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FOR IMMEDIATE RELEASE

Press Release

Milliman analysis indicates repeal of medical malpractice caps will increase physician liability claim costs in Illinois by 18%

Unique tort environment in Illinois accentuates cost increase; impact on rates may be blunted

Seattle – Feb. 22, 2010 – Milliman, Inc., a premier global consulting and actuarial firm, today released results from a study of physician professional liability in the State of Illinois. A Feb. 4 decision by the Illinois Supreme Court overturned caps on non-economic damages awarded to claimants. This change in the tort law is likely to have financial implications for insurers in Illinois. Indemnity claim severities will increase by approximately 23% and the average cost that insurers expend defending claims will increase by 10%, relative to what these costs would have been had the cap held. The average overall increase in claim severity will be approximately 18%.

"The magnitude of the estimated increase is largely a reflection of the tort environment in Illinois," said Chad C. Karls, principal and consulting actuary for Milliman, who specializes in medical professional liability coverage. "The overturn of a $500,000 cap on non-economic damages would have less impact in almost any other state. In Illinois, claim severities have been among the highest in the country. In addition, experience in other states suggests that the overturn of a cap like this can result in significant increases in the number of reported claims going forward. This would result in additional increases in costs for insurers."

The impact on medical professional liability rates, however, is not as clear. "Medical professional liability insurers were skeptical from the beginning that the legal reforms in Illinois would hold," says Susan J. Forray, consulting actuary for Milliman. "In addition, it is likely that claim settlements have been delayed pending the Court's ruling. Consequently, we don't expect the full impact on claim costs to be felt on rates. On the other hand, had the Court stayed the reforms, we believe that skepticism would have dissipated and been reflected in possible rate decreases in the state."

Milliman's analysis relied on a simulation-based model incorporating correlated distributions of economic loss, non-economic loss, and allocated loss adjustment expense (ALAE—the cost of defending claims). The assumptions underlying the model were based on publicly available data from Illinois and countrywide sources.

About Milliman

Milliman is among the world's largest independent actuarial and consulting firms. Founded in Seattle in 1947 as Milliman & Robertson, the company currently has 52 offices in key locations worldwide. Milliman employs over 2,400 people, with a professional staff of more than 1,100 qualified consultants and actuaries, including specialists ranging from clinicians to economists. The firm has consulting practices in healthcare, employee benefits, property & casualty insurance, life insurance and financial services.

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