Florida Office of Insurance Regulation

2005 Annual Report – October 1, 2005

Medical Malpractice Financial Information
Closed Claim Database and Rate Filings

Business Development & Market Research Unit

-- INDEX --

Executive Summary

Section 627.912(6)(b)&(c), Florida Statutes, requires the Office of Insurance Regulation to prepare an annual report on the medical malpractice insurance market in Florida. The report is to provide a review of the profitability and solvency characteristics of the medical malpractice insurers doing business in Florida, a review of rate filings received by the Office during the year, and a review of the characteristics of the medical malpractice closed claims required to be filed with the Office.

This report satisfies the statutory requirement and, in particular, provides information on the Florida market compared to other states, the financial performance of the 12 medical malpractice insurance writers that constituted 80% of the Florida market in 2004, a review of rate filings, and an analysis of the closed claims data. In particular, the report finds:

- When the Florida market is compared to other states;
    - Florida is the third largest market as measured by direct premium written,
    - Florida ranks 21st when measured by losses to earned premium (60.2%),
    - Florida ranks 2nd when measured by defense and containment costs to earned premium (32.3%),
    - Florida ranks 13th when measured on a combined loss and defense cost to earned premium basis (92.4%),
    - Florida ranks 23rd when measured on commissions and brokerage expenses to earned premium (6.7%),
    - Florida ranks 36th when measured as taxes and fees to earned premium (1.7%).

- For the 12 firms comprising 80% of the market;
    - Medical Malpractice is not generally the only line of business written,
    - Florida is the one of these firms' top five markets,
    - Their loss and expense ratios in Florida are similar to what they experienced in their other major markets,
    - These firms' average return on surplus was 9.6% in 2004, following a -12% in 2003,
    - Solvency risk, as measured several ways, does not appear to be an imminent issue with these sample firms, although reserve development continues the adverse trend begun in 2001.

- Reviewing the rate filings received in 2004;
    - 41 medical malpractice rate filings were processed with the Office in 2004,
    - 8 filings requested and received the standard factor reduction of -7.8%
    - The remaining companies received rate approvals of between -7.8% and 21.8%

- The closed claims data files;
    - 3,574 claims were reported as closed in 2004, 1,898 for female insured, 1,655 for males,
    - Hospital Inpatient facilities were the most commonly reported claim locations,
    - Most claims were in the low to moderate severity category,
    - $664,082,484 was paid, $523, million in economic damages, and the remainder in non-economic damages.

Purpose and Scope

Senate Bill 2-D, enacted in 2003, requires OIR to publish an annual report of the state of the medical malpractice insurance market in Florida. The legislation, codified in Section 627.912(6) (b) &(c), Florida Statutes, requires the OIR to draw upon three data resources: 1) The NAIC annual financial statement filings; 2) The closed claims database maintained by OIR; and 3) An analysis of rate filings filed with OIR during the previous year. Specifically:

(6)(b) The office shall prepare an annual report by October 1 of each year, beginning in 2004, which shall be available on the Internet, which summarizes and analyzes the closed claim reports for medical malpractice filed pursuant to this section and the annual financial reports filed by insurers writing medical malpractice insurance in this state. The report must include an analysis of closed claim reports of prior years, in order to show trends in the frequency and amount of claims payments, the itemization of economic and noneconomic damages, the nature of the errant conduct, and such other information as the office determines is illustrative of the trends in closed claims. The report must also analyze the state of the medical malpractice insurance market in Florida, including an analysis of the financial reports of those insurers with a combined market share of at least 80 percent of the net written premium in the state for medical malpractice for the prior calendar year, including a loss ratio analysis for medical malpractice written in Florida and a profitability analysis of each such insurer. The report shall compare the ratios for medical malpractice in Florida compared to other states, based on financial reports filed with the National Association of Insurance Commissioners and such other information as the office deems relevant.

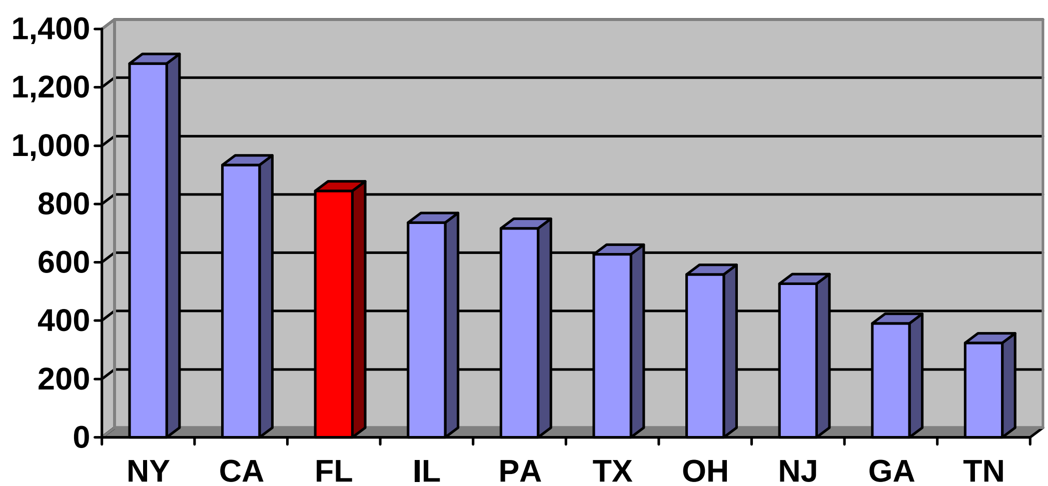
(c) The annual report shall also include a summary of the rate filings for medical malpractice which have been approved by the office for the prior calendar year, including an analysis of the trend of direct and incurred losses as compared to prior years.

A Comparative Overview of the Florida Medical Malpractice Insurance Market

Although this report, by statute, focuses on the characteristics of the companies comprising 80% of the Florida Medical Malpractice insurance marketplace, it is useful to compare state specific markets in their entirety in order to provide context for the analysis. Since Florida's population ranks fourth in the country behind California, Texas, and New York, it would be expected that Florida would represent one of the largest medical malpractice insurance markets in the country.

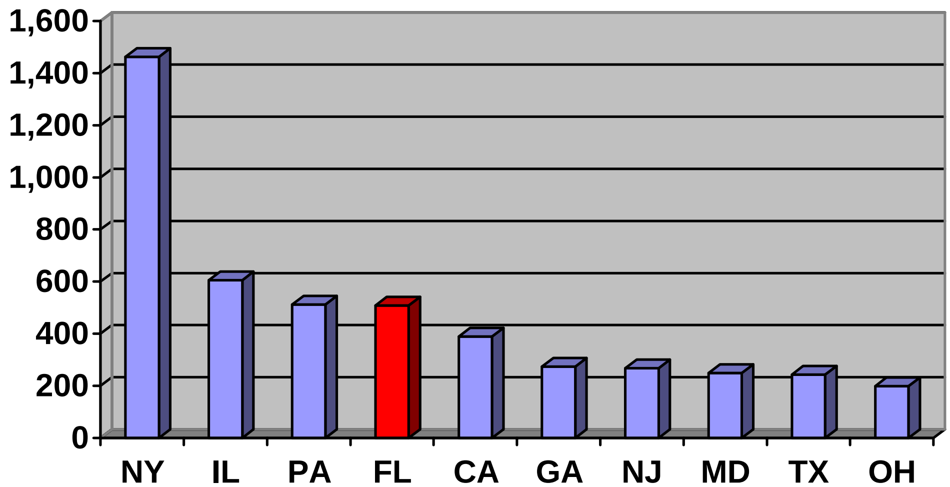
As the figure below shows, however, there is not a direct 1:1 correlation between state population and total medical malpractice earned premium in the private market. California, by far the most populous state, is a distant second to New York in the amount of medical malpractice premium earned. Meanwhile, Texas is the second most populous state, but ranks sixth in medical malpractice premium.

Medical Malpractice Earned Premium
2004 (in $ millions)



As would be expected, and as is shown in the figure below, similar rankings persist when the amount of medical malpractice direct losses incurred are calculated:

Medical Malpractice Direct Losses Incurred
2004 (in $ millions)



Again, the most populous states would be expected to incur the most losses simply based on the number of people; however, there still seem to be some significant state specific differences. New York, for example, is not the most populous state (it is third), but has the largest amount of reported losses, more than double that of the next state, Illinois. Comparing the reported losses to the earned premium by state allows for the calculation of state loss ratios, which can then be ranked (the entire list is included in *Appendix A*). The top 10 highest med-mal loss ratios by state, as well as Florida, are shown below:

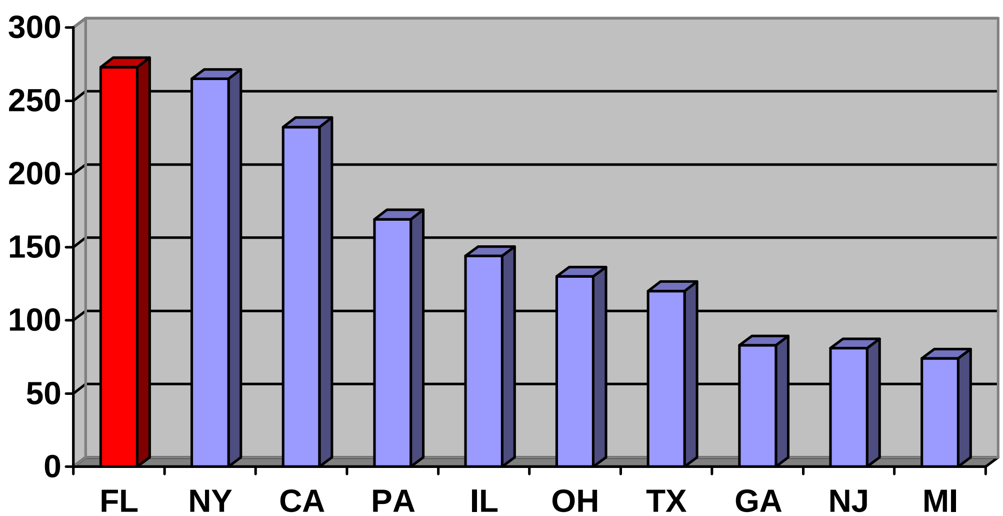
Rank	State	Losses / Earned Premium
# 1	Delaware	119.3%
# 2	New York	114.1%
# 3	New Mexico	97.7%
# 4	Hawaii	95.3%
# 5	Maryland	94.5%
# 6	Indiana	90.0%
# 7	New Hampshire	85.7%
# 8	Montana	84.4%
# 9	South Dakota	83.3%
# 10	Illinois	82.1%
# 21	**Florida**	**60.2%**

New York had the second highest loss ratio in the country in 2004. Florida's ranking, at # 21, is slightly higher than the median, but at 60.2% by no means problematic in terms of viability of this market. As *Appendix A* illustrates, loss ratios can vary widely by state – with Delaware and New York having loss ratios above 100%, meanwhile Wyoming, Alabama, and Kansas having loss ratios under 30% in 2004.

Defense Cost Containment Expenses

Another important component of the cost of providing medical malpractice insurance is the Defense Cost & Containment (DCC) expense. When looking at the state comparison data, the difference is stark, as shown below:

Medical Malpractice Total DCC 2004 (in $ millions)



When compared to other states, especially the other large states, more money is spent defending or containing costs for medical malpractice suits in Florida than elsewhere. It is not clear if this is an outgrowth of the recent legislative changes in medical malpractice laws in Florida, or the receptiveness of the legal system or population to lawsuits generally.

When looking at the DCC as a percentage of earned premium, as would be expected, Florida's ratio is one of the highest, as shown below:

Rank	State	DCC / Earned Premium
# 1	New Mexico	33.6%
# 2	**Florida**	**32.3%**
# 3	Louisiana	31.7%
# 4	Indiana	29.8%
# 5	Alabama	29.8%
# 6	New Hampshire	29.3%
# 7	Rhode Island	29.2%
# 8	Utah	27.9%
# 9	Michigan	27.9%
# 10	Colorado	27.8%

Although New Mexico edges out Florida for the highest DCC / Earned Premium ratio, the defense cost containment expense paid by medical malpractice insurers in Florida may act as a drag on the overall profitability in this market. The full list for every state is contained in *Appendix B.* As the data in Appendix B document, some states such as Minnesota, Vermont and Mississippi have DCC / Earned Premium ratios of 10% or less.

Overall Profitability (Loss + DCC Ratios)

Combining the loss ratio and the DCC ratio on a statewide basis provides an approximate, but commonly used measure of the general profitability of the medical malpractice insurance market in each state. The lower the ratio, the stronger is the indication of profitability. *Appendix C* details this data for each state, the chart below highlights the 10 states with the highest combined loss and DCC ratios as we as Florida's ranking:

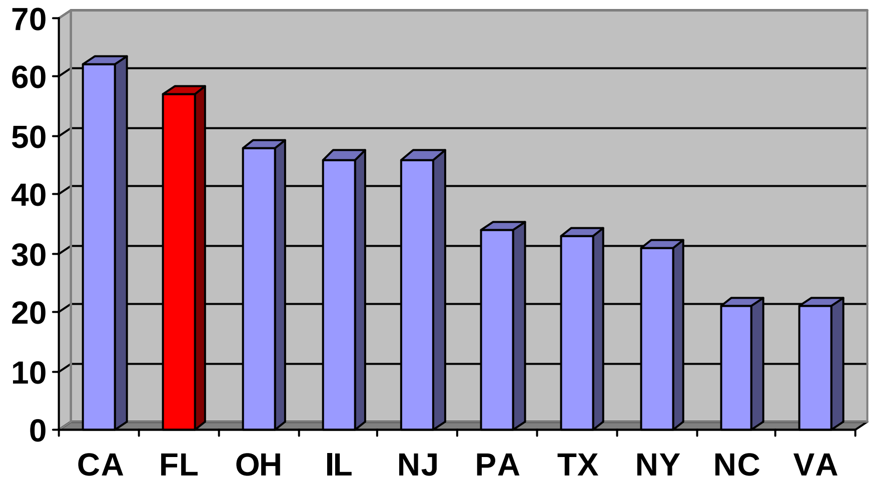
Rank	State	Loss&DCC / Earned Premium
# 1	Delaware	142.2%
# 2	New York	134.8%
# 3	New Mexico	131.3%
# 4	Indiana	119.7%
# 5	Hawaii	117.6%
# 6	Maryland	117.5%
# 7	New Hampshire	115.0%
# 8	Montana	107.1%
# 9	South Dakota	104.7%
# 10	Illinois	101.7%
# 13	**Florida**	**92.4%**

As shown, Florida, at #13, does have one of the higher Med-Mal Loss & DCC ratios in the country. Certainly a 92.4% number would not indicate abnormally high profits in the Florida segment of the market, especially when other states such as Wyoming, Oklahoma, Mississippi and Kansas with Loss + DCC ratios at 50% *(Appendix C)* are considered.

Two Other Expense Measures: Commission/Brokerage Expenses and Taxes and Fees

State specific information on two other cost components observed in insurance markets, commissions/brokerage fees and taxes/fees, are available. Although not as critical to the viability of the medical malpractice insurance market as lost costs or defense containment expenses, they are included here for completeness. As the chart shows, the amount paid in commission and brokerage expenses is significant, but dwarfed by the loss and DCC expenses:

Medical Malpractice Commission & Brokerage Expenses 2004 (in $ millions)



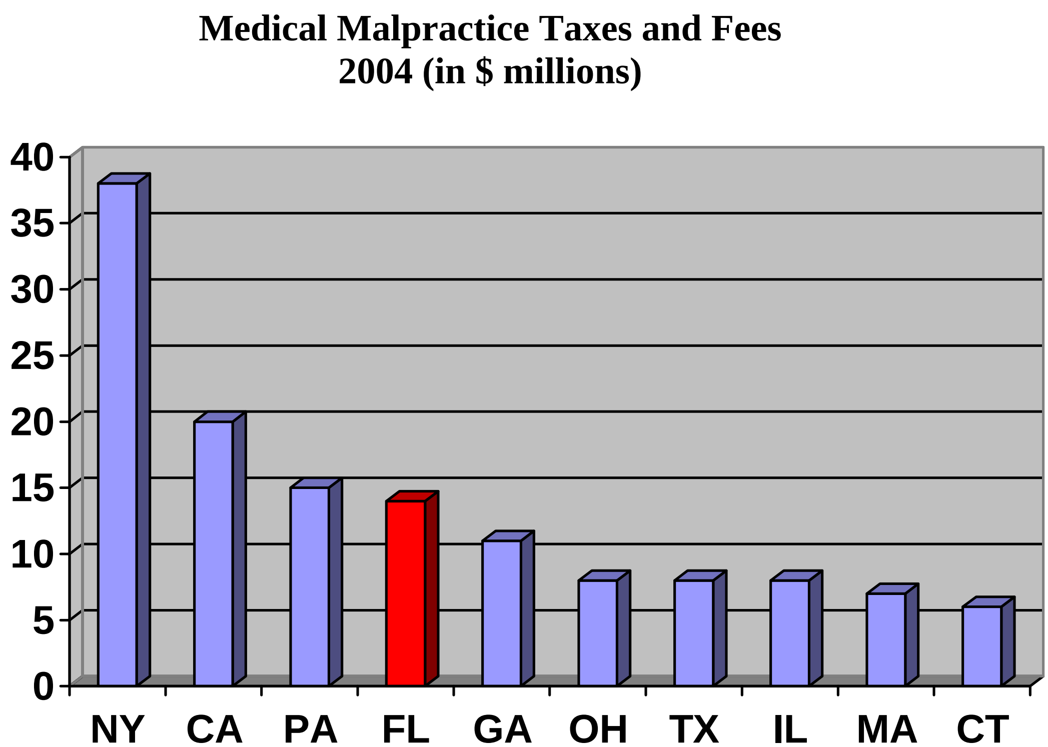
This chart also mirrors the overall state population, and the overall earned premium by state. Although Florida looks to be one of the states where insurers pay the most in commissions and brokerage expenses, when recast as a ratio of earned premium, the impact is much less dramatic, as shown below:

Medical Malpractice Commission & Brokerage Expenses 2004 (in $ millions)

Rank	State	Comm. & Brokerage/ Earned Premium
# 1	Mississippi	12.7%
# 2	South Dakota	11.2%
# 3	Wyoming	11.1%
# 4	District of Columbia (DC)	10.8%
# 5	Delaware	8.8%
# 6	Rhode Island	8.7%
# 7	New Jersey	8.7%
# 8	Ohio	8.6%
# 9	Idaho	8.6%
# 10	Vermont	8.3%
# 23	**Florida**	**6.7%**

Florida's ranking of # 23 places the state squarely in the middle of the state distribution. Interestingly the state with the lowest commission & brokerage fees to earned premium ratio was New York at 2.3% of earned premium. A full list is included in *Appendix D.*

The taxes and fees are also a portion of the expense calculation that is dwarfed by the loss ratio and DCC ratio calculations. As shown below, taxes and fees track directly to the earned premium numbers shown earlier, which is not surprising as some of the taxes and fees are directly calculated based on a percentage of the earned premium:



As in the earned premium list, and the incurred losses list, the state of Florida ranks fourth while New York is ranked first.

More interestingly, when recalculated as a percentage of earned premiums, the taxes and fees paid in Florida places Florida among the lowest, as shown below:

Rank	State	Taxes and Fees/ Earned Premium
# 1	Vermont	6.8%
# 2	Oklahoma	3.4%
# 3	Maine	3.2%
# 4	Hawaii	3.1%
# 5	New York	3.0%
# 6	South Carolina	3.0%
# 7	Montana	2.9%
# 8	Georgia	2.8%
# 9	Massachusetts	2.7%
# 10	Wyoming	2.7%
# 36	**Florida**	**1.7%**

These numbers indicate that Florida's medical malpractice insurance providers pay a relatively low percentage of taxes and fees versus other states. The full list is in *Appendix E.*

Leading Writers of Medical Malpractice Insurance in Florida

Section (6)(b) of Section 627.912, Florida Statutes, requires that this report include a financial analysis of the companies that comprise 80% of the medical malpractice *net written premium* in Florida. Financial information is reported by insurers in their statutory annual statements on both an aggregate, nationwide basis, and as well on a by-state, by-line of business basis. Net written premiums are reported in the annual statements in Schedule P Part 1F Sections 1 & 2. However, these premiums are aggregated on a nationwide basis. As such, the Office cannot fulfill this statutory specifically.

State specific data is primarily limited to information on page 20 of the annual statement, commonly referred to as the "state page." Data reported on the Florida market, by line of business, include:

- Direct Premiums Written
- Direct Premiums Earned
- Dividends to Policyholders
- Direct Losses

- Direct Defense Cost and Containment (DCC)
- Commissions & Brokerage Expenses
- Taxes, Licenses and Fees

The 2004 Annual report, prepared by Deloitte, provided a financial analysis of insurers representing 80% of the market on a *direct written premium* basis as a surrogate for net written premium. In actuality, 80% of the medical malpractice on a direct written premium basis should be a reasonable approximation of 80% of the market measured on a net written premium basis, although the analysis in this report does include a few companies that cede significant portions of their premium to other companies.

Another distinction typically made in the insurance marketplace is between medical malpractice written for individuals (usually doctors), and those written for institutions (usually hospitals). The legislative intent for the reporting requirements appears to be aimed at medical malpractice availability and rates for individual doctors. However, the annual statement reporting requirements do not allow for a distinction of hospital insurance versus physician insurance on a state or countrywide basis. These two types of insurance are aggregated into the "Medical Malpractice Insurance" category regardless of who is insured. With those caveats, the companies that comprise 80% of the medical malpractice insurance market in Florida include the following:

Company	Abbrev.	Direct Written Premium	Percent in FL	Percent Cumulative
First Professional Ins. Co.	FPIC	$209,898,913	24.4%	24.4%
Health Care Indemnity Inc.	HCII	$124,643,880	14.5%	38.9%
MAG Mutual Insurance Co.	MMIC	$82,432,988	9.6%	48.5%
Pronational Insurance Co.	PIC	$66,720,704	7.8%	56.2%
Lexington Insurance Co.	LIC	$54,626,169	6.3%	62.6%
Doctors Co. An Interins Exch.	DCIE	$29,968,486	3.5%	66.1%
Medical Protective Co.	MPC	$29,194,758	3.4%	69.4%
Evanston Insurance Co.	EIC	$25,757,737	3.0%	72.4%
Anesthesiologists Pro Assur. Co.	APAC	$20,937,690	2.4%	74.9%
Continental Casualty Co.	CCC (1)	$18,210,950	2.1%	77.0%
Everest Ind. Ins. Co.	EIIC	$14,711,503	1.7%	78.7%
Columbia Casualty Co.	CCC (2)	$14,206,159	1.7%	80.4%
All other companies	All Other	$169,002,278	19.6%	100.0%
TOTAL		**$860,312,215**		

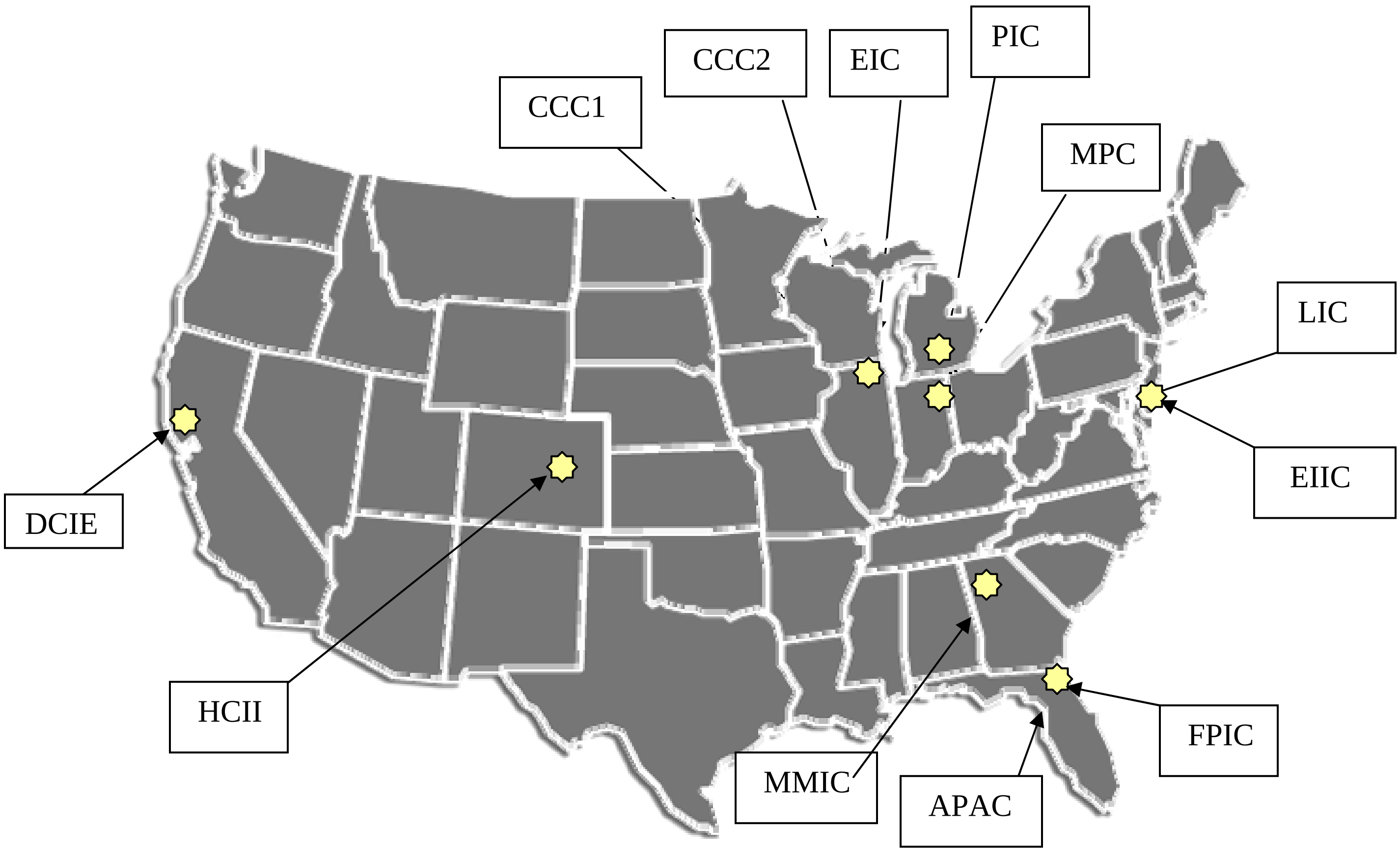
The list shows some differences in the market when compared to the sample firms in the 2004 Annual Report. Initially, achieving the 80% market share requirement now encompasses 12 insurers while only 11 were required to meet the threshold in 2004.

Two companies are new to the list --- # 11 Everest Indemnity Insurance Company and # 12 Columbia Casualty Co. One company dropped from the analysis --- and that is TIG Insurance Co. Although active, TIG's direct written premium dropped significantly between 2003 and 2004.

Another interesting finding is that the total medical malpractice insurance premium for the state of Florida dropped in 2004. The 2003 reported showed total gross medical malpractice insurance premium in Florida of $890 million. The 2004 total was $860 million, representing a decline of 3%.

General Information about the Leading Medical Malpractice Insurance Writers

Ten of the twelve companies are foreign; two are domestic insurers (FPIC and ANPAC). Nine companies are fully licensed property & casualty writers in Florida; three have letters of eligibility to operate as surplus lines carriers (LIC, EIC and EIIC). Finally, ten are organized as stock companies; there is one mutual company (MMIC) and one reciprocal company (DCIE). As shown below, the companies themselves are located throughout the United States:



Percentage of Business that is Medical Malpractice

Following the identification of the 80% market share sample as required, the analysis next turns to analyzing the degree of underwriting risk diversification observed in the sample firms. Economic theory suggests that companies that are diversified in the types of business (i.e. writing non-medical malpractice insurance), and with proper geographic distribution of business (i.e. writing in other states) may be better positioned to handle a downturn in a specific segment of the insurance marketplace.

As the table below shows, the degree of diversification, based on their nationwide business, is varied among these twelve companies:

	Medical Malpractice			
Company	**Claims-Made**	**Occurrence**	**Work Comp.**	**All Other**
FPIC	$229,536,776	$9,110,457	---	$450,846
HCII	---	$371,866,955	---	$23,440
MMIC	$339,419,997	$13,187,828	$3,346,441	$5,077,896
PIC	$169,246,855	$7,794,796	---	$8,059,067
LIC	$773,828,906	$4,751,641	$75,113,428	$4,050,638,679
DCIE	$359,486,325	$50,952,995	---	$945,654
MPC	$421,807,898	$309,182,226	---	$5,515,595
EIC	$164,501,664	---	---	$664,827,013
APAC	$31,639,322	$1,223,783	$16,218,537	---
CCC (1)	$194,172,161	$2,457,641	$357,474,201	$4,837,847,439
EIIC	$65,440,953	---	---	$209,508,575
CCC (2)	$130,365,566	---	---	$659,217,725

As the table shows, none of the companies write exclusively medical malpractice insurance. The most common other type of insurance written by the companies is workers compensation insurance. Note also that the surplus lines companies (LIC, EIC and EIIC) focus primarily on lines of insurance other than medical malpractice.

Other than HCII and to a lesser extent MPC, all of the leading writers in Florida overwhelmingly write “claims-made” types of medical malpractice insurance as opposed to “occurrence” type of medical malpractice coverage.

Geographic Distribution of Premium for Florida’s Top Medical Malpractice Writers

The distribution of all of the companies’ business (by direct written premium) is shown below. The table ranks the premium by state for each company. Therefore, “State 1” is the state for which the individual company wrote the most premium, and could be different for each company:

Direct Written Premium by State for Top Med Mal Companies (in 000s)

Company	State 1	State 2	State 3	State 4	State 5	All Other
FPIC	**FL** **$209,899**	PA $10,098	GA $9,984	AR $8,360	OH $457	$299
HCII	**FL** **$124,644**	TX $107,011	GA $11,467	NV $11,436	LA $11,096	$106,237
MMIC	GA $182,322	**FL** **$85,214**	NC $63,441	VA $13,024	AL $10,451	$6,580
PIC	**FL** **$66,721**	MI $44,528	IL $25,749	KY $16,141	NJ $14,602	$17,360
LIC	CA $801,704	NY $481,160	**FL** **$426,776**	TX $381,842	NJ $284,388	$2,528,462
DCIE	CA $149,700	VA $30,882	OH $30,478	**FL** **$30,040**	WA $28,458	$141,827
MPC**	TX $111,800	OH $98,880	PA $83,430	KY $35,398	IN $33,789	$373,209
EIC	CA $194,354	TX $69,675	**FL** **$64,101**	NY $63,441	NJ $45,886	$391,871
APAC	**FL** **$20,934**	TN $14,869	TX $5,466	AL $2,522	GA $2,341	$3,293
CCC (1)	CA $502,522	NY $379,522	**FL** **$304,446**	IL $295,188	TX $275,172	$3,080,998
EIIC	CA $83,463	**FL** **$24,978**	MI $20,527	AZ $19,472	NV $14,065	$113,340
CCC (2)	CA $95,858	NY $85,446	PA $54,149	**FL** **$53,785**	NJ $38,103	$462,243

***For MPC, Florida ranks 7th for premium by state.*

For four companies, FPIC, HCII, PIC and APAC, Florida is the largest market. For 11 of the 12 companies, Florida ranks in the top five. Only for MPC is Florida not in the top five, but instead ranks seventh. However, the companies that write the most premium in Florida do appear to have books of business that are geographically distributed. Except for FPIC, with 88% of its business in Florida, none of the companies write the majority of their business in Florida. APAC, with 42% of its business in Florida, shows the second highest Florida concentration.

Comparative Ratios: Florida vs. Other States

Loss ratios and defense cost containment ratios can be calculated on a state-by-state basis. These ratios are useful in that they allow for a comparison of the relative cost of operating in Florida, versus other states. This can also indirectly measure the adequacy of the premium given the specific books of business.

The loss ratios for the top 12 Medical Malpractice writers in Florida and for their other top state markets are listed below:

Medical Malpractice Insurance Loss Ratios by State

Co.	State 1	State 2	State 3	State 4	State 5	State 7	All Other
FPIC	**FL 46.0%**	PA -41.7%*	GA 66.5%	AR 52.0%	OH 65.0%		40.9%
HCII	**FL 44.1%**	TX 44.1%	GA 44.1%	NV 44.1%	LA 44.1%		44.1%
MMIC	GA 60.5%	**FL 66.4%**	NC 34.3%	VA 55.8%	AL 18.3%		56.3%
PIC	**FL 7.8%**	MI 8.8%	IL 27.6%	KY 25.4%	NJ 27.5%		16.6%
LIC	CA 52.1%	NY 79.4%	**FL 70.2%**	TX 56.6%	NJ 42.2%		61.3%
DCIE	CA 36.3%	VA 64.5%	OH 45.0%	**FL 67.6%**	WA 29.9%		45.8%
MPC**	TX 57.3%	OH 60.4%	PA 58.8%	KY 21.0%	IN 111.2%	**FL -10.4%***	55.1%
EIC	CA 44.1%	TX 64.5%	**FL 36.7%**	NY 17.8%	NJ 53.9%		42.8%
APAC	**FL 60.0%**	TN 60.0%	TX 60.0%	AL 60.0%	GA 60.0%		60.0%
CCC (1)	CA -60.7%*	NY 127.2%	**FL 406.9%**	IL 530.3%	TX 1101.9%		91.2%
EIIC	CA 50.7%	**FL 50.5%**	MI 53.3%	AZ 66.5%	NV 13299.6%		52.4%
CCC (2)	CA 215.1%	NY 55.9%	PA 96.0%	**FL 56.7%**	NJ 46.9%		102.9%

** FPIC in Pennsylvania, MPC in Florida, and CCC(1) in California all reported negative losses, and positive premium creating a negative loss ratio. This could be due to a variety of situations: 1.) A company over-reported losses in a prior year and is making a correction; 2.) A company is assuming/ceding business and/or buying/selling blocks of business; or 3.) Some companies calculate losses by adding the losses paid during the year to the change in ending inventory of outstanding claims. If the increase in outstanding claims is greater than the amount paid during the year, a negative number results.*
***For MPC, Florida ranks 7th for premium by state.*

The sample companies' operating experience in Florida for 2004 appears to be roughly in line with their experience in their other state markets. Of the 12 sample companies, five had loss ratios higher in Florida than their overall average, five had loss ratios lower in

Florida than their average, and two reported the same loss ratios in Florida as the company’s national average.

The data above do exhibit a few anomalies. First, several companies report negative loss ratios for 2004 in some states. This is most likely due to accounting adjustments from a prior year, and not the actual 2004 operating loss ratio. Notice also that both HCII and APAC report exactly same loss ratios in all states for 2004. This is also not reasonable. These companies may have been unable to determine separate loss ratios for each state, and apportioned all losses equally across all states. Therefore, the Florida loss ratio reported by these two companies is likely not an accurate indication of their true experience in Florida.

Another useful measure is the Defense Cost Containment (DCC) expense ratio. In general terms there are the litigation costs incurred by the insurance company associated with defending lawsuits. The DCC combined with the loss ratio is a commonly used general measure used to determine overall profitability.

The table below shows the combined loss and DCC ratio for the sample firms in their major markets. As the reported ratios show, while the DCC ratio as a percentage of earned premiums is slightly higher in Florida than in some of the other state markets, it is generally quite comparable. Florida’s Loss & DCC ratio is higher than in their other markets for six of the 12 sample companies; for five companies the Florida Loss & DCC ratio is lower, and for one company the Florida ratio is the same as the company’s national average.

Medical Malpractice Insurance Loss & DCC Ratios by State

Co.	State 1	State 2	State 3	State 4	State 5	State 7	All Other
FPIC	**FL 85.9%**	PA 81.9%	GA 85.7%	AR 334.6%	OH 51.8%		84.5%
HCII	**FL 88.5%**	TX 88.5%	GA 88.5%	NV 88.5%	LA 88.5%		88.5%
MMIC	GA 87.8%	**FL 89.2%**	NC 49.8%	VA 80.6%	AL 22.5%		79.8%
PIC	**FL 50.8%**	MI 56.6%	IL 47.4%	KY 62.9%	NJ 68.4%		61.0%
LIC	CA 55.6%	NY 82.0%	**FL 71.2%**	TX 60.4%	NJ 44.4%		64.5%
DCIE	CA 70.7%	VA 91.9%	OH 51.8%	**FL 110.4%**	WA 41.9%		71.0%
MPC**	TX 55.4%	OH 86.0%	PA 89.5%	KY 54.1%	IN 138.5%	**FL 32.4%**	81.2%
EIC	CA 59.6%	TX 47.9%	**FL 50.3%**	NY 31.0%	NJ 74.7%		56.9%
APAC	**FL 87.1%**	TN 85.0%	TX 85.0%	AL 85.0%	GA 85.0%		86.3%
CCC (1)	CA -96.6%	NY 146.5%	**FL 421.8%**	IL 654.1%	TX 1833.0%		88.0%
EIIC	CA 64.6%	**FL 66.1%**	MI 76.2%	AZ 90.6%	NV 17954.5%		70.0%
CCC (2)	CA 255.7%	NY 50.3%	PA 90.5%	**FL 57.2%**	NJ 46.3%		105.6%

***For MPC, Florida ranks 7th for premium by state.*

Balance Sheet Information

The following section pertains primarily to the "balance sheet" information for the top 12 writers of medical malpractice insurance in Florida. The charge of the legislature is ultimately to determine the profitability of the insurers in the medical malpractice insurance providers in Florida. As mentioned at the outset, this charge is complicated by the nature of the annual statutory financial statements along with the recognition that:

- Written business is often ceded to other companies
- Companies are not mono-line writers
- Companies do not write exclusively in Florida

The combined impact is that it is ultimately difficult to assign profit by line, or by state. With these restrictions, this report presents the data and analysis for these 12 sample companies to determine overall profitability, and potential trends in the marketplace.

Ceding Business

More than in most other lines of insurance, companies writing medical malpractice insurance typically engage in a substantial amount of risk management that is reflected in a large amount of business being either assumed from or ceded to other entities as reflected in their reported premium flow. In the state-wide numbers, the report typically relies on the "earned" premium number to capture the potential for assumed and ceded risk that may be misrepresented by a "written" premium number.

Another difference in the premium is the type of medical malpractice insurance. Medical malpractice insurance can be written on an "occurrence" basis, or a "claims made" basis. Medical malpractice insurance in the 1970s, 1980s, and even into the 1990s often was sold on an "occurrence" basis, which covers a doctor or medical provider based on when the alleged malpractice occurred, not when it was noticed, and/or when a malpractice claim was filed. This is similar to other types of property & casualty insurance, which are usually based on "coverage periods," and covers damage resulting during that period regardless of when it was noticed, or a claim was filed.

Although this worked well from the standpoint of the medical community, medical malpractice on an occurrence basis presented some problems to the insurance industry. Specifically, this makes medical malpractice a "long-tailed" insurance coverage, which makes accounting and reserving more difficult as a medically negligent procedure may not result in health problems for as many as 5 to 10 years in the future.

As a result, the recent trend in the insurance industry is to try to offer more medical malpractice insurance on a "claims made" basis – which covers the claim period regardless of when the actual alleged negligence occurred. This makes reserving requirements more certain is it gives a clear identifying scope to the insurance company as to what claims have been filed during what period. Due to litigation and the uncertainty of outcome, there are still reserving uncertainties and a “long-tail” element to medical malpractice insurance, but at least the insurance company should know the entire universe of claims that will ever be filed after the end of the coverage period.

To incorporate these considerations, the financial analysis that follows includes the amount of business assumed and ceded, as well as the type of medical malpractice insurance, claims-made or occurrence type insurance. The tables for both types of insurance for Florida’s top 12 writers are below:

Net Written Premium and Ceded Percentage
2004 Nationwide Data
OCCURRENCE

Cos.	Direct	Assumed	Gross	Ceded	Net	% Ceded
FPIC	$9,110,457	$6,971,968	$16,082,425	$7,485,965	$8,596,460	46.5%
HCII	$371,866,955	$349,421	$372,216,376	$12,141,437	$360,074,939	3.3%
MMIC	$13,187,828	$0	$13,187,828	$1,847,346	$11,340,482	14.0%
PIC	$7,794,796	$471,166	$8,265,962	$68,651	$8,197,311	0.8%
LIC	$4,751,641	$0	$4,751,641	$1,070,278	$3,681,363	22.5%
DCIE	$50,952,995	$783,206	$51,736,201	$11,840,171	$39,896,030	22.9%
MPC	$309,182,226	$0	$309,182,226	$82,020,636	$227,161,590	26.5%
EIC	$0	$0	$0	$0	$0	N/A
APAC	$1,223,783	$1,085,388	$2,309,171	$1,223,783	$1,085,388	53.0%
CCC (1)	$2,457,641	$102,976,394	$105,434,035	$4,752,667	$100,681,368	4.5%
EIIC	$0	$0	$0	$0	$0	N/A
CCC (2)	$0	$0	$0	$0	$0	N/A

Net Written Premium and Ceded Percentage
2004 Nationwide Data
CLAIMS-MADE

Cos.	Direct	Assumed	Gross	Ceded	Net	% Ceded
FPIC	$229,536,776	$39,130,889	$268,667,665	$141,083,968	$127,583,697	52.5%
HCII	$0	$0	$0	$0	$0	N/A
MMIC	$339,419,997	$1,136,095	$340,556,092	$98,840,856	$241,715,236	29.0%
PIC	$169,246,855	$21,963,787	$191,210,642	$7,448,421	$183,762,221	3.9%
LIC	$773,828,906	$36,497,697	$810,326,603	$330,974,264	$479,352,339	40.8%
DCIE	$359,486,325	$77,002,534	$436,488,859	$20,429,065	$416,059,794	4.7%
MPC	$421,807,898	$0	$421,807,898	$126,068,424	$295,739,474	29.9%
EIC	$164,501,664	$21,781,127	$186,282,791	$57,814,440	$128,468,351	31.0%
APAC	$31,639,322	$16,108,700	$47,748,022	$31,639,322	$16,108,700	66.3%
CCC (1)	$194,172,161	$186,257,916	$380,430,077	$134,021,860	$246,408,217	35.2%
EIIC	$65,440,953	$0	$65,440,953	$54,948,702	$10,492,251	84.0%
CCC (2)	$130,365,566	$5,638,690	$136,004,256	$136,004,256	$0	100.0%

Based on the data above, several features of the operations of the sample companies are evident. Initially, it appears that roughly half of all business is ceded to other entities. This may be an indication of a healthy market, as it implies an availability of reinsurance and working relationships with other insurance entities to distribute risk. This may be especially important in the medical malpractice insurance marketplace due to the large differences in loss ratios, defense cost claims, and regulations based on the different states as illustrated in the state comparison section of this report. Perhaps a better portrayal of the amount of ceded business is illustrated in the table below which combines both occurrence and claims-made insurance:

Company	Percent Ceded
CCC (2)	100.0%
EIIC	84.0%
APAC	65.7%
FPIC	52.2%
LIC	40.7%
EIC	31.0%
CCC (1)	28.6%
MPC	28.5%
MMIC	28.5%
DCIE	6.6%
PIC	3.8%
HCII	3.3%

One company, Columbia Casualty Company (CCC2), is acting as a fronting company and cedes all of their medical malpractice business. In fact, four of Florida's top 12 writers cede over half of their business to other entities.

Another aspect of the market to note from the preceding two charts is that more companies write claims-made than occurrence insurance. Occurrence insurance is still necessary for doctors moving from one provider to another as this creates a need for a "tail" of coverage. The new provider would only want to be responsible for claims filed after employment with the new provider, and not want to be responsible for health care rendered prior to the new employment. However, it does appear that the majority of the leading medical malpractice insurance writers in Florida are moving away from occurrence type insurance toward claims-made type coverage:

Cos.	% Occurrence	% Claims-Made
EIC	0.0%	100.0%
EIIC	0.0%	100.0%
LIC	0.8%	99.2%
PIC	4.3%	95.7%
MMIC	4.5%	95.5%
FPIC	6.3%	93.7%
APAC	6.3%	93.7%
DCIE	8.7%	91.3%
CCC (1)	29.0%	71.0%
MPC	43.4%	56.6%
HCII	100.0%	0.0%
CCC (2)	N/A	N/A

Eight of the 12 leading writers in Florida write more than 90% of their medical malpractice insurance on a claims-made basis. In fact, Evanston Insurance Company (EIC) and Everest Indemnity Insurance Company (EIIC) write exclusively claims-made medical malpractice insurance. Only Health Care Indemnity Inc. (HCII) writes mostly occurrence type medical malpractice insurance.

Solvency

The 2003 report used two ratios to express the solvency of the medical-malpractice companies: 1) the net liability to surplus ratio; and 2) the net written premium to surplus ratio. For 2004, this report adds a third ratio: 3) gross written premium to surplus ratio. Although these ratios do not address liquidity issues, they do indirectly measure the company's ability to pay its claims in the short-run.

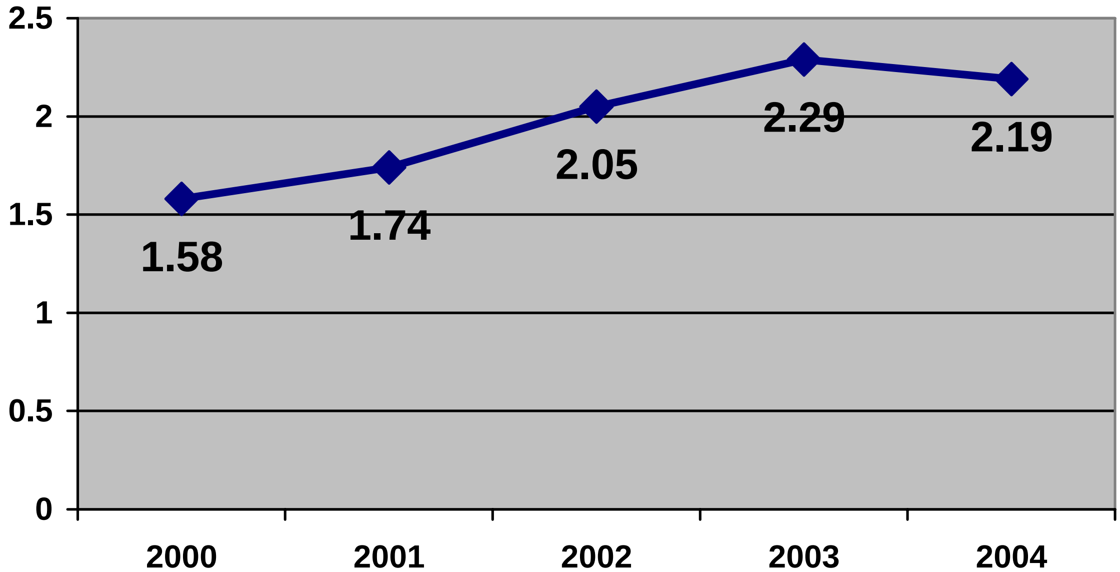
The first measure is the net liability to surplus ratio. "Net liability" is defined as the amount of losses plus loss adjustment expense for a given year. The data for the 12 sample companies are as follows:

Net Liability to Surplus Ratio
2004

Companies	2004	2003	2002	2001	2000
FPIC	**1.46**	1.78	1.71	1.90	1.89
HCII	**1.95**	2.23	2.61	2.00	2.08
MMIC	**1.74**	1.69	2.04	1.59	1.55
PIC	**2.67**	3.10	2.59	2.72	1.72
LIC	**1.80**	1.37	0.91	0.59	0.55
DCIE	**2.07**	2.04	1.82	1.36	1.27
MPC	**2.54**	2.77	2.35	1.82	1.96
EIC	**2.08**	1.88	2.02	2.06	2.32
APAC	**2.42**	2.56	2.37	1.77	1.29
CCC (1)	**2.42**	2.69	2.38	2.14	1.78
EIIC	**0.44**	0.20	0.08	0.01	0.00
CCC (2)	**0.00**	0.00	0.00	1.50	1.59

Ranges for these ratios are not mandated by statute, although these results do not present a concern from a solvency standpoint. A graph of the weighted data for the 12 sample over time is shown below:

Net Liability to Surplus Ratio



Although the net liability to surplus ratio was increasing steadily in the last few years for the top Florida medical malpractice writers, the ratio has declined within the last year.

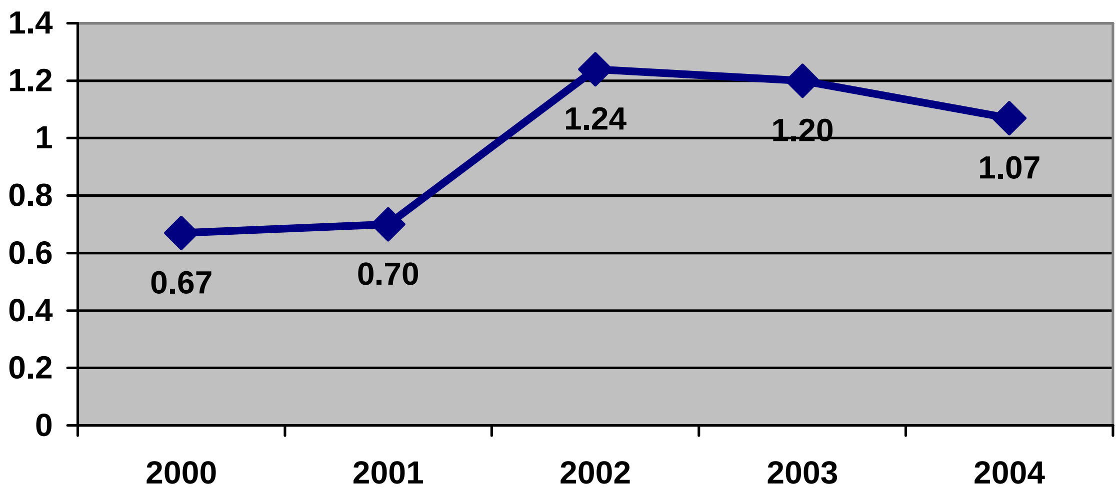
The second important solvency ratio examined is the net written premium to surplus ratio. Unlike the previous ratio, limits for this ratio are mandated by Section 624.4095, Florida Statutes. The ratio itself is not a straight calculation --- there are premium adjustments depending on the type of insurance per Section 624.4095(4), Florida Statutes. According to this section of the statute, property insurance premium should be multiplied by 0.90, while casualty insurance should be multiplied by 1.25. Medical malpractice is considered a "casualty" category, and would be subject to the 1.25 multiplier. Yet of the top 12 companies writing med-mal in Florida, only one is a mono-line writer. Thus each company could have a different multiplier depending on their mix of business. By statute, the adjusted ratio cannot exceed 4:1. The table for the net written premium to surplus for the 12 sample companies is shown below:

Companies	2004	2003	2002	2001	2000
FPIC	**0.94**	0.87	0.85	1.08	1.39
HCII	**0.48**	0.60	0.66	0.45	0.36
MMIC	**1.33**	0.90	1.01	0.72	0.56
PIC	**0.82**	1.03	0.76	0.75	0.44
LIC	**1.36**	1.33	1.05	0.55	0.33
DCIE	**1.13**	0.96	1.16	0.74	0.57
MPC	**1.03**	1.61	1.34	0.85	0.72
EIC	**1.40**	1.53	1.81	1.58	1.57
APAC	**1.16**	1.25	1.37	1.30	1.43
CCC (1)	**1.03**	1.22	1.38	0.73	0.76
EIIC	**0.39**	0.36	0.22	0.01	0.01
CCC (2)	**0.00**	0.00	-4.59	0.51	0.68

Consistent with the 2003 report, these numbers have not been adjusted by the premium modifiers specified in Section 624.4095(4), Florida Statutes. However, even if it is assumed these companies wrote 100% casualty insurance and had the maximum modifier of 1.25 --- none of the companies would come close to exceeding the 4:1 statutory ratio.

In terms of trend over time:

Net Written Premium to Surplus Ratio



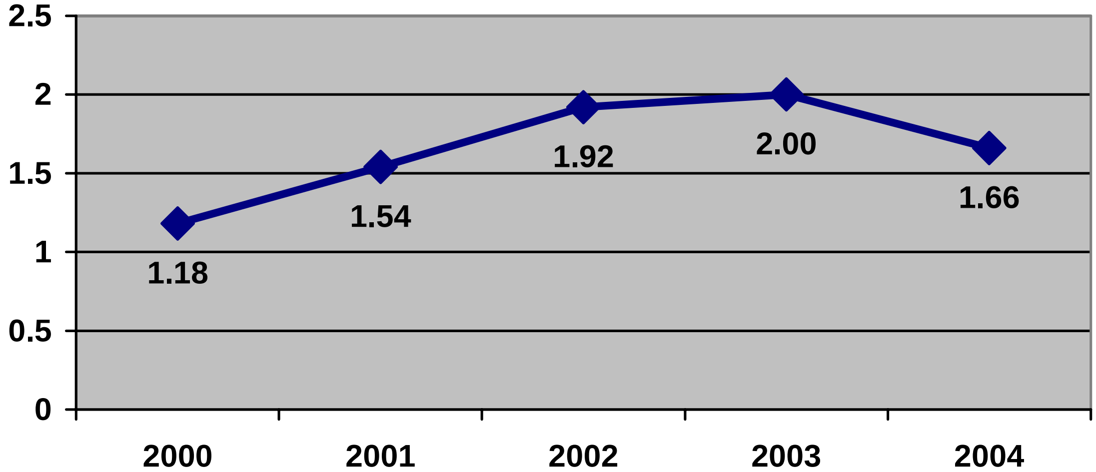
As the chart above shows, after a sharp increase in 2002, the net written premium to surplus ratio drifted downward in 2003, and continues downward in 2004. The ratio of 1.07 is comfortably within the acceptable ranges for financial solvency.

The third ratio not calculated in the 2003 report is the gross written premium to surplus ratio. Section 624.4095 mandates that these ratios be within 10:1 for admitted carriers while retaining the same insurance multipliers from the previous ratio. The data for the 12 sample companies are below:

Companies	2004	2003	2002	2001	2000
FPIC	**2.0**	2.4	2.7	2.4	2.2
HCII	**0.5**	0.6	0.7	0.5	0.4
MMIC	**1.9**	1.6	1.5	0.8	0.6
PIC	**0.9**	1.1	0.9	0.9	0.6
LIC	**2.6**	2.9	2.8	1.6	1.1
DCIE	**1.2**	1.2	1.3	0.8	0.6
MPC	**1.4**	1.9	1.5	0.9	0.8
EIC	**0.5**	0.6	0.3	0.1	0.1
APAC	**4.6**	5.6	5.5	3.2	2.1
CCC (1)	**1.4**	1.8	1.7	1.7	1.3
EIIC	**19.9**	19.6	21.4	20.3	14.8
CCC (2)	**6.4**	6.3	17.8	1.6	1.9

For consistency, the data above have not been adjusted by the requisite premium multipliers. At first it would appear that Everest Indemnity Insurance Company (EIIC) is in violation of the 10:1 statutory ratio. However, Section 624.4095, Florida Statutes, only pertains to admitted carriers, not surplus lines carriers. Everest Indemnity Insurance Company (EIIC), Evanston Indemnity Company (EIC), and Lexington Insurance Company (LIC) are all surplus lines carriers, and thus, the 10:1 ratio does not apply. It does appear that Columbia Casualty Company (CCC2) was in violation of statutory guidelines in 2002, but has since come into compliance. The trend over time for the 12 sample companies is shown as:

Gross Premium to Surplus Ratio



The weighted total ratio for the 12 sample companies is 1.66, a 17% decline from 2003. This would indicate an improved ratio from the previous year, and does not indicate an industry solvency concern.

Profitability

Just like the issue of "solvency," profitability for the industry is not easily defined, especially when the data are aggregated nationally, and cannot be segregated into a state-by-state comparison. The analysis can only look at the financial performance of the 12 sample companies knowing that some of their profits/losses may come from other states, or other lines of business.

One common measurement is the Loss & LAE (loss adjustment expense) ratio to earned premium. For the sample 12 companies, these ratios are available from 1995 to present, and the data is segregated by type of medical malpractice insurance, occurrence and claims-made:

Loss & LAE Ratios
1995-2004
OCCURENCE

Year	FPIC	HCII	MMIC	PIC	LIC	DCIE	MPC	EIC	APAC	CCC1	EIIC	CCC2
1995	n/a	94%	39%	102%	n/a	290%	98%	n/a	n/a	65%	n/a	n/a
1996	n/a	109%	122%	93%	n/a	251%	103%	n/a	n/a	145%	n/a	n/a
1997	n/a	123%	60%	109%	n/a	205%	87%	n/a	n/a	111%	n/a	n/a
1998	156%	133%	14%	160%	n/a	282%	76%	39%	677%	89%	n/a	n/a
1999	91%	126%	16%	190%	n/a	70%	99%	n/a	91%	1145%	n/a	n/a
2000	33%	141%	75%	182%	n/a	434%	114%	n/a	33%	42%	n/a	n/a
2001	79%	117%	79%	150%	n/a	227%	81%	n/a	79%	51%	n/a	n/a
2002	60%	104%	103%	143%	n/a	251%	77%	n/a	60%	79%	n/a	n/a
2003	63%	107%	101%	129%	83%	86%	75%	n/a	63%	62%	n/a	n/a
2004	64%	125%	87%	149%	72%	49%	69%	n/a	64%	52%	n/a	n/a

Loss & LAE Ratios
1995-2004
CLAIMS-MADE

Year	FPIC	HCII	MMIC	PIC	LIC	DCIE	MPC	EIC	APAC	CCC1	EIIC	CCC2
1995	99%	n/a	81%	101%	202%	90%	130%	80%	106%	129%	n/a	n/a
1996	83%	n/a	92%	99%	115%	103%	122%	68%	95%	130%	n/a	n/a
1997	117%	n/a	93%	120%	277%	90%	131%	65%	90%	135%	n/a	n/a
1998	105%	n/a	115%	120%	110%	101%	149%	87%	108%	159%	n/a	n/a
1999	99%	n/a	117%	116%	516%	79%	151%	103%	99%	137%	n/a	n/a
2000	142%	n/a	123%	131%	165%	119%	130%	87%	142%	181%	n/a	n/a
2001	103%	n/a	138%	110%	102%	131%	131%	69%	103%	298%	n/a	n/a
2002	84%	175%	98%	100%	84%	79%	91%	59%	84%	139%	61%	n/a
2003	79%	171%	97%	92%	75%	84%	85%	61%	79%	70%	58%	n/a
2004	87%	106%	95%	88%	73%	72%	87%	65%	85%	69%	63%	n/a

As the tables show, there is substantial variation across the sample companies over time. Generally, the Loss & LAE ratios among the claims-made medical malpractice insurance appear more favorable (e.g. lower) than for the occurrence type medical malpractice insurance.

Another variable used to measure overall profitability is net income, and to make the number more meaningful, net income as a ratio of surplus. This ratio often is considered a surrogate variable for return on equity, a common measure of profitability in other industries. The return on surplus numbers from 2001 to 2004 for the 12 sample companies is as follows:

Return on Surplus
2001-2004
(In 000s)

	2004			2003			2002			2001		
Co.	**Net Inc.**	**Surp.**	**ROS**	Net Inc.	Surp.	ROS	Net Inc.	Surp.	ROS	Net Inc.	Surp.	ROS
FPIC	**$9**	**$145**	**7%**	$2	$119	2%	$11	$111	11%	-$7	$91	-7%
HCII	**$104**	**$768**	**15%**	$12	$627	2%	-$108	$483	-20%	$72	$584	13%
MMIC	**$8**	**$195**	**4%**	$0	$177	0%	-$10	$143	-7%	$7	$159	4%
PIC	**$32**	**$242**	**15%**	-$9	$188	-5%	$10	$197	5%	-$17	$176	-8%
LIC	**$212**	**$2,444**	**9%**	$301	$2,116	16%	$116	$1,764	7%	$117	$1,746	7%
DCIE	**$32**	**$406**	**9%**	-$50	$350	-15%	-$57	$34	-16%	$2	$384	1%
MPC	**$89**	**$511**	**19%**	$46	$443	11%	-$14	$401	-3%	$74	$408	19%
EIC	**$89**	**$512**	**18%**	$70	$458	18%	$21	$314	8%	$15	$231	8%
APAC	**-$0**	**$15**	**-0%**	$1	$15	7%	$0	$15	4%	-$1	$15	-7%
CCC1	**$521**	**$6,815**	**8%**	-$1,563	$6,046	-28%	$1,667	$5,116	34%	-$882	$4,700	-16%
EIIC	**$2**	**$50**	**5%**	$12	$52	28%	$3	$39	10%	$2	$26	8%
CCC2	**$4**	**$125**	**3%**	$1	$121	1%	$48	$19	40%	-$18	$220	-8%
Total	**$1,103**	**$12,228**	**10%**	-$1,177	$10,711	**-12%**	$1,689	$8,943	**19%**	-$636	$8,740	**-7%**

As the data suggest, 2004 was a relatively good year for the sample companies featuring an overall return on surplus of 10% (actually 9.6%); a rate that shows a return to profitability but which does not indicate excess profits, or industry trouble. However, over the past four years, the data show that the return on surplus has been highly volatile; positive in 2002 and 2004, but providing negative returns in 2001 and 2003.

Finally, the analysis compares other commonly used financial ratios obtained from the 2004 income statements. Again, these are common ratios used in the insurance industry, and once again the ratios show an improvement over last year's performance, while also not showing any companies obtaining an excess profit above what the industry would normally expect to earn:

Financial Ratios
2004 Income Statement

Company	Combined Ratio	Operating Ratio (pre-tax)	Operating Ratio (post-tax)
FPIC	99.8%	91.5%	91.6%
HCII	100.1%	78.9%	85.9%
MMIC	109.6%	96.6%	97.1%
PIC	101.4%	84.9%	86.8%
LIC	97.8%	89.0%	84.8%
DCIE	101.6%	93.9%	95.0%
MPC	96.4%	83.3%	82.7%
EIC	89.6%	81.6%	75.5%
APAC	114.4%	102.5%	104.6%
CCC (1)	107.3%	94.8%	97.5%
EIIC	92.5%	75.9%	65.1%
CCC (2)	N/A	N/A	N/A

A more robust listing of the income statement elements is included in *Appendix F*.

Reserve Development

Another area that is important to examine, especially in medical malpractice insurance, is the reserve development. Since overall company solvency pertains more to the reserve development of the overall book of business, the development tables listed below are for all lines of business. The reserve development data collected by the NAIC is for both one-year development, and two-year development. The two-year measurement is potentially a better measurement tool because it can smooth anomalous yearly data. The reserve development for the 12 sample companies is listed below:

Adverse / (Favorable) Reserve Development – 1 YEAR
(In 000s)
2000-2004

Company	2004	2003	2002	2001	2000
FPIC	$162	$1,948	$1,404	$10,191	$4,717
HCII	($108,983)	($10,241)	($22,247)	($44,044)	($63,461)
MMIC	($9,367)	$14,061	$20,930	($19,132)	($9,292)
PIC	($27,451)	($10,118)	$25,318	($161)	($21,086)
LIC	$71,392	$148,347	$159,140	$64,265	$24,754
DCIE	$58,629	$78,109	$105,014	$1,762	($47,531)
MPC	$22,164	$43,272	$95,720	($45,978)	($77,899)
EIC	($7,685)	$4,020	$5,337	($10,042)	($31,840)
APAC	$1,544	$68	$605	$243	($1,085)
CCC (1)	$255,361	$2,331,312	($167,170)	$1,420,178	$92,078
EIIC	$476	($1,110)	$32	$21	$0
CCC (2)	$0	$0	$0	$46,587	$8,718
Total	$256,242	$2,599,668	$224,083	$1,423,890	($121,927)

Adverse / (Favorable) Reserve Development – 2 YEARS
(In 000s)
2000-2004

Company	2004	2003	2002	2001	2000
FPIC	$13,563	$10,111	$9,436	$9,674	($14,763)
HCII	($94,574)	($13,973)	($55,257)	($98,269)	($111,387)
MMIC	($5,534)	$25,334	($18,176)	($28,437)	($10,922)
PIC	($18,257)	($13,770)	$17,833	$6,774	($33,321)
LIC	$335,186	$305,120	$163,523	$78,334	($2,481)
DCIE	$139,126	$153,911	$96,770	($31,060)	($61,554)
MPC	$65,155	$153,506	$32,710	($106,860)	($105,559)
EIC	$20,234	$34,803	($3,332)	($49,252)	($46,706)
APAC	$3,747	$2,011	$408	($1,784)	($5,279)
CCC (1)	$2,851,102	$2,218,952	$1,525,840	$1,179,495	$265,613
EIIC	($710)	($11)	$36	($1)	$0
CCC (2)	$0	$0	$0	$38,725	$8,718
Total	$3,309,038	$2,875,994	$1,769,791	$997,339	($117,641)

When measured as either one-year or two-year reserve development, the overall results are the same; in aggregate reserves have shown adverse development consistently since 2001. At first it would appear that there is some fairly significant volatility in the assumptions used by the sample companies, which generally result in adverse corrections. A closer examination reveals that the majority of the volatility is due to one company --- Continental Casualty Company. The other 11 companies have fairly stable loss assumptions over time, which should not significantly affect the overall profitability numbers, or assumptions used when the companies make rate filings.

Medical Malpractice Rate Filings in Florida

The list below is the list of rate filings that were approved in calendar year 2004. As a result of the passage of Senate Bill 2-D in 2003, companies are required to reduce their base rates by -7.8% on average or compute their own presumed factor. In 2004, there were eight (8) different filings made by six (6) different companies that fell into this standard reduction category. These filings have been removed from the table below. The table below identifies the filings that requested additional rate changes beyond the standard factor. Please note that some of these rate filings may take effect in 2005.

INSURER NAME	PROGRAM	RATE REQUEST	RATE APPROVED	EFFECTIVE DATE
AIU INSURANCE COMPANY	Profess. Liab.	5.8%	0.0%	1/1/2004
AMERICAN CASUALTY CO OF READING, PE	Nurse Pract.	62.8%	59.8%	3/1/2004
AMERICAN CASUALTY CO OF READING, PE	Nurse Anesthetists	4.9%	0.0%	5/1/2004
AMERICAN INSURANCE COMPANY	Dentists	3.9	3.9	9/15/2004
ANESTHESIOLOGISTS PROFESSIONAL	Anesth.	13.7%	10.0%	4/1/2004
CHICAGO INSURANCE COMPANY	Nurses	106.2%	8.2%	2/15/2004
CHICAGO INSURANCE COMPANY	P&S	110.3%	15.8%	2/15/2004
CINCINNATI INDEMNITY COMPANY	P. Liability / Dental	6.4%	3.5%	1/1/2004
CINCINNATI INSURANCE COMPANY	CMP-Dental	2.7%	1.3%	1/1/2004
CONNECTICUT INDEMNITY COMPANY	P&S	27.5%	0.0%	4/1/2004
CONTINENTAL CASUALTY COMPANY	Dental	6.7%	6.7%	1/1/2004
DOCTORS' CO, AN INTERINSURANCE EXCH	Profess. Liab.	-7.2	-7.2	7/1/2004
FIRST PROFESSIONALS INS CO	Dental	-3.0%	-3.0%	4/1/2004
FLORIDA HEALTHCARE PROVIDERS	P&S	10.9%	5.4%	7/1/2004
FLORIDA MEDICAL MALPRACTICE JUA	P&S	4.0%	4.0%	7/1/2004
FORTRESS INSURANCE COMPANY	Dental	16.6%	5.0%	12/23/2003
GRANITE STATE INSURANCE COMPANY	P&S	95.0%	16.8%	2/27/2004
GULF INSURANCE COMPANY	Podiatrists	0.6%	0.0%	1/1/2004
HEALTH CARE INDEMNITY INC.	Profess. Liab.	-1.6%	-1.6%	1/1/2004
INSURANCE SERVICES OFFICE (ISO)	P&S	21.8%	21.8%	10/1/2005
MAG MUTUAL INSURANCE COMPANY	P&S	15.4%	7.0%	1/1/2004
MAG MUTUAL INSURANCE COMPANY	HC Facilities	0.0%	0.0%	1/1/2004
MEDICAL ASSURANCE COMPANY	P&S	10.4%	10.4%	1/15/2005
MEDICAL PROTECTIVE COMPANY	P&S	21.6%	14.6%	1/1/2005
MEDICAL PROTECTIVE COMPANY	Dentists	19.3%	19.3%	3/1/2005
NATIONAL CASUALTY COMPANY	Dental-Orthodont.	-7.8%	-7.8%	1/1/2004
NATIONAL FIRE INS. CO. OF HARTFORD	P&S	11.7%	11.7%	1/15/2004
NCMIC INSURANCE COMPANY	Chiropractors	16.4	16.4	10/1/2004
PHYSICIANS INSURANCE COMPANY	P&S	2.0%	0.0%	3/1/2005
PODIATRY INS CO OF AMERICA	Podiatrist	22.7%	20.2%	1/1/2005
PRONATIONAL INSURANCE COMPANY	P&S	6.4%	6.4%	1/1/2005
THE DOCTORS COMPANY AN	P&S	18.6%	8.9%	4/1/2004
TRUCK INSURANCE EXCHANGE	P&S	45.4%	6.0%	1/1/2004

P&S = Physicians and Surgeons.

The companies that compromise 80% of the market are included here except for the surplus lines companies (which do not have to file rate increases with the OIR), Columbia Casualty which cedes 100% of its business, and First Professional Insurance Company which did not have a rate filing approved in 2004.

It is difficult to compare rate increases across companies for different types of programs. As an illustration, we analyzed the most common program, medical malpractice insurance for physicians and surgeons (P&S), and compared the rate filings for this program to similar rate filings in 2003:

Year	P&S Filings Approved	Avg. Rate Request	Avg. Rate Approved
2004	16*	28.6%	9.2%
2003	23**	24.7%	19.6%

** Two of these filings accepted the standard -7.8% rate adjustment factor. The data in this table are based on the remaining 14 filings.*
*** Although there were 23 P&S filings, 6 were rule filings, and 6 were for new programs. The data here is based on the other 11 filings.*

Although these averages have definite limitations, as rule filings do not include rate increases but are filed for compliance, while "rate increases" cannot be calculated for new programs. However, it would appear that the rate increases seen in the medical malpractice market in Florida have subsided to some degree within the last year. This may be due to more favorable financial results as reported in the profitability/solvency section of this report.

New Companies Entering the Florida Medical Malpractice Market

Aside from the analysis of the 80% market share sample companies, another indication of the health and perceived profitability of the Florida medical malpractice insurance market would be the number of new entrants into the market. From January 1, 2004 to present eighteen (18) “new” companies entered the Florida med-mal market. “New” companies can either be a start-up company, a company operating in another state expanding to Florida, or an established company already writing in Florida that expanded its lines of business to include medical malpractice insurance.

From January 1, 2004 to October 1, 2005 the following companies entered the medical malpractice insurance market in Florida:

Company Name	Authority*	Authorized Date	2004 Med-Mal NPW
Campmed Casualty & Ind. Co.	P&C Insurer	04/28/2005	$1,768,623
Care Risk Retention Group, Inc.	RRG	03/19/2004	$3,102,225
Darwin National Assurance	P&C Insurer	08/23/2004	$415,443
Eldercare Mutual Inc. Co.	RRG	03/30/2004	$0
Emergency Medicine Prof. Assur.	RRG	08/10/2004	$691,200
Green Hills Insurance Co.	RRG	07/09/2004	$60,192
Healthcare Underwriters Group	Reciprocal	03/23/2004	$4,937,686
JDCH Risk Purchasing Group	RPG	08/22/2005	N/A
Lakeland Regional Health Vent.	RPG	07/07/2005	N/A
Lillian Assurance Group	P&C Insurer	07/07/2005	N/A
Physicians Preferred Insurance	Reciprocal	08/27/2004	$1,089,956
Progressive American Ins.	P&C (Reinsurance Only)	11/23/2004	$0
Progressive Bayside Ins.	P&C (Reinsurance Only)	12/23/2004	$0
Progressive SE Insurance	P&C (Reinsurance Only)	12/23/2004	$0
Quanta Indemnity Co.	P&C (Reinsurance Only)	06/10/2004	$0
RSUI Indemnity Co.	P&C Insurer	07/22/2004	$0
State Farm Fire & Casualty	P&C Insurer	07/02/2004	$5,997
State Farm Florida Ins. Co.	P&C Insurer	07/09/2004	$54,288

** Unless otherwise indicated, all writers are authorized to write direct insurance and reinsurance.*
RRG = Risk Retention Group
RPG = Risk Purchasing Group

The majority of these new insurers are P&C insurers, some writing only reinsurance. However, there are a variety of other entities including risk retention groups, risk purchasing groups, and reciprocals. The total medical malpractice insurance net written premium for all of these new entities is slightly in excess of $12 billion for the 2004 calendar year. This premium is substantial, but only represents 1% of the total market in Florida.

Analysis of the Closed Claim Database

The Office of Insurance Regulation (OIR) collects closed claim data reported to the OIR by the insurers. For the purposes of the report, all claims closed during the period January 1, 2004 to December 31, 2004 were analyzed. The database contains other dates including “occurrence date” – when the accident occurred, and “report date,” which is the date an insured made a claim. Although this section covers claims resolved in 2004, it is quite possible that the occurrence date and/or report date are from a previous year.

This is part of the nature of the medical malpractice insurance industry; there can be a considerable amount of time between when an accident occurs and when final payment is made. For the claims closed in 2004, the average difference between occurrence and when the claim was filed was 497 days, and the difference between when a claim was filed and when the claim was closed was 768 days.

This reported data is of limited use for evaluating the profitability, solvency, or the adequacy of rates of a specific company. The data does not include “open” claims, the entire universe of outstanding claims, or whether the amount of time to pay claims, or amounts of payments are increasing or decreasing, cannot be evaluated.

To satisfy the statutory requirements of Section 627.912(6)(b)&(c), Florida Statutes, this portion of the report into is divided into two sections: 1.) The statewide data; and, 2.) The data for the 12 companies that represent 80% of the Florida market. For every claim, insurers are asked to fill out 72 different fields of data --- some of these fields are required fields (i.e. claim number) while some are not (i.e. institution code). This report focuses on roughly 25 fields and is not intended to represent the entirety of information reported to OIR.

Medical Malpractice Insurance Claims in Florida

As not all of the data fields are required, some of the analysis below may not match the total claims amount due to blank fields submitted by insurance companies. In 2004, the Florida medical malpractice insurance companies reported 3,574 closed claims in Florida. Of these, 1,898 claims were filed by female insureds, while 1,655 were filed by males.

Injury Location

One of the data elements reported is the injury location, which has been divided into 10 different categories. The injury location for claims closed in 2004 include the following:

Location	Frequency of Claims
Hospital Inpatient Facility	1,745
Physician's Office	576
Emergency Room	416
Prison	187
Other Outpatient Facility	173
Hospital Outpatient Facility	142
Other Location	127
Patient's Home	83
Other Hospital/Institution	79
Nursing Home	19

The data show that the largest number of claims came from hospital inpatient facilities, which together with physician's office and emergency room compromise nearly two-thirds of all claims.

Severity

Insureds are also requested to fill out a "severity" field which ranks the types of injuries/medical problems into nine different categories ranging from "1" being the most minor physical ailments, to "9" indicating death of the insured. A brief summary of these categories are:

1 – Emotional Only: fright, no physical damage
2 – Temporary: slight lacerations
3 – Temporary: minor infections, misset fracture, fall in hospital
4 – Temporary: major burns, drug reaction
5 – Permanent: minor – loss of finger, damage to organs
6 – Permanent: significant – deafness, loss of limb, loss of eye

7 – Permanent: grave – paraplegia, blindness, loss of limbs
8 – Permanent: grave – quadriplegia, brain damage
9 – Permanent: death

The following chart tabulates the frequencies for the severity of claims resolved in Florida in 2004:

Severity Code	Frequency of Claims
1	151
2	166
3	649
4	326
5	516
6	272
7	210
8	156
9	1,107

Category "9," meaning death, is the leading category for medical malpractice claims settled, accounting for nearly one-third of all claims.

Geographic Distribution

Among the other data required to be filed are data that show the insured's residence including county, address and zip code. Not surprisingly, most closed claims come from areas that have the highest populations. The top 10 counties for closed medical malpractice claims in 2004 are:

Rank	County	Frequency of Claims
# 1	Dade	511
# 2	Broward	489
# 3	Palm Beach	351
# 4	Hillsborough	254
# 5	Orange	227
# 6	Pinellas	226
# 7	Lee	109
# 8	Duval	108
# 9	Volusia	97
# 10	Sarasota	91

There was at least one closed claim in 53 of Florida's 67 counties.

Companies with the Most Closed Claims

Utilizing the closed claim database, a listing of the companies with the most closed claims in 2004 is presented below. However, there are some limitations inherent in producing this list. There are 541 records that do not list an insurer. Predominately these records are for claims closed by entities that "self-insure"; often hospitals and provider networks. The top companies for closed claims in 2004 are:

Rank	Company	Frequency of Claims
# 1	**First Professional Insurance Co.**	**722**
# 2	**Health Care Indemnity Co.**	**504**
# 3	**Medical Protective Co.**	**300**
# 4	**Pronational Insurance Co.**	**294**
# 5	American Physicians Assurance Corp.	200
# 6	Truck Insurance Exchange	175
# 7	**MAG Mutual Insurance Co.**	**83**
# 8	St. Paul Fire & Marine Ins. Co.	72
# 9	Clarendon National Ins. Co.	68
# 10	American Healthcare Indemnity Co.	60
# 11	**Doctor's Company; an Insurance Exchange**	**58**
# 12T	Podiatry Insurance Co. of America	55
# 12T	TIG Insurance Co.	55
# 14	**Anesthesiologists Professional Assur. Co.**	**48**
# 15	**Lexington Insurance Co.**	**42**
# 16	American Continental Ins. Co.	35
# 17	**Continental Casualty Co.**	**29**
# 18	Fireman's Fund Insurance Co.	27
# 19	Medical Assurance Co.	23
# 20	**Everest Indemnity Insurance Co.**	**20**
# 21T	Commonwealth Ins. Co. of America	13
# 21T	Zurich American Insurance Co.	13
# 23T	**Evanston Insurance Co.**	**12**
# 23T	Clarendon America Insurance Co.	12
# 23T	Granite State Insurance Co.	12
# 26T	**Columbia Casualty Co.**	**9**
# 26T	General Insurance Co. of America	9

The companies in bold type represent 80% of the direct written premium in Florida. As the data show, although these companies are in the top 12 of direct written premium calculations, they are not all in the top 12 for closed claims in 2004. This could be in part due to the long-tailed nature of the business. In many respects, the companies with the most closed-claims are most likely the leading writers from 3 or 4 years ago. However, the 12 companies selected for analysis in this report still represent a majority percentage of the total closed claims; 71% removing the claims closed by self-insured entities.

Financial Data:

Perhaps the most important information contained in the report is the financial data related to insurance company claims. The amount paid by the insured is divided into three categories: 1) The amount paid to the plaintiff; 2) The amount of loss adjustment expense; and 3) Other expenses.

The data for all claims filed in 2004 are as follows:

Category	Amount
Amount Paid to Plaintiffs	$513,788,130
Loss Adjustment Expense	$116,324,775
Other Expenses	$33,969,579

The total --- $664,082,484 --- represents the total amount paid by insurance companies (and self-insurance companies) for claims settled in 2004. It is important to remember that in many instances, the claims closed showed payments of $0 to the plaintiff. However, even in these instances, it is likely the insured still incurred loss adjustment expense, and sometimes other expenses. “Other expenses” are broadly defined and tend to deal with indirect expenses related to injury such as paying for someone to drive an injured/sick defendant’s children to school.

Another area of financial data is the amount that the company paid for economic versus non-economic damages to plaintiffs. The data in the closed claims database indicates the following:

Category	Amount
Economic:	
Insured's medical loss	$48,063,587
Insured's economic wage loss	$15,888,258
Insured's economic other loss	$3,236,108
Insured's estimated future medical loss	$146,728,623
Insured's estimated future wage loss	$83,640,046
Insured's estimated future other loss	$30,198,965
Total Economic damages	**$327,755,547**
Non-Economic	
Total Non-Economic damages	**$195,132,457**

There are some caveats to consider along with this data. First, the economic and non-economic damages should equal the total amount paid to the plaintiff. It does not. The numbers in the table above add to $523 million --- about $10 million or 2% higher than the $513 million previously reported. One possible reason for the discrepancy, as suggested by an actuary familiar with this data, pertains to the "future" estimates included in the economic damages above. It is possible that companies are estimating future losses incorporating an inflation factor (the time-value of money). In theory, if these numbers were discounted backward to present-day value, the numbers in the two tables above should be equivalent.

Apart from the time-value of money, and estimating future losses (and rate of inflation) there is some ambiguity in the estimate of the numbers themselves. Although claims can be closed for a variety of different reasons like a court ruling, or an outcome from an arbitration hearing, the majority of claims are settled out of court. Often these settlements stipulate a flat payment amount to the plaintiff, and do not distinguish what portion of the payment amount by the insurer is for economic versus non-economic damages. Therefore, companies are left to estimate these numbers to fill out the report. A few companies failed to come up with estimates, and left these fields blank.

Assuming the numbers are correct within the noted limitations, $328 million of the amount paid to plaintiffs (or 63%) are for "economic" damages, while $195 million of the amount paid to plaintiffs (or 27%) are for non-economic damages.

Closed Claims for the 12 Largest Florida Writers

Throughout this report, the focus has been is on the top 12 leading writers of medical malpractice in the state of Florida in 2004. In this section, the focus is on the time delays in reporting and closing a claim, as well as the paid amounts of closed claims to plaintiffs by these companies. Because not all the sample companies distinguished between economic versus non-economic claims, this data is not included.

The Timing of the Claim

As mentioned above, there are two main timeframes important to the resolution of a claim: 1) The delay between occurrence and reporting the claim to the insurance company; and 2) The delay between reporting the claim, and final disposition of the claim. The 12 leading writers of medical malpractice insurance in Florida reported the following results:

Company	Occurrence to Reporting (in days)	Reporting to Disposition (in days)	Total Days
FPIC	546	770	1,316
HCII	343	613	956
MMIC	558	725	1,283
PIC	556	971	1,527
LIC	359	506	865
DCIE	578	739	1,317
MPC	554	758	1,312
EIC	511	674	1,185
APAC	358	864	1,222
CCC(1)	378	1,005	1,383
EIIC	537	536	1,073
CCC(2)	210	450	660

This table reinforces the “long-tail” aspect of medical malpractice insurance as it may take up to five years between the occurrence of an accident and actual payment.

The Plaintiff Settlement

Simply because a claim is "closed" does not mean that the plaintiff received payment. Whether due to an outcome of the courts, arbitration, or a plaintiff discontinuing pursuit of a claim, some claims are closed without any payment settlement. The data does show differences among the companies in terms of the percentage of closed claims that were settled, or resulted in the payment to the plaintiff:

Company	Closed Claims	Payment to Plaintiff	Percentage
DCIE	58	58	100 %
CCC(1)	29	29	100 %
EIIC	20	20	100 %
CCC(2)	9	9	100 %
EIC	12	11	92 %
LIC	42	34	81%
MMIC	83	67	81%
HCII	504	300	60%
APAC	48	18	38%
FPIC	722	223	31%
MPC	300	79	26%
PIC	294	40	14%

Severity Codes

With respect to the claims closed by the sample companies in 2004, an analysis of the severity codes for each claim is provided below. The majority of the claims closed by the 12 sample companies in 2004 were either in the moderate (codes 4 through 6) or severe (codes 7 through 9) classes. The data for each of the sample companies is as follows:

Company	Severity Code 1-3	Severity Code 4-6	Severity Code 7-9
FPIC	177	263	302
HCII	148	198	158
MMIC	136	42	122
PIC	72	92	130
LIC	15	10	17
DCIE	9	26	23
MPC	136	42	122
EIC	0	1	10
APAC	10	8	30
CCC(1)	17	3	9
EIIC	2	7	11
CCC(2)	4	1	4

Payment Amounts

Companies are also required to report payment amounts. As noted above, not all companies provided delineation between economic and non-economic loss, therefore, no summary is provided here. These claims closed by the sample companies in 2004 resulted in the following claim payments:

Company	Total Amount Paid	LAE	Other
FPIC	$58,116,131	$14,597,327	$7,820,089
HCII	$75,574,796	$12,707,477	$6,147,103
MMIC	$19,467,749	$2,918,975	$284,530
PIC	$10,769,499	$9,713,042	$5,028,927
LIC	$18,622,265	$1,215,189	$355,451
DCIE	$11,853,150	$1,596,040	$353,710
MPC	$17,134,500	$13,031,248	$6,007,561
EIC	$2,467,500	$403,997	$10,122
APAC	$8,324,000	$1,909,354	$629,317
CCC(1)	$5,509,478	$6,432,179	$11,287
EIIC	$28,139,999	$529,914	$114,563
CCC(2)	$1,479,589	$137,263	$19,226

Summary

Senate Bill 2-D, enacted in 2003, requires OIR to publish an annual report of the state of the medical malpractice insurance market in Florida. The legislation, codified in Section 627.912(6)(b)&(c), Florida Statutes, requires the OIR to draw upon three data resources:

1) The NAIC annual financial statement filings;
2) The closed claims database maintained by OIR; and
3) An analysis of rate filings filed with OIR during the previous year.

This report satisfies the requirements codified in Section 627.912(6)(b)&(c), Florida Statutes.

Appendix A
Med-Mal Loss Ratios by State
2004

Rank	State	Loss Ratios
# 1	Delaware	119.3%
# 2	New York	114.1%
# 3	New Mexico	97.7%
# 4	Hawaii	95.3%
# 5	Maryland	94.5%
# 6	Indiana	90.0%
# 7	New Hampshire	85.7%
# 8	Montana	84.4%
# 9	South Dakota	83.3%
# 10	Illinois	82.1%
# 11	Oregon	78.8%
# 12	South Carolina	73.9%
# 13	Vermont	71.9%
# 14	Pennsylvania	71.5%
# 15	Georgia	70.2%
# 16	Arkansas	65.0%
# 17	Kentucky	63.4%
# 18	Minnesota	63.2%
# 19	North Carolina	62.7%
# 20	Arizona	62.4%
# 21	**Florida**	**60.2%**
# 22	Idaho	58.9%
# 23	Nevada	57.9%
# 24	Massachusetts	57.5%
# 25	Michigan	57.0%
# 26	Connecticut	57.0%
# 27	Maine	55.4%
# 28	Washington	54.2%
# 29	Tennessee	53.5%
# 30	Virginia	51.8%
# 31	Missouri	51.4%
# 32	New Jersey	50.9%
# 33	North Dakota	50.2%
# 34	Mississippi	48.5%
# 35	Colorado	48.3%
# 36	Iowa	47.9%
# 37	Utah	45.4%
# 38	District of Col.	44.4%
# 39	Rhode Island	42.5%
# 40	Louisiana	41.9%
# 41	California	41.8%
# 42	Wisconsin	40.6%
# 43	Texas	38.8%
# 44	Nebraska	37.2%
# 45	West Virginia	36.8%
# 46	Ohio	35.6%
# 47	Alaska	33.2%
# 48	Oklahoma	32.6%
# 49	Kansas	27.1%
# 50	Alabama	23.3%
# 51	Wyoming	-0.4%

Appendix B
Defense Cost Containment (DCC) Ratios by State
2004

Rank	State	DCC/Premium Ratio
# 1	New Mexico	33.6%
# 2	**Florida**	**32.3%**
# 3	Louisiana	31.7%
# 4	Indiana	29.8%
# 5	Alabama	29.8%
# 6	New Hampshire	29.3%
# 7	Rhode Island	29.2%
# 8	Utah	27.9%
# 9	Michigan	27.9%
# 10	Colorado	27.8%
# 11	Arkansas	26.7%
# 12	Alaska	25.5%
# 13	California	24.9%
# 14	Massachusetts	23.7%
# 15	Pennsylvania	23.6%
# 16	Kansas	23.4%
# 17	Ohio	23.3%
# 18	Nevada	23.2%
# 19	Maryland	23.0%
# 20	Delaware	22.9%
# 21	Montana	22.7%
# 22	Hawaii	22.3%
# 23	Nebraska	22.2%
# 24	Virginia	22.1%
# 25	Arizona	21.9%
# 26	South Dakota	21.4%
# 27	Georgia	21.3%
# 28	Missouri	21.1%
# 29	New York	20.7%
# 30	Kentucky	20.4%
# 31	Tennessee	19.9%
# 32	Illinois	19.6%
# 33	South Carolina	19.1%
# 34	Texas	19.1%
# 35	Maine	18.9%
# 36	Wisconsin	18.3%
# 37	North Carolina	17.9%
# 38	North Dakota	17.2%
# 39	West Virginia	17.1%
# 40	Idaho	16.8%
# 41	Oklahoma	16.2%
# 42	New Jersey	15.5%
# 43	Connecticut	14.6%
# 44	Wyoming	14.5%
# 45	Washington	14.1%
# 46	Iowa	12.5%
# 47	Oregon	12.3%
# 48	District of Columbia	10.5%
# 49	Minnesota	10.1%
# 50	Vermont	3.4%
# 51	Mississippi	1.7%

Appendix C
DCC+Loss Ratios by State
2004

Rank	State	Loss + DCC Ratio
# 1	Delaware	142.2%
# 2	New York	134.8%
# 3	New Mexico	131.3%
# 4	Indiana	119.7%
# 5	Hawaii	117.6%
# 6	Maryland	117.5%
# 7	New Hampshire	115.0%
# 8	Montana	107.1%
# 9	South Dakota	104.7%
# 10	Illinois	101.7%
# 11	Pennsylvania	95.1%
# 12	South Carolina	93.0%
# 13	**Florida**	**92.4%**
# 14	Arkansas	91.6%
# 15	Georgia	91.5%
# 16	Oregon	91.1%
# 17	Michigan	84.9%
# 18	Arizona	84.3%
# 19	Kentucky	83.8%
# 20	Massachusetts	81.3%
# 21	Nevada	81.1%
# 22	North Carolina	80.6%
# 23	Colorado	76.0%
# 24	Idaho	75.6%
# 25	Vermont	75.3%
# 26	Maine	74.2%
# 27	Virginia	73.9%
# 28	Louisiana	73.6%
# 29	Tennessee	73.4%
# 30	Utah	73.3%
# 31	Minnesota	73.3%
# 32	Missouri	72.5%
# 33	Rhode Island	71.7%
# 34	Connecticut	71.5%
# 35	Washington	68.3%
# 36	North Dakota	67.4%
# 37	California	66.7%
# 38	New Jersey	66.4%
# 39	Iowa	60.4%
# 40	Nebraska	59.4%
# 41	Ohio	58.9%
# 42	Wisconsin	58.9%
# 43	Alaska	58.8%
# 44	Texas	57.9%
# 45	District of Columbia	54.9%
# 46	West Virginia	53.9%
# 47	Alabama	53.1%
# 48	Kansas	50.5%
# 49	Mississippi	50.2%
# 50	Oklahoma	48.8%
# 51	Wyoming	14.1%

Appendix D
Commission & Brokerage Ratios by State
2004

Rank	State	Comm & Brokerage
# 1	Mississippi	12.7%
# 2	South Dakota	11.2%
# 3	Wyoming	11.1%
# 4	District of Columbia	10.8%
# 5	Delaware	8.8%
# 6	Rhode Island	8.7%
# 7	New Jersey	8.7%
# 8	Ohio	8.6%
# 9	Idaho	8.6%
# 10	Vermont	8.3%
# 11	North Dakota	8.0%
# 12	Virginia	7.8%
# 13	Nebraska	7.7%
# 14	Michigan	7.6%
# 15	North Carolina	7.4%
# 16	Oklahoma	7.1%
# 17	West Virginia	7.0%
# 18	Arkansas	7.0%
# 19	Kentucky	6.9%
# 20	Indiana	6.8%
# 21	Hawaii	6.8%
# 22	Massachusetts	6.8%
# 23	**Florida**	**6.7%**
# 24	Nevada	6.6%
# 25	California	6.6%
# 26	Maryland	6.6%
# 27	New Hampshire	6.5%
# 28	Wisconsin	6.4%
# 29	Minnesota	6.3%
# 30	Illinois	6.3%
# 31	Missouri	6.2%
# 32	Arizona	6.2%
# 33	South Carolina	6.0%
# 34	Iowa	5.9%
# 35	Kansas	5.8%
# 36	Louisiana	5.6%
# 37	Connecticut	5.5%
# 38	Oregon	5.3%
# 39	Texas	5.3%
# 40	New Mexico	5.1%
# 41	Washington	5.0%
# 42	Arkansas	4.8%
# 43	Pennsylvania	4.8%
# 44	Utah	4.4%
# 45	Georgia	4.3%
# 46	Colorado	4.2%
# 47	Alabama	4.1%
# 48	Montana	4.1%
# 49	Maine	3.6%
# 50	Tennessee	3.6%
# 51	New York	2.4%

Appendix E
Fees & Taxes Ratios by State
2004

Rank	State	Taxes & Fees Ratio
# 1	Vermont	6.8%
# 2	Oklahoma	3.4%
# 3	Maine	3.2%
# 4	Hawaii	3.1%
# 5	New York	3.0%
# 6	South Carolina	3.0%
# 7	Montana	2.9%
# 8	Georgia	2.8%
# 9	Massachusetts	2.7%
# 10	Wyoming	2.7%
# 11	Nevada	2.7%
# 12	Delaware	2.6%
# 13	Connecticut	2.6%
# 14	New Mexico	2.5%
# 15	Alaska	2.4%
# 16	South Dakota	2.4%
# 17	Idaho	2.3%
# 18	Rhode Island	2.2%
# 19	Arkansas	2.2%
# 20	California	2.2%
# 21	Pennsylvania	2.1%
# 22	Louisiana	2.1%
# 23	Virginia	2.0%
# 24	West Virginia	2.0%
# 25	Utah	1.9%
# 26	North Dakota	1.9%
# 27	Nebraska	1.9%
# 28	Kentucky	1.9%
# 29	Alabama	1.9%
# 30	Mississippi	1.9%
# 31	Maryland	1.9%
# 32	Minnesota	1.8%
# 33	New Hampshire	1.8%
# 34	Arizona	1.7%
# 35	Iowa	1.7%
# 36	**Florida**	**1.7%**
# 37	Washington	1.6%
# 38	North Carolina	1.6%
# 39	Ohio	1.5%
# 40	Kansas	1.4%
# 41	District of Columbia	1.4%
# 42	Texas	1.3%
# 43	Colorado	1.3%
# 44	Oregon	1.3%
# 45	Missouri	1.2%
# 46	Indiana	1.2%
# 47	Illinois	1.1%
# 48	Wisconsin	1.0%
# 49	New Jersey	1.0%
# 50	Minnesota	0.9%
# 51	Tennessee	0.7%

Appendix F
Income Statement Information -- Top 12 Companies

INCOME STATEMENT ITEMS	FPIC	HCII	MMIC	PIC	LIC	DCIE	MPC	EIC	APAC	CCC (1)	EIIC	CCC (2)
Premiums Earned	$106,116	$369,428	$201,334	$190,813	$3,082,559	$444,354	$555,039	$721,524	$13,398	$6,644,716	$17,692	$0
Losses Incurred	$44,793	$175,690	$121,583	$63,246	$2,295,895	$240,513	$281,221	$327,901	$4,486	$3,843,151	$9,618	$0
LAE Incurred	$42,034	$175,690	$59,213	$96,180	$338,153	$126,189	$180,022	$104,067	$8,497	$1,348,470	$3,311	$0
U/W Expense Incurred	$19,108	$18,309	$39,779	$34,076	$381,894	$84,889	$73,817	$214,539	$2,342	$1,993,129	$3,442	$0
Other Deductions	$0	$0	$0	$0	$0	$0	$0	$0	$0	-$95,292	$0	$0
Dividends	$0	$0	$0	$0	$0	$0	$0	$0	$0	$43,352	$0	$0
Net U/W Income	$181	-$260	-$19,240	-$2,688	$66,617	-$7,237	$19,979	$75,017	-$1,928	-$444,742	$1,322	$0
Net Investment Income	$8,608	$73,957	$23,746	$30,530	$273,537	$34,488	$70,521	$57,926	$1,571	$1,147,310	$2,937	$3,688
Other Income / (Expense)	$185	$4,207	$2,328	$932	$0	$9	$2,106	$0	$27	-$316,368	-$3	$0
Pre-Tax Operating Income	$8,974	$77,903	$6,834	$28,774	$340,154	$27,260	$92,606	$132,944	-$330	$386,200	$4,256	$3,688
Realized Capital Gains	$3,429	$47,878	$10,655	$2,608	-$11,930	$14,023	$17,598	$2,388	$196	$409,445	-$26	$140
Income Taxes Incurred	$3,340	$22,102	$9,630	-$1,067	$116,343	$8,888	$20,978	$46,002	-$88	$230,850	$1,892	$0
Net Income	$9,063	$103,680	$7,859	$32,448	$211,882	$32,396	$89,226	$89,330	-$45	$521,444	$2,339	$3,828
L&LAE Ratio	81.8%	95.1%	89.8%	83.6%	85.5%	82.5%	83.1%	59.9%	96.9%	78.1%	73.1%	N/A
Expense Ratio	18.0%	5.0%	19.8%	17.9%	12.4%	19.1%	13.3%	29.7%	17.5%	28.6%	19.5%	N/A
Dividend Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	0.0%	N/A
Combined Ratio	99.8%	100.1%	109.6%	101.4%	97.8%	101.6%	96.4%	89.6%	114.4%	107.3%	92.5%	N/A
NII and Other Inc. Ratio	8.3%	21.2%	13.0%	16.5%	8.9%	7.8%	13.1%	8.0%	11.9%	12.5%	16.6%	N/A
Operating Ratio (Pre-Tax)	91.5%	78.9%	96.6%	84.9%	89.0%	93.9%	83.3%	81.6%	102.5%	94.8%	75.9%	N/A
Tax & CG Ratio	-0.1%	-7.0%	-0.5%	-1.9%	4.2%	-1.2%	0.6%	6.0%	-2.1%	-2.7%	10.8%	N/A
Operating Ratio (Post-Tax)	91.6%	85.9%	97.1%	86.8%	84.8%	95.0%	82.7%	75.5%	104.6%	97.5%	65.1%	N/A