s)	Percent of direct premiums earned										Percent of net worth			
		Losses incurred	Loss adjust expense	General expense	Selling expense	Taxes license fees	Dividend to plcyhldr	Under-writing profit	Invest gain on ins. trans.	Tax on ins. 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	323,420	15.1	15.6	8.0	14.2	1.4	0.4	45.1	12.9	19.4	38.7	45.9	4.7	1.3	21.1
Utah	64,050	24.8	29.0	8.0	9.2	2.5	1.9	24.6	13.9	12.5	26.0	45.0	4.7	1.3	15.0
Vermont	20,584	24.6	6.2	8.0	14.0	3.3	3.4	40.3	14.5	18.1	36.6	42.3	4.7	1.3	18.9
Virginia	211,475	28.9	16.1	8.0	13.6	2.0	3.0	28.3	11.4	13.1	26.6	49.1	4.7	1.3	16.5
Washington	187,007	46.4	23.3	8.0	10.5	1.8	3.7	6.1	13.2	5.8	13.5	45.9	4.7	1.3	9.6
West Virginia	72,766	39.2	24.0	8.0	12.9	3.3	10.7	1.9	12.6	4.2	10.3	46.8	4.7	1.3	8.2
Wisconsin	83,505	5.1	16.2	8.0	11.0	1.5	2.0	56.1	17.2	24.4	48.9	38.2	4.7	1.3	22.1
Wyoming	24,646	46.8	23.2	8.0	13.7	2.4	2.2	3.5	10.1	4.0	9.6	54.3	4.7	1.3	8.6
Guam	762	-0.4	-2.6	8.0	13.7	2.1	0.1	79.1	2.8	28.4	53.4	91.6	4.7	1.3	52.3
Puerto Rico	70,552	54.2	25.0	8.0	12.6	0.4	0.0	-0.4	11.8	3.2	8.3	48.9	4.7	1.3	7.4
US Virgin Islands	194	11.1	3.4	8.0	24.0	2.9	1.6	48.9	6.9	19.0	36.8	62.6	4.9	1.4	26.6
Countrywide	9,856,674	38.8	23.9	8.0	11.0	2.0	3.2	13.0	16.8	9.2	20.6	38.9	4.7	1.3	11.4
Average	182,531	32.7	20.7	8.0	12.2	2.0	3.8	20.4	14.4	11.2	23.7	44.7	4.7	1.3	14.2
Median	82,544	30.7	22.4	8.0	12.2	1.9	2.5	20.8	13.6	11.0	23.0	45.0	4.7	1.3	13.7