Affordability and Availability of MPL Insurance

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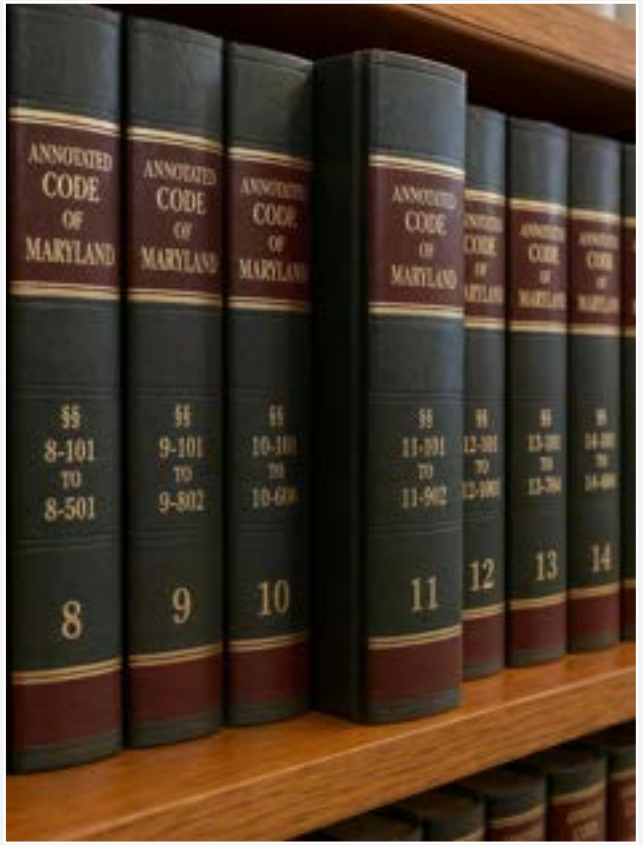
MEDICAL MUTUAL
Liability Insurance Society of Maryland

A 1970s medical liability crisis and the exit of the state's only MPL carrier led Maryland to create Medical Mutual in 1975

- Medical Mutual was established during the first nationwide medical liability crisis when medical professional liability (MPL) insurance premiums increased due to skyrocketing medical malpractice claims filed against physicians
- Maryland's only MPL carrier, St. Paul Fire and Marine, exited the market when it was denied a requested 48% rate increase
- Working with organized medicine, the Maryland's Governor and General Assembly created Medical Mutual Liability Insurance Society of Maryland in 1975
- Medical Mutual's enabling legislation is found at Md. Code Ann., Ins., Title 24, Subtitle 2

Medical Mutual is owned and directed by Maryland physicians and insurers 22.2% of Maryland's MPL market

- **Corporate form —** A nonstock, mutual corporation owned by its physician policyholders
- **Governance —** Overseen by a 14-member Board of Directors, including 5 physician members
- **Financial strength —** Rated "A" (Excellent) by A.M. Best
- **Market position —** In Maryland:
  - Insures 22.2% of Maryland's MPL market
  - Insures approximately 52% of Maryland's physician private practice MPL market



Source: A.M. Best; Maryland Insurance Administration

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MISSION STATEMENT

“To provide quality professional liability insurance to Maryland Physicians”





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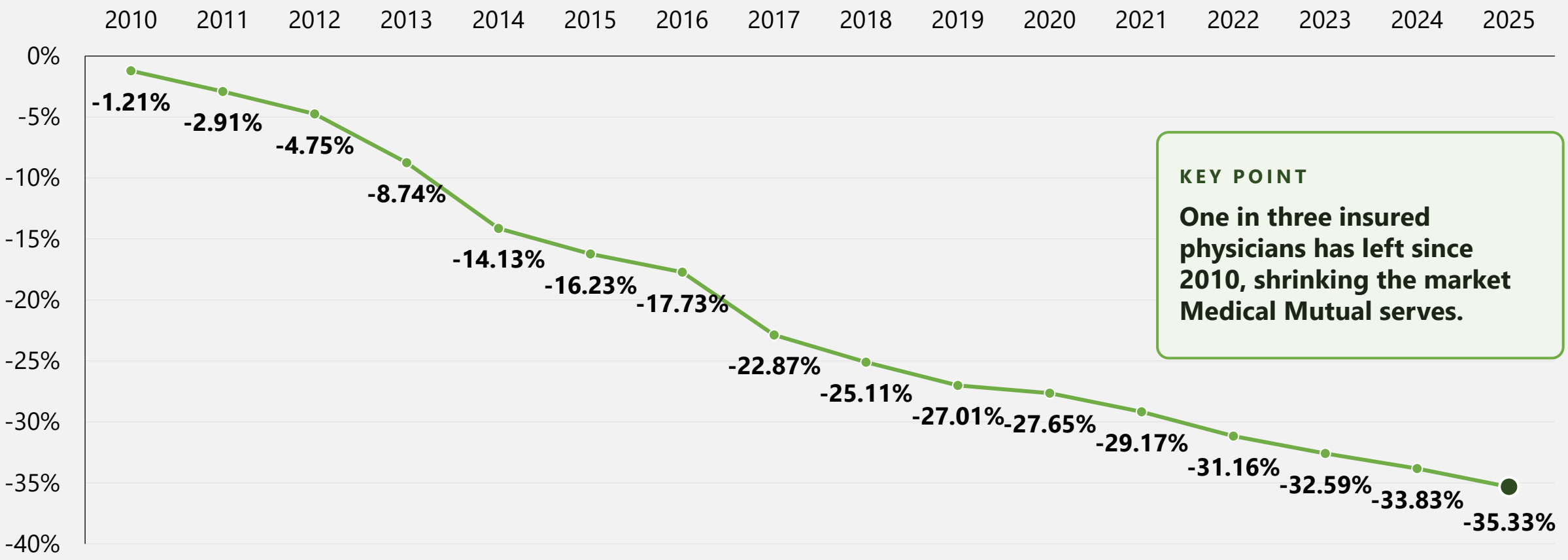
INSURED COUNT, 2010–2025

The cumulative decline reached 35.3% by 2025, steepening after a large group left in 2017



KEY POINT

One in three insured physicians has left since 2010, shrinking the market Medical Mutual serves.

Source: Medical Mutual insured counts, 2010 2025

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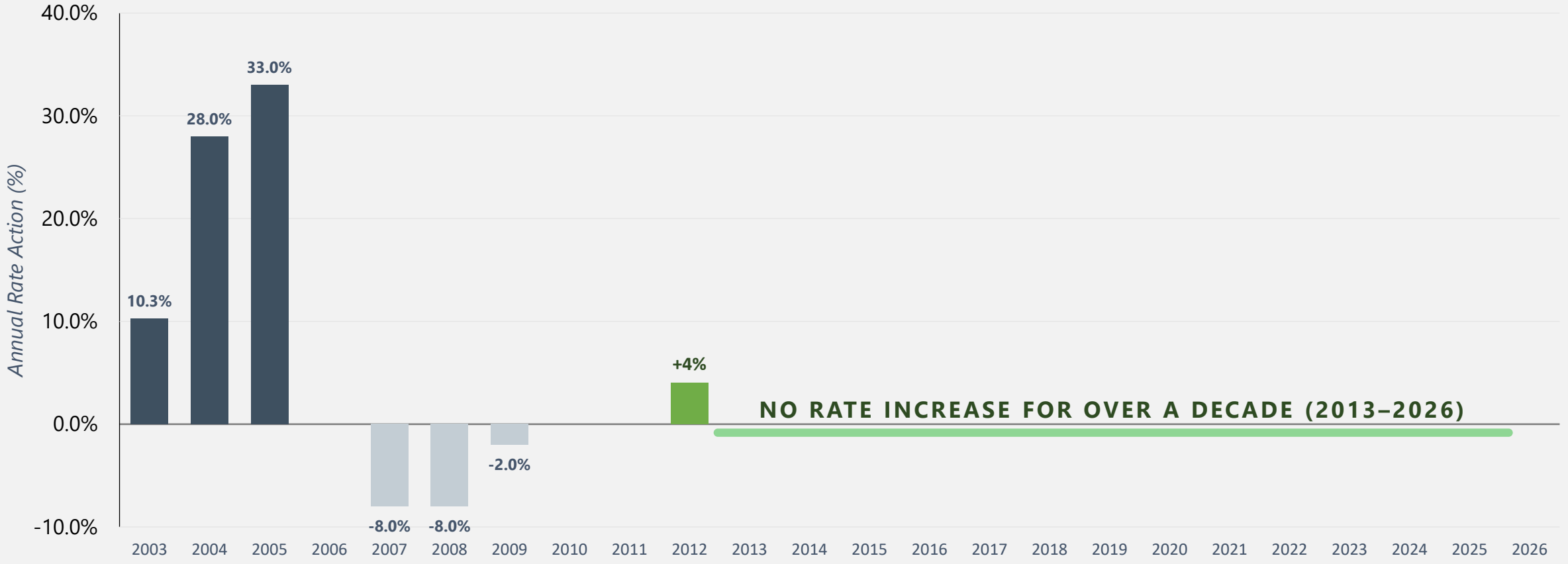
RATE ACTION, 2003–2026

Rates have not increased since 2012



Source: Medical Mutual annual rate filings, 2003 2026
Note: In 2019, Medical Mutual increased it's Claims Free Credits, resulting in an overall 4.4% rate decrease

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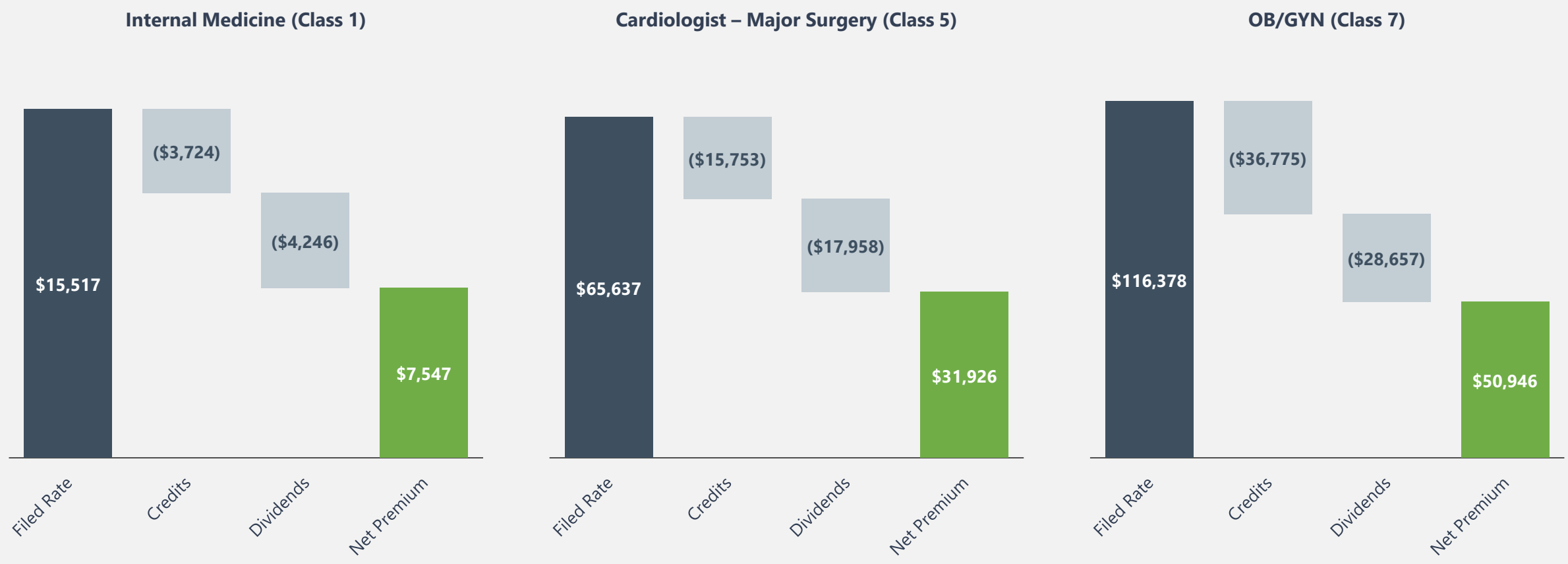
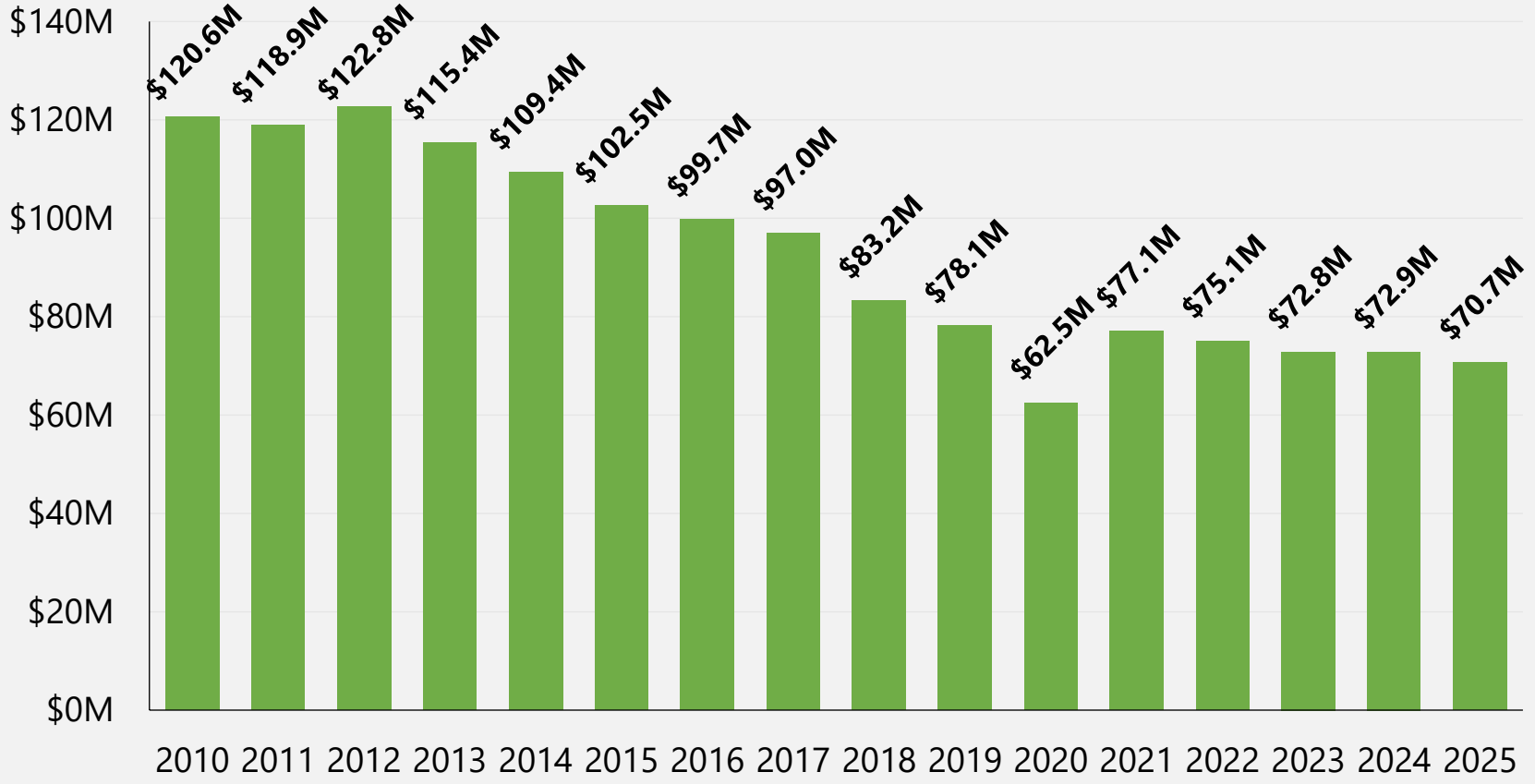
After application of credits and dividends, the net premium is well below the filed rate



Source: Medical Mutual filed rates, Baltimore City & County (Territory 3)
Credits: No claims credit: 15%; risk management credit: 5%; OB protocol credit 10% (OB/GYN Class 7 only)

DIRECT WRITTEN PREMIUM, 2010–2025

Written premium fell from a $122.8M peak in 2012 to $70.7M in 2025 as the insured base contracted



KEY POINT

Written premium has nearly halved since its 2012 peak, tracking the falling insured base.

Source: Medical Mutual direct written premium, 2010 2025
Note: 2020 direct premium dropped due to a 25% Pandemic Credit that was returned to policyholders effective 4/1/2020 to 12/31/2020

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Private-equity roll-ups are consolidating practices and moving coverage into captives and RRGs

Market Consolidation

- Healthcare market consolidation has accelerated with cross-market mergers spanning regions and specialties, hospitals acquiring hospitals, and health systems absorbing physician practices
- In 2024, the AMA found that 42.2% of physicians were in private practice (wholly owned by physicians), a significant drop from 60.1% in 2012
- Private equity has invested over $1 trillion in the U.S. healthcare industry over the past decade (AMA Journal of Ethics)
- Use “roll-up” strategies to acquire smaller practices and merge them into larger networks
- MPL insurance is placed in captives and risk retention groups (RRGs)

Source: AMA Journal of Ethics; A.M. Best

Potential erosion of Maryland's important tort reform protections; noneconomic damages caps in medical malpractice claims

Potential erosion of tort reform protections

- Concerns about efforts to repeal or significantly increase the general tort noneconomic damages caps
  - See House Bill 475 / Senate Bill 474 (2026)

Maryland's noneconomic damages caps in medical malpractice claims

- Personal injury — **$920,000** (increases **$15,000** annually)
- Wrongful death (two or more claimants) — **$1,150,000**
  - 125% of the personal injury cap

Source: Maryland noneconomic damage cap, effective 1/1/2026

Thinning reserve redundancies, and rising reinsurance costs are converging headwinds

Declining reserve redundancies (impacted by claims severity)

- Medical care and associated costs are increasing, outpacing the reserves insurers initially established for those years

Reinsurance costs

- MPL carriers purchase reinsurance for claims above $1 million
- Reinsurance pricing continues to increase
- Consolidation and merger and acquisition activity by reinsurers has created capacity constraints for MPL carriers

Social inflation is driving higher-severity losses, tempered in Maryland by the noneconomic damages caps

Social inflation

- Rising cost of insurance claims that outpaces standard economic inflation
- In Maryland, the noneconomic damages caps stem social inflation by limiting "nuclear" jury awards for damages

Growing frequency of high-severity losses

- Awards for economic damages continue to increase
- The escalating cost of economic damages - medical care, prescription drugs, and extended life care plans - has driven up the economic component of paid indemnity claims

A projected 124,000-physician shortage by 2034 is expanding reliance on advanced practice providers

Reliance on Advanced Practice Providers

- The Association of American Medical Colleges (AAMC) projects a deficit of up to 124,000 physicians by 2034, with APPs helping to close the deficit
- The scope of practice continues to expand, allowing APPs—particularly in states with full practice authority—to diagnose conditions, create treatment plans, and prescribe medications independently

Source: Association of American Medical Colleges (AAMC)

Outside investors funding lawsuits raise claim costs; one state has banned the practice

Third-party litigation funding

- An arrangement where an outside investor—such as a hedge fund, private equity, or institutional investor—finances commercial and mass tort litigation in exchange for a percentage of the financial recovery
- In Maryland, the noneconomic damages caps disincentivize third party litigation funders from investing heavily in the State because their return on investment is likewise limited by the noneconomic damages caps
- North Carolina recently enacted an outright prohibition on outside investors providing capital for civil lawsuits in exchange for a portion of the financial recovery (Prohibit Litigation Investments Act, N.C. Sess. Law 2026-14 (House Bill 315))

Source: N.C. Sess. Law 2026 14 (House Bill 315)

KEY TAKEAWAYS

A smaller but disciplined book faces continued consolidation pressure and other market risks

- **Shrinking insured base —** The number of physicians fell **35.32%** from 2010 to 2025, reflecting industry consolidation and fewer independent practices
- **Premium under pressure —** Written premium declined from a peak of **$122.8M** in 2012 to **$70.7M** in 2025 as the insured base contracted
- **Rate stability after early swings —** After large increases in 2004–2005 and reductions in 2007–2009, rate action has held near **0%** in recent years
- **Challenges ahead —** Cap-repeal efforts, thinning reserve redundancies, rising reinsurance costs, social inflation, a projected physician shortage, and third-party litigation funding are converging headwinds facing the MPL market

Thank You

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