

Medical Indemnity  
Industry Association of Australia

*forum*

**MIIAA**

MEDICAL INDEMNITY INDUSTRY ASSOCIATION OF AUSTRALIA

Novotel Melbourne  
on Collins  
270 Collins Street  
Melbourne

Thursday  
4 September  
2008

# Major Challenges for the Medical Indemnity Sector

## Claim and premium trends

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4 September 2008

# Overview

- Why collect medical indemnity data?
- Particular issues for medical indemnity
- Recent trends

# Why collect data?

- Stakeholder demand
  - Governments
    - Policy development
    - Transparency
  - Practitioners
    - Risk management initiatives
- Insurer interest
  - Managing stakeholder expectations
  - Support risk management for clients through colleges
  - Data submission to other agencies e.g. APRA, AIHW

# Implications of environment

- Data must be de-identified and not reported on geographically
- Consistency of coding
- “Long tail” nature of claims
  - Development and changes in estimates can be considerable
- Evolution of data collection over time

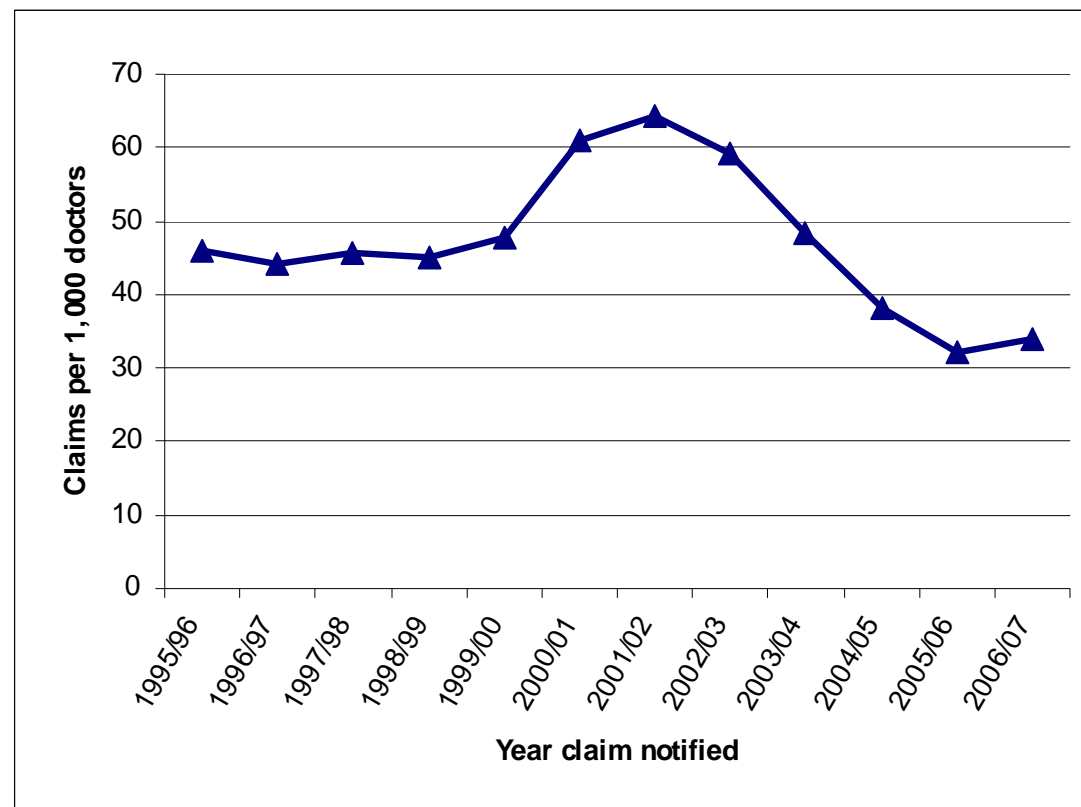
# Lessons from ISA experience

- Development does not occur overnight
  - Particularly in a voluntary environment
- Need to balance many issues
  - Detail versus confidentiality
  - Complexity versus delivery in 'real time'
  - Cost of resources versus value of insights
- Data limitations will always exist

# Observations from latest data

- Expanded report released 31 July 2008
  - Available on ISA and MIIAA websites
- Data analysed to 30 June 2007
- Additional data from individual claim database
  - loss cause

## “All specialties” claim frequency

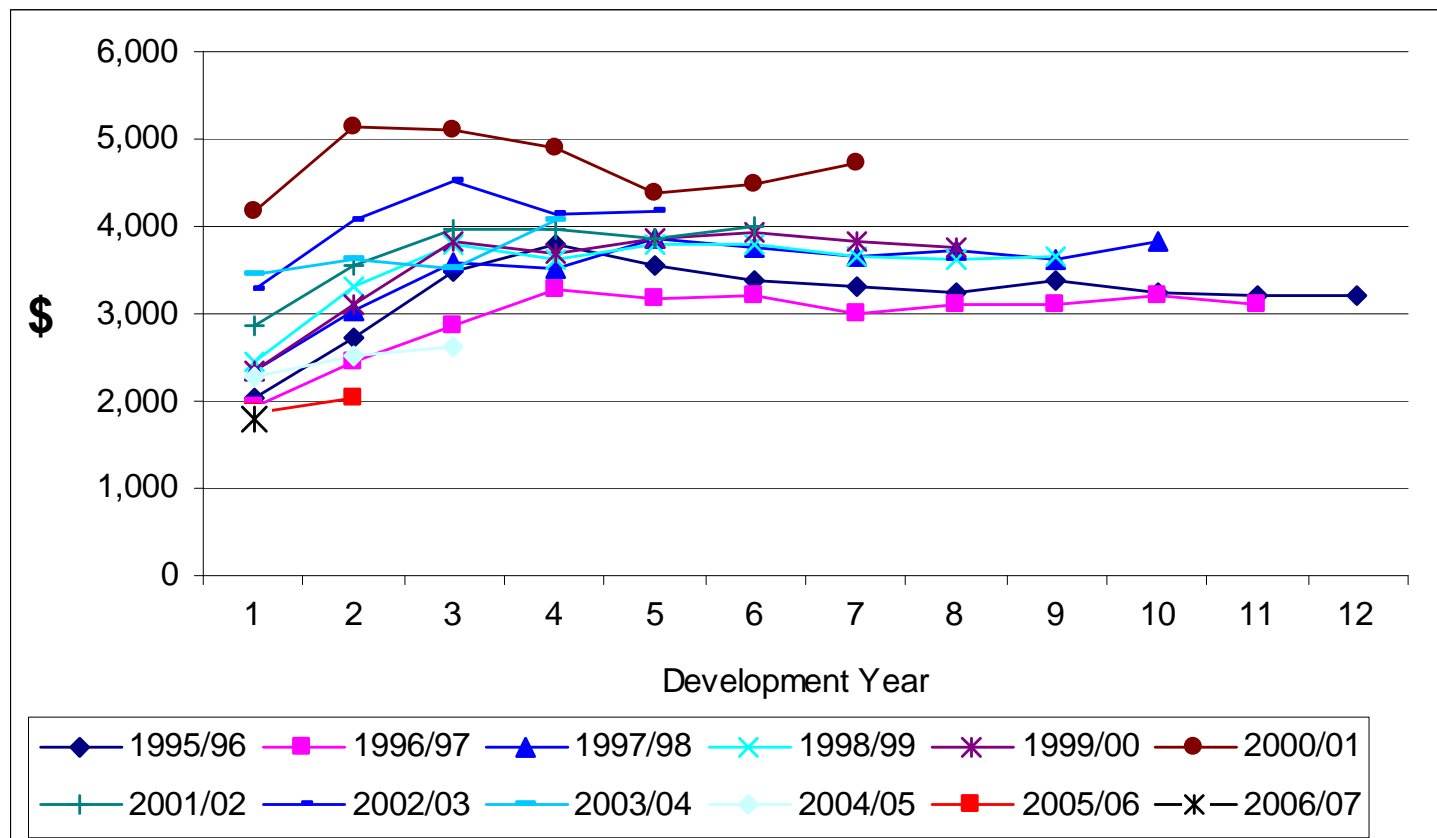




# Claim frequency by specialty group

|  | Claims per 1,000 doctors reported in |                     |        |
|--|--------------------------------------|---------------------|--------|
|  | 1995/96<br>-1997/98                  | 2004/05<br>-2006/07 | Change |
| Anaesthetics                             | 56                                   | 36                  | -36%   |
| General practice - non-procedural        | 27                                   | 22                  | -19%   |
| General practice - procedural            | 65                                   | 68                  | 5%     |
| General surgery                          | 160                                  | 109                 | -32%   |
| Gynaecology no obstetrics                | 133                                  | 107                 | -20%   |
| Neurosurgery                             | 382                                  | 176                 | -54%   |
| Obstetrics (with or without gynaecology) | 229                                  | 137                 | -40%   |
| Orthopaedic surgery                      | 257                                  | 129                 | -50%   |
| Physician                                | 33                                   | 20                  | -39%   |
| Plastic surgery and cosmetic practice    | 242                                  | 200                 | -17%   |
| Psychiatry                               | 32                                   | 19                  | -41%   |
| Above specialty groups combined          | 55                                   | 37                  | -33%   |
| Other                                    | 20                                   | 30                  | 50%    |
| All specialty groups including 'Other'   | 45                                   | 35                  | -22%   |

# Average claim cost per practitioner



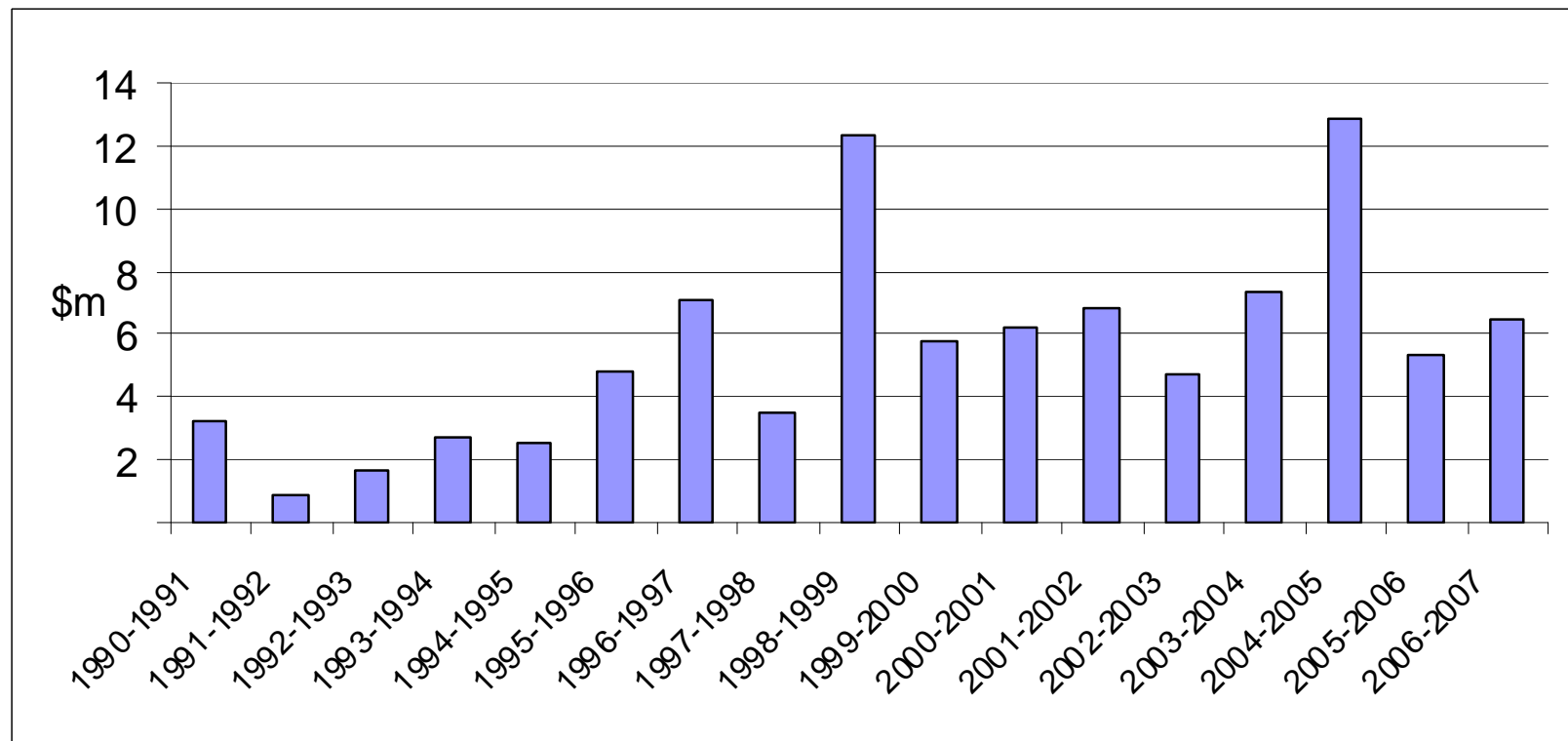
# Average annual premium change

|   | Average annual change from |                       |                       |
|---|----------------------------|-----------------------|-----------------------|
|   | 1995/96 to<br>2001/02      | 2001/02 to<br>2006/07 | 1995/96 to<br>2006/07 |
| Anaesthetics  | 14%                        | -6%                   | 5%                    |
| General practice - non-procedural                   | 17%                        | -3%                   | 8%                    |
| General practice - procedural                       | 20%                        | 0%                    | 12%                   |
| General surgery                                     | 23%                        | -3%                   | 12%                   |
| Gynaecology no obstetrics                           | 22%                        | 1%                    | 13%                   |
| Neurosurgery  | 21%                        | 0%                    | 12%                   |
| Obstetrics (with or without gynaecology)            | 23%                        | 4%                    | 15%                   |
| Orthopaedic surgery                                 | 19%                        | -4%                   | 9%                    |
| Physician   | 19%                        | -4%                   | 9%                    |
| Plastic surgery and cosmetic practice               | 26%                        | 0%                    | 14%                   |
| Psychiatry  | 20%                        | -2%                   | 10%                   |
| Overall for these classes of practitioners          | 20%                        | -1%                   | 10%                   |
| Professional indemnity (JP Morgan/Deloitte surveys) | 5%                         | 0%                    | 3%                    |
| Average Weekly Earnings (ABS)                       | 4%                         | 5%                    | 5%                    |

## Causes of loss

| Cause of loss                                      | Claims notified |             |            | Reported cost |             |            |                   |
|--|-----------------|-------------|------------|---------------|-------------|------------|-------------------|
|  | Number          | Proportion  | Settled    | \$m           | Proportion  | Paid %     | Average (\$000's) |
| Diagnosis, interpretation                          | 1,600           | 27%         | 59%        | 195           | 36%         | 45%        | 122               |
| Failure of procedure                               | 1,130           | 19%         | 58%        | 81            | 15%         | 42%        | 71                |
| Medical treatment - other                          | 431             | 7%          | 61%        | 71            | 13%         | 23%        | 166               |
| Procedure - intraoperative complications           | 468             | 8%          | 56%        | 56            | 10%         | 32%        | 120               |
| General duty of care issues                        | 370             | 6%          | 67%        | 34            | 6%          | 35%        | 92                |
| Medication   | 301             | 5%          | 60%        | 19            | 3%          | 52%        | 61                |
| Other - infection / blood / device failure         | 385             | 6%          | 84%        | 13            | 3%          | 58%        | 35                |
| Consent  | 193             | 3%          | 74%        | 13            | 2%          | 56%        | 69                |
| Anaesthetic  | 247             | 4%          | 66%        | 13            | 2%          | 54%        | 54                |
| Non-procedural (confidentiality, medico-legal etc) | 384             | 6%          | 86%        | 10            | 2%          | 48%        | 25                |
| Treatment issues                                   | 223             | 4%          | 55%        | 7             | 1%          | 40%        | 30                |
| Procedure - other                                  | 30              | 0%          | 97%        | 1             | 0%          | 93%        | 29                |
| Unknown  | 256             | 4%          | 34%        | 24            | 4%          | 22%        | 94                |
| <b>Total</b>                                       | <b>6,018</b>    | <b>100%</b> | <b>63%</b> | <b>537</b>    | <b>100%</b> | <b>40%</b> | <b>89</b>         |

## Largest claim settled each year



## Conclusions

- Driver for development needed
  - Crisis probably essential (and not just in MI!)
- Champion
  - Someone needs to take the running
- Cost/benefit analysis
- Time – it wont happen overnight!
- Refinement over time

# Reliances and limitations

- This presentation has been prepared by David Minty of Finity Consulting and Insurance Statistics Australia Limited
- It is general in nature and may therefore not be applicable to the situation of any particular organisation or individual. You should seek professional advice if you have any question about it
- The report is available at <http://www.miaa.com.au/reports.php> or <http://www.insurancestats.com.au/medical%20indemnity.html>