



MIIAA

Medical Indemnity Insurers Association of Australia

Medical Indemnity Report Executive Summary

**An analysis of subscription and claims trends
for Australian medical defence organisations
from 1995 to 2003
focusing on
key specialty groups and large individual losses**

Prepared by Insurance Statistics Australia Limited

on behalf of the MIIAA which comprises

**Australasian Medical Insurance Limited (AMIL)
and United Medical Protection;**

**MDA National Insurance Pty Ltd (MDANI)
and MDA National;**

**Medical Insurance Australia Pty Ltd (MIA)
and the Medical Defence Association of South Australia; and**

**Professional Indemnity Insurance Company
Australia Pty Ltd (PIICA) and the Medical
Defence Association of Victoria**

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MIIAA Data Summary

Insurance Statistics Australia (ISA) has compiled information on behalf of the Medical Indemnity Insurers Association of Australia (MIAA) relating to the medical indemnity experience of about 80% of the doctors privately insured in Australia.

The MIIAA is an industry organisation representing four of the five medical indemnity insurers covering doctors in the Australian market.

The objective of the data compilation is to help inform the debate in the public and the profession about the emerging trends and issues in medical indemnity.

The data compilation looked at 12 major speciality groups, which are listed below, and also at total information for the doctors covered by MIIAA members.

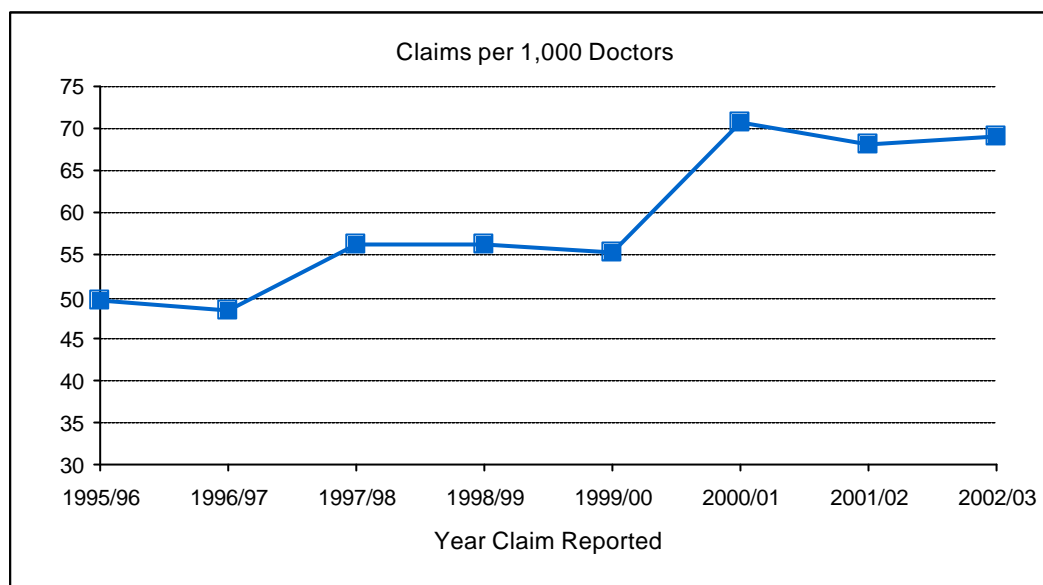
1.1 Number of Claims

The study looked initially at the number of claims per 1,000 members that have been reported each year. A 'claim' is a matter that has, or is highly likely to, result in a claim for compensation by a patient against a doctor.

For the 12 specialty groups combined, the claim frequency (or number of claims reported per 1,000 insured doctors) moved from 50 per 1,000 doctors in 1995/96 to 69 per 1,000 doctors in 2002/03, an increase of 39%.

Most of this increase occurred in the five years to 2001/02, with little change in the last two years. While it is difficult to precisely analyse trends on this overall basis, the fact that the claim frequency has been flat in the last two years is encouraging, especially given that the impact of the various State tort reforms should begin to bite from the end of the period shown on this chart.

Figure 3 – Claim Frequency by Year



The table below shows the annual claim frequency for each of the 12 speciality groups, in 1995/96 and 2002/03 and the percentage change over the seven year period.

Table 1 – Claim Frequency Change – Specialty Groups

	Claims per 1,000 Doctors Reported in		
	1995-96	2002-03	Change
General Practitioners (nonprocedural)	24	43	76%
General Practitioners (procedural)	51	105	109%
Physicians (nonprocedural)	29	25	-13%
Physicians (procedural)	43	62	44%
General Surgery	124	156	26%
Orthopaedic Surgery	239	256	7%
Cosmetic Surgery	182	403	122%
Anaesthetists	62	67	8%
Obstetricians	186	351	89%
Gynaecology (no obstetrics)	64	173	172%
Neurosurgery	515	288	-44%
Psychiatry	30	35	13%
All (weighted average)	50	69	39%

It should be noted that some of the specialty groups have relatively small numbers of claims each year and there is thus some random variation in these results.

1.2 Cost of Claims

It is not possible to make an accurate measurement of the cost of claims until all claims are finalised, which takes many years.

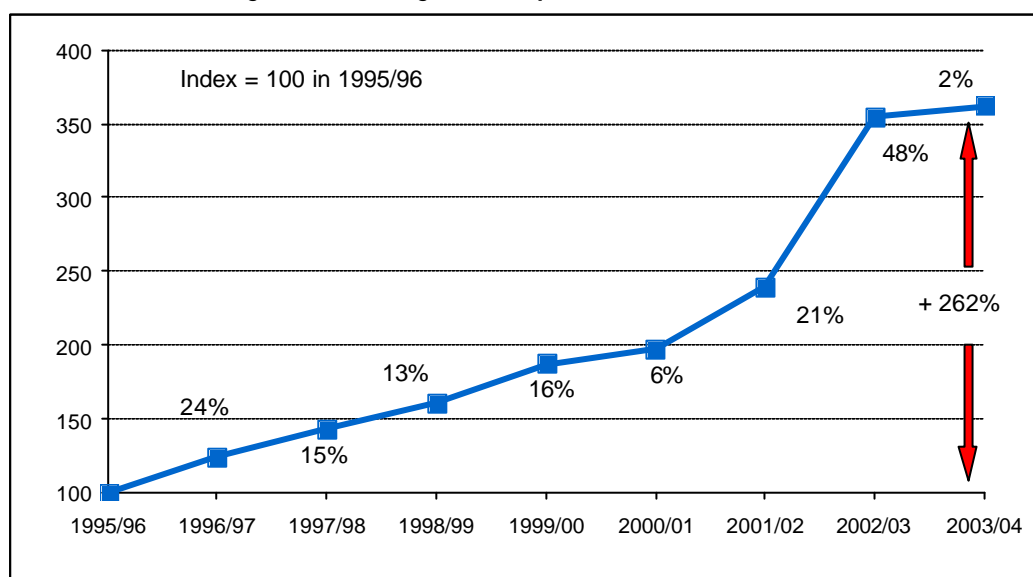
Based on the actuarial assessments of each organisation, the average cost per indemnity member of all the claims notified in 1995/96 was \$3,800, increasing to \$5,700 per member for the cost of all the claims notified in 2002/03.

1.3 Subscriptions

Information was collected for 12 speciality groups, representing about 90% of the total subscriptions of the MIIAA members. The subscription is the amount received by the insurer, and includes membership fees and the amount of any call (spread over the period that the call was collected from doctors). The subscription amounts shown here exclude any GST and stamp duty paid by the doctor.

The graph below shows the cumulative increase in the average subscription (including calls but before government subsidy) over the last eight years.

Figure 1 – Average Subscription Increases



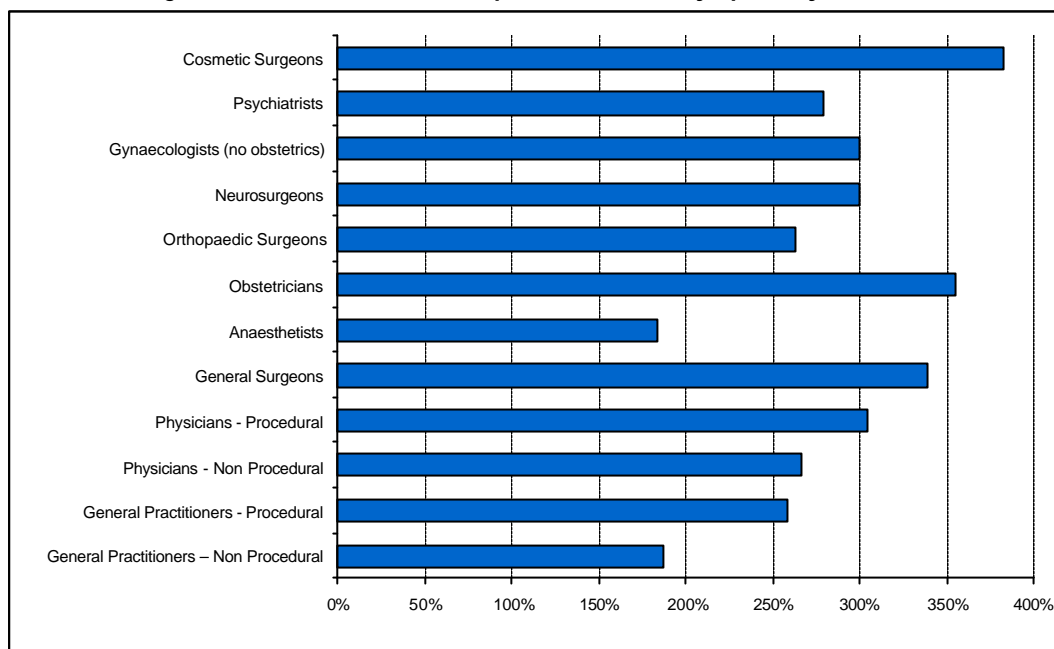
Between 1995/96 and 2003/04 the average subscription increased by 262% (averaging 17% p.a.). By contrast, Australian average weekly earnings (AWE) increased by 43% (or an average of 4.6% p.a.).

The largest increase was in 2002/03, when the average subscription rose nearly 50%. In 2003/04, the average increase was only 2%. Indeed, if the government subsidy is taken into account, the average net subscription paid by doctors actually fell slightly in 2003/04.

1.4 Individual Specialties

The chart below shows the increase in average subscription for each of the 12 speciality groups, cumulative over the eight years between 1995/96 and 2003/04.

Figure 2 – Cumulative Subscription Increases by Specialty



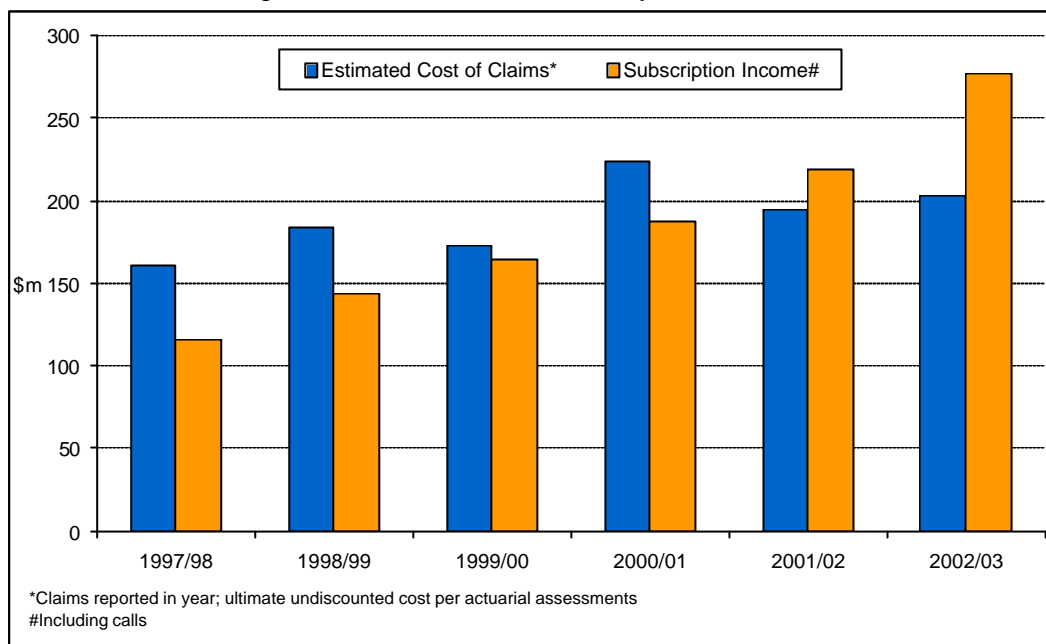
Obstetricians, general surgeons and cosmetic surgeons have had the highest increases – over 300% in the eight years (or an average of more than 20% p.a.).

Non-procedural general practitioners and anaesthetists have had the lowest increase among the 12 specialty groups, with their subscriptions rising about 180% over the period (about 14% annum).

1.5 Comparison of Claims and Subscriptions

The graph below compares the total subscription revenue of the MIIAA members each year with the total cost of the claims reported in that year (as measured in the most recent actuarial assessments).

Figure 5 – Claims Costs vs Subscriptions



It can be seen that from 1996/97 to 2000/01 subscriptions were inadequate to meet reported claims costs, even before consideration of expenses, reinsurance, funding of IBNR, investment return and capital. As a result, the four MDOs as a group were almost certainly eating into capital rather than building it up.

The two financial years 2001/02 and 2002/03 show undiscounted projected claim costs 11% to 27% below the level of subscriptions, which would be expected to produce a more satisfactory financial outcome after allowing for expenses and investment income. This closing of the gap between claims and subscriptions is likely to be a reason for the much lower increase in average subscriptions in 2003/04.

1.6 Large Claims

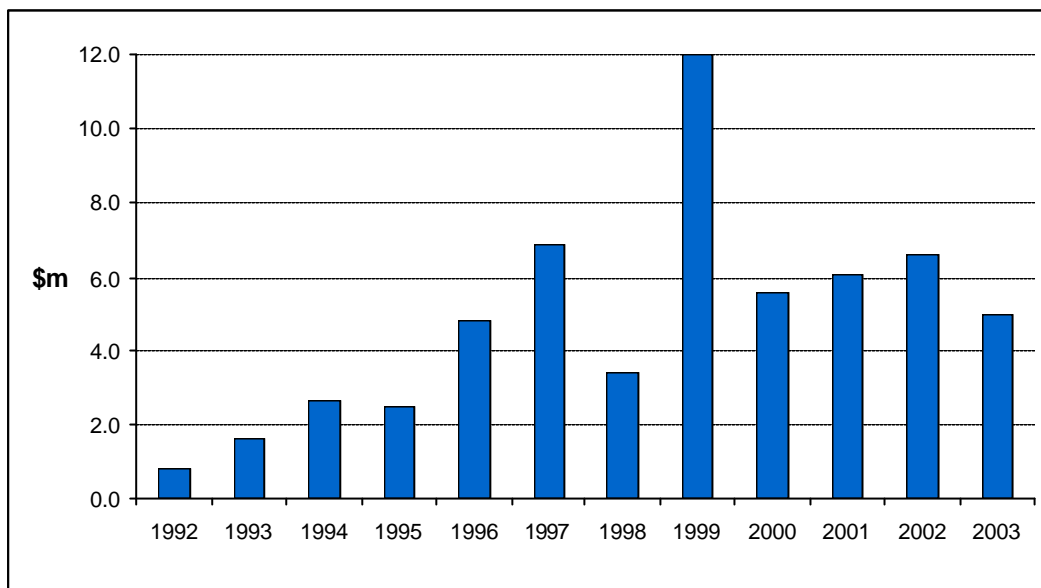
Claims in excess of \$500,000 represented 49% of the total cost of claims over the eight years to 2002/03, even though less than 1 in 30 claims are this large.

Only 1 in 200 claims is greater than \$2m, but these claims contribute 23% of the total cost.

The data confirms that obstetrics is the specialty most exposed to large claims. For this specialty group, 1 in 12 claims is greater than \$500,000 and these claims represent 85% of the total cost of claims against obstetricians.

The graph shows the cost of the largest claims settled each year (including legal costs).

Figure 6 – Largest Claims Settled



The largest settled claim over the last 12 years incurred a cost of \$12m and was made against a procedural GP. The largest claim currently open has a cost estimate of \$17m and was made against an obstetrician.

1.7 Reliances and Limitations

This report was prepared by Insurance Statistics Australia (ISA) for the MIIAA. ISA is an organisation owned by its member insurance companies that collects insurance data from individual companies, compiles it and presents on an aggregate basis in order to protect the confidentiality of individual companies. It should be noted that the data collected for this assignment has not been audited, although some reasonableness checks have been performed. As part of this review some anomalies with the data used for preparation of the previous report were identified.

While the report has been prepared in good faith, neither the MIIAA nor ISA can be held responsible for any errors or for the outcomes of any use to which the information in this report may be put by a reader. Any enquiries should be directed to David Minty of ISA on 02 9322 5047.