

Texas Department of Insurance

MEDICAL MALPRACTICE INSURANCE: Overview and Discussion

I. Background

A. *Medical Liability Insurance - Who and What it Covers*

- Medical liability insurance covers a healthcare professional for errors and omissions arising from the practice of the insured's professional specialty.
- Coverage for nursing homes will become mandatory effective September 1, 2003. Other healthcare providers are not legally required to purchase coverage but hospitals and HMO's typically require minimum amounts and proof of coverage.
- Approximately 37,188 physicians currently practice in Texas.¹

B. *Types of Companies Writing Coverage in Texas²*

1. Licensed (Admitted) Insurers
 - Policyholders with companies licensed by TDI have Guaranty Fund protection in the event of insolvency.
 - The Commissioner of Insurance must approve policy forms before being used (prior approval). Rates must be filed with TDI before being used (file and use).
2. Texas Medical Liability Trust (TMLT)
 - Statewide trust association of self-insured physicians.
 - No Guaranty Fund protection for policyholders in the event of insolvency. Policyholders are asked to contribute when an increase in trust surplus is needed.
 - Rates and policy forms are not regulated.
 - Largest writer in Texas with approximately 10,000 doctors covered.

¹ Source: State Board of Medical Examiners, as of January 2003.

² Additional information on companies and coverage can be found in Appendix 1, page 25.

3. Risk Purchasing Groups (RPGs)
 - Individuals or firms of like characteristics that share similar insurance needs and use group purchasing power to obtain malpractice insurance and benefits.
 - Guaranty Fund protection is available to RPGs who buy insurance from licensed insurers with a surplus in the amount of \$25,000,000 or more, but not available if insurance purchased from a surplus lines carrier.
 - Although licensed insurers underwriting purchasing groups are subject to the same legislatively mandated provisions as licensed insurers, they are not required to file forms and rates for the RPG. Neither forms nor rates are regulated for surplus lines carriers.
4. Risk Retention Groups (RRGs)
 - An RRG is an insurer that retains and insures the malpractice risk group of like or similar insureds.
 - Policyholders are not protected by the Guaranty Fund in the event of insolvency.
 - Policy forms and rates of RRGs are not filed with TDI.
5. Surplus Lines Insurers
 - Not licensed but deemed eligible by TDI to provide coverage for insureds that are unable to obtain insurance from licensed insurers. Coverage can only be placed in surplus lines after a specially licensed agent has made a diligent effort to place coverage with a licensed insurer.
 - No Guaranty Fund protection for policyholders.
 - Surplus lines rates and policy forms are not regulated by TDI.
6. Texas Medical Liability Insurance Underwriting Association (JUA)
 - Requires insureds to provide evidence of rejection by two licensed insurers.
 - Policyholders are not protected by the Guaranty Fund. Policyholders and JUA member insurance companies may be assessed to maintain solvency.
 - Policy forms and rates of the JUA are regulated by TDI.
 - Physician policy count: Approximately 1987 as of 02/07/03, up from approximately 143³ on 06/30/01.
 - In July 2002, the JUA Board adopted claims-made policies with additional coverage for prior acts resulting in more policy choices for physicians coming into the JUA. Additionally, the Board adopted lower premium rates for certain specialties.

³ As the JUA's Physician and Surgeon policies include dentists, this estimate is extracted from the 168 physician and surgeon policies issued.

- While the JUA offers an immediate solution with regard to availability, the more attractive policies and lower rates for certain specialties can be viewed only as a stopgap measure for addressing the present problem of skyrocketing medical malpractice insurance rates and a shrinking number of carriers.

C. Recap of 1993 and 1995 Tort Reform Measures in Texas

The 73rd and 74th Texas Legislatures enacted several laws addressing tort reform. The cumulative effect of the tort reform rate rollbacks is that medical malpractice rates are 17.2 percent lower than they would have been without reform. This number is derived from information companies reported to TDI regarding actual rate rollbacks and tort reform savings. It includes all medical malpractice lines combined, i.e. hospitals, physicians, dentists, nurses, etc.

II. Discussion of the Texas Medical Malpractice Market

A. Companies Writing Medical Malpractice Policies in Texas

Given the diverse types of companies writing medical malpractice insurance, we do not have comprehensive information on the distribution of business for this market, such as premium volume and the number of doctors insured by the various insurers. On April 12, 2002 TDI sent a survey to all insurers known to provide medical malpractice insurance in order to obtain this information.

TDI obtained responses from approximately 70 entities writing medical malpractice insurance during 2001, accounting for roughly 29,000 physicians. Based on this information, approximately $\frac{1}{3}$ of the market files their rates and forms, for review and approval respectively.

Type of Carrier	2001 Market Share
Licensed Admitted Carriers (excluding JUA)	31.2%
Texas Medical Liability Trust	34.5%
Risk Purchasing Groups	26.8%
Risk Retention Groups	2.9%
Surplus Lines Insurers	3.6%
Texas Medical Liability Insurance Underwriting Association (JUA)	1.0% ⁴

Based on information obtained in the survey, the following insurers write the majority of coverage for individual physicians and group practices:⁵

- American Physicians Insurance Exchange
- The Doctors' Company
- The Medical Protective Company
- Texas Medical Liability Trust (TMLT)
- Texas Medical Liability Insurance Underwriting Association (JUA)

Notes:

1. Some companies/groups provide coverage subject to company underwriting, i.e., group practices only, etc.
2. Health Care Indemnity (HCI) is not included as they write exclusively for HCA and its affiliates. Only doctors that are employed with HCA would be eligible for coverage with HCI.

⁴ This figure represents the JUA's market share during 2001, not their current market share. Due to the JUA's recent large policy growth, their market share has increased dramatically since 2001.

⁵ Detailed information can be found in the Appendix on page 42

2. Companies announcing withdrawal or otherwise non-renewing medical professional liability insurance:

Company	Estimated Number of Insured Physicians Affected
American Healthcare Indemnity (SPCIE Holdings, Inc.)	69
American Healthcare Specialty Insurance Co. (SCPIE Holdings, Inc.)	35
Chicago Insurance Company / Interstate / Fireman's Fund	1,840
Clarendon	No estimate available
First Professionals Insurance Company (FPIC)	*
Frontier Insurance Co.	814
Lawrenceville Insurance Co. (A MIIX Company)	2,176
Legion Insurance Co.	No estimate available
PHICO Insurance Co.	308
St. Paul Insurance Cos.	600
Western Indemnity Insurance Co. (Subsidiary of Frontier Insurance Co.)	613
	Total: 6,455

* FPIC filed a withdrawal plan, however, they have indicated that the majority of policies affected will be absorbed by another insurer.

The first of these companies to non-renew policies began doing so in March 2001. The withdrawals should be complete by December 31, 2003.

B. Recent Rate Changes by Major Insurers

A comparison of recent rate filings by Texas insurers shows a significant increase in rates charged Texas healthcare providers over the last three years. Refer to Table 1 and Chart 1 on pages 6 and 7.

Table 1 includes the major medical malpractice insurers in Texas. Because this comparison covers a four-year period, the list includes some insurers that have ceased writing.

Chart 1 shows the average rate change per company over a four-year period, but it does not compare the actual rates charged. Therefore, a company that shows a 100 percent increase may not have higher rates than those whose rates increased by 50 percent.

Table 1
ESTIMATED PHYSICIAN AND SURGEON MEDICAL MALPRACTICE RATE CHANGES⁶

Company / Group	Effective Year of Rate Change					1999 - 2003 TOTAL
	2003	2002	2001	2000	1999	
The Texas Medical Liability Trust ^a	14.0%	18.7%	32.6%	41.9%	-2.7%	147.6%
The Medical Protective ^b	35.0%	30.0%	11.4%	6.1%	-7.2%	92.5%
Lawrenceville Property and Casualty / MIIX ^c		30.0%	45.0%	-3.6%	4.0%	88.9%
The Doctors' Company	0.0%	81.4%	9.8%	-3.4%	4.7%	101.5%
PHICO ^d			83.4%	-3.3%	-3.2%	71.7%
Continental Casualty / CNA ^e	0.0%	74.7%	0.0%	-3.0%	-4.9%	61.2%
The St. Paul ^f		0.0%	4.4%	6.7%	10.0%	22.5%
Texas JUA	0.0%	10.0%	0.0%	-3.7%	-2.9%	2.9%

^aRate change in some cases are a rough estimate.

^bThe Medical Protective's June 2003 rate filing is still undergoing actuarial review.

^cLawrenceville filed its plan to withdraw from the Texas market in March 2002.

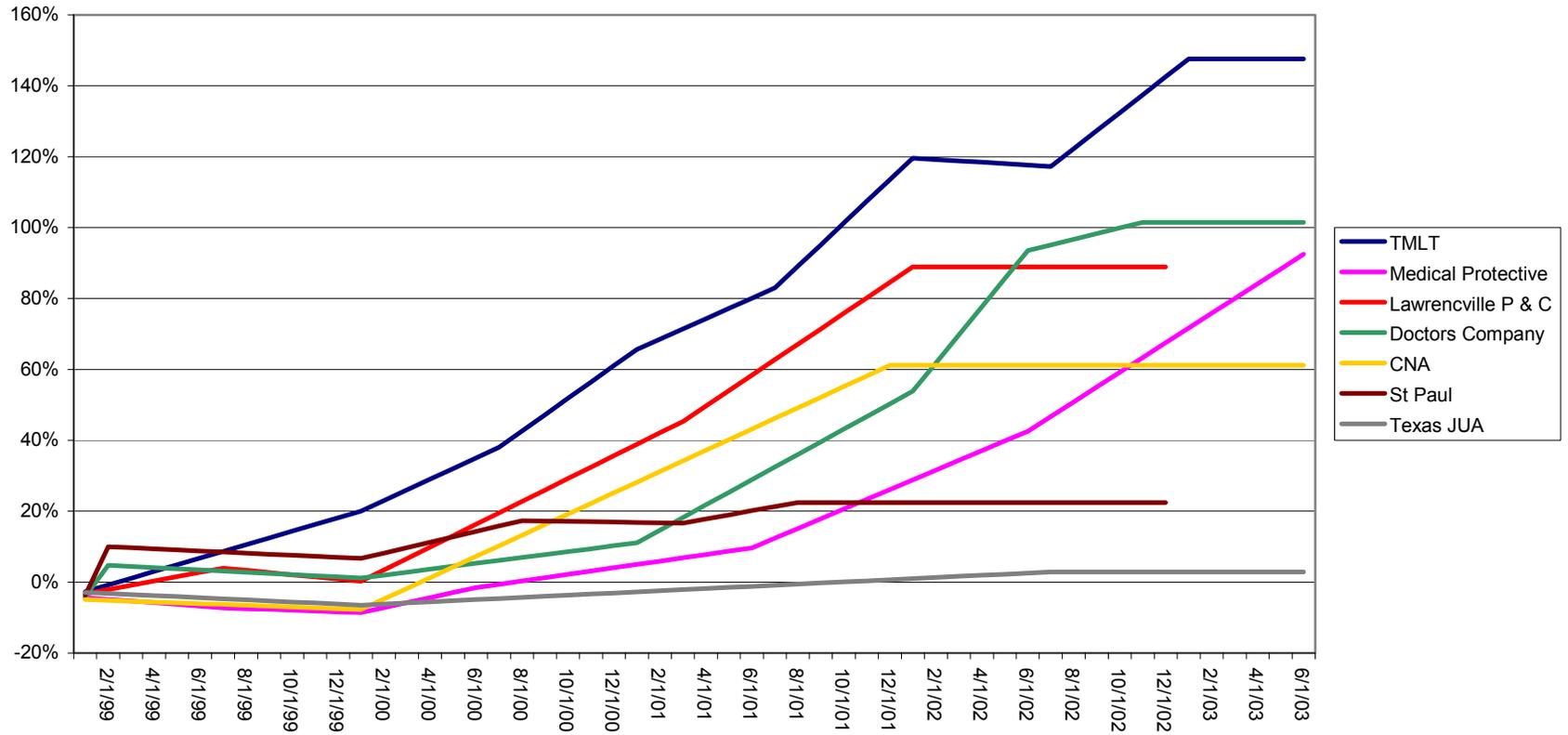
^dCompany is in liquidation.

^eCompany writings have decreased significantly in recent years

^fCompany is withdrawing from Medical Malpractice countywide

⁶ Shows the average rate change per company over a five-year period (1999 - 2003), but it does not compare the actual rates charged.

Chart 1
ESTIMATED PHYSICIAN AND SURGEON MEDICAL MALPRACTICE RATE CHANGES⁷
Rate Level Relative to Rates in Effect on 12/31/1998



⁷ Shows the average rate change per company over a four-year period (1999 - 2002), but it does not compare the actual rates charged.

C. Loss Analysis

TDI issued an updated special data call May 31, 2002 to the top 15 writers of medical liability insurance requesting information regarding loss development, claims, exposures by policy limit, class code and county.

The data call collected statistics on loss trends in the state as a whole and also specific loss trends in certain regions of the State.

TDI's analysis reveals the following:

- The average annual change in loss costs (i.e. the average claim cost per insured physician) was approximately 11% over the five-year period 1997 through 2001. (Refer to Chart 2 on page 10)⁸
- The average annual change in reported claim frequencies was approximately 4.5% over the same five year period. Regions where claim frequency is contributing significantly the rise in costs include the Lower Rio Grande Valley (Region B)⁹ and Southeast Texas (Region 9). (Refer to Chart 3 on page 11)¹⁰
- The average annual change in the average cost per reported (severity) claims was approximately 6% during this time period. While in certain parts of the state, frequency appears to be the issue, in other parts of the state it is severity. Regions that stand out include San Antonio and Austin (Regions 3 and 4) and the Permian Basin (Region E). (Refer to Chart 4 on page 12)¹¹

This study is an update to the study we performed in our August 2001 data call. The updated study was performed to provide an additional year of data and to update our estimates of prior years. As you will no doubt note, some of the numbers have change significantly. For example, there is a large change in the claims frequency in the Lower Rio Grande Valley for the year 2000. The reasons for these changes in the study's results are:

- We added data for the year 2001.

⁸ Detailed information can be found in the Appendix on page 37.

⁹ Region Boundaries can be found in the Appendix on page 34-36.

¹⁰ Detailed information can be found in the Appendix on page 38.

¹¹ Detailed information can be found in the Appendix on page 39.

- The emergence of claims for accident year 2000 was less than predicted.
- The basis of the study was changed from an accident year basis to a report year basis. This change was made to provide a more stable basis for projection and to provide a better matching between losses and the doctors insured.
- We were able to separately develop claims for the high-profile “McAllen cardiac case” which involved some 900 separate claims. In the original study, we could not isolate these claims and this resulted in a higher projection of the reported claim frequency statewide and in the Lower Rio Grande Valley (region B), as well as a higher projection of the average reported claim severity.
- One major carrier coded many of its claims to the incorrect county in the original study. This error was discovered after reconciling the updated study with the original study.
- The development of losses for accident year 2000 in region B was abnormally low. This may be due to many of the claims closing with no indemnity payment. The Valley results were greatly impacted by this development.

The result of these differences is that the average annual change in loss costs went from +15% per year to +11% per year. An 11% trend is still considered high, and is largely caused by the trend in the average cost per paid claim. While the claim frequency trend in the Lower Rio Grande Valley changed from 60% per year to 16% per year, frequency continues to be extremely high, 211% above the statewide average.

Chart 2
TDI PHYSICIANS AND SURGEONS MEDICAL MALPRACTICE DATA CALL 2002
TOTAL AVERAGE COST PER PHYSICIAN
Including All Mass Tort Except Phen-Fen Claims

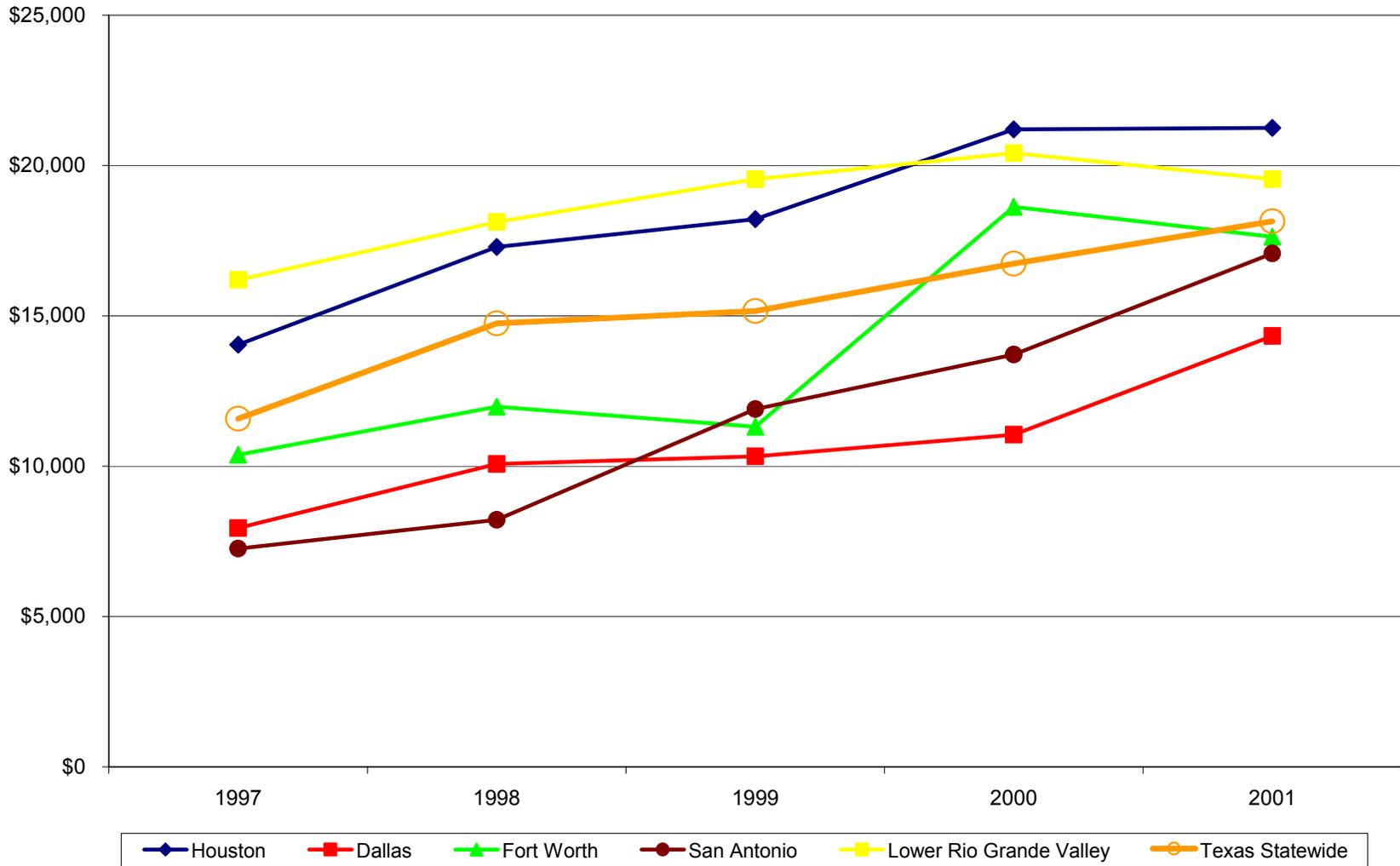


Chart 3
TDI PHYSICIANS AND SURGEONS MEDICAL MALPRACTICE DATA CALL 2002
REPORTED CLAIM FREQUENCY PER 100 INSURED PHYSICIANS
Including All Mass Tort Except Phen-Fen Claims

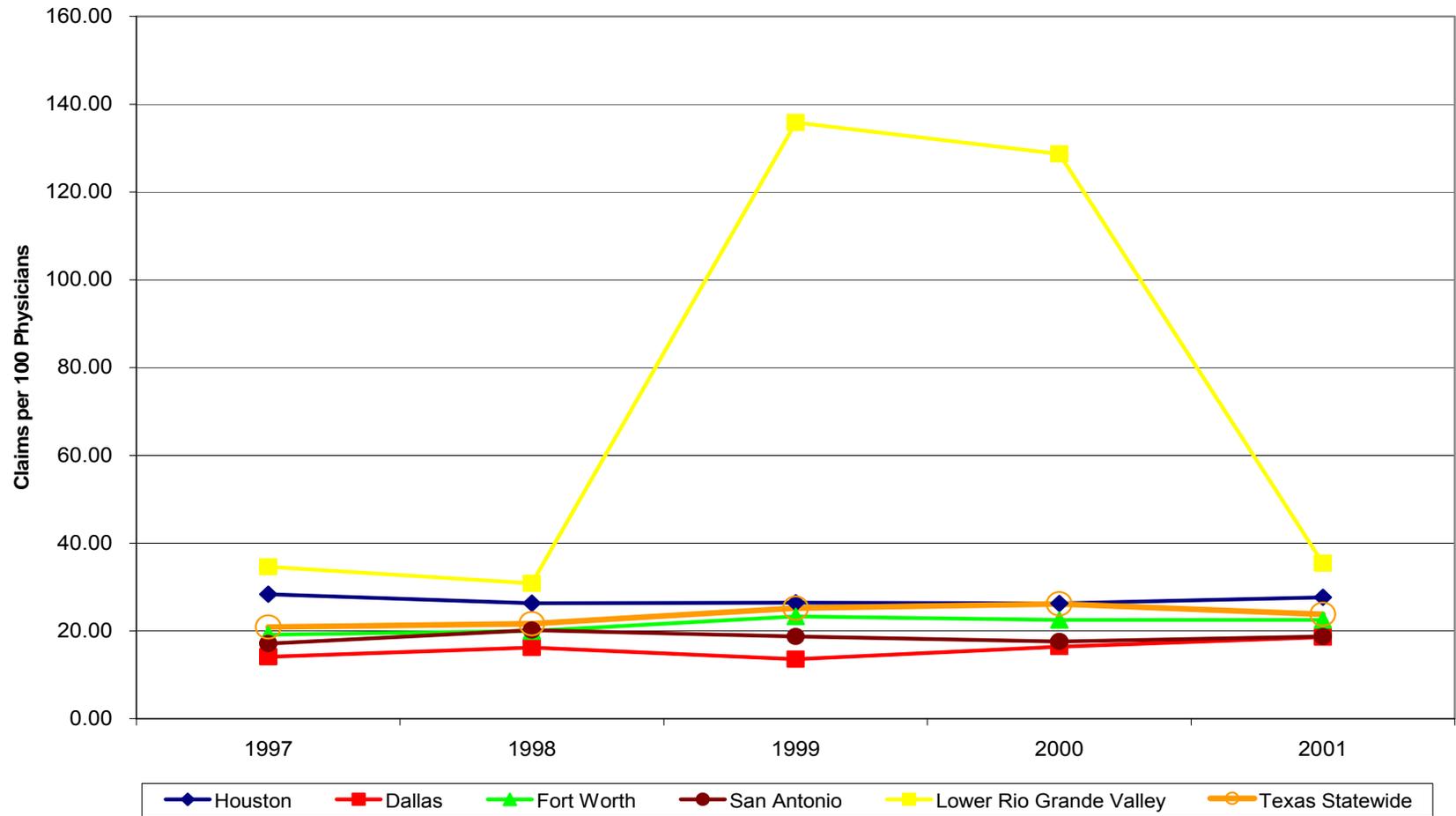
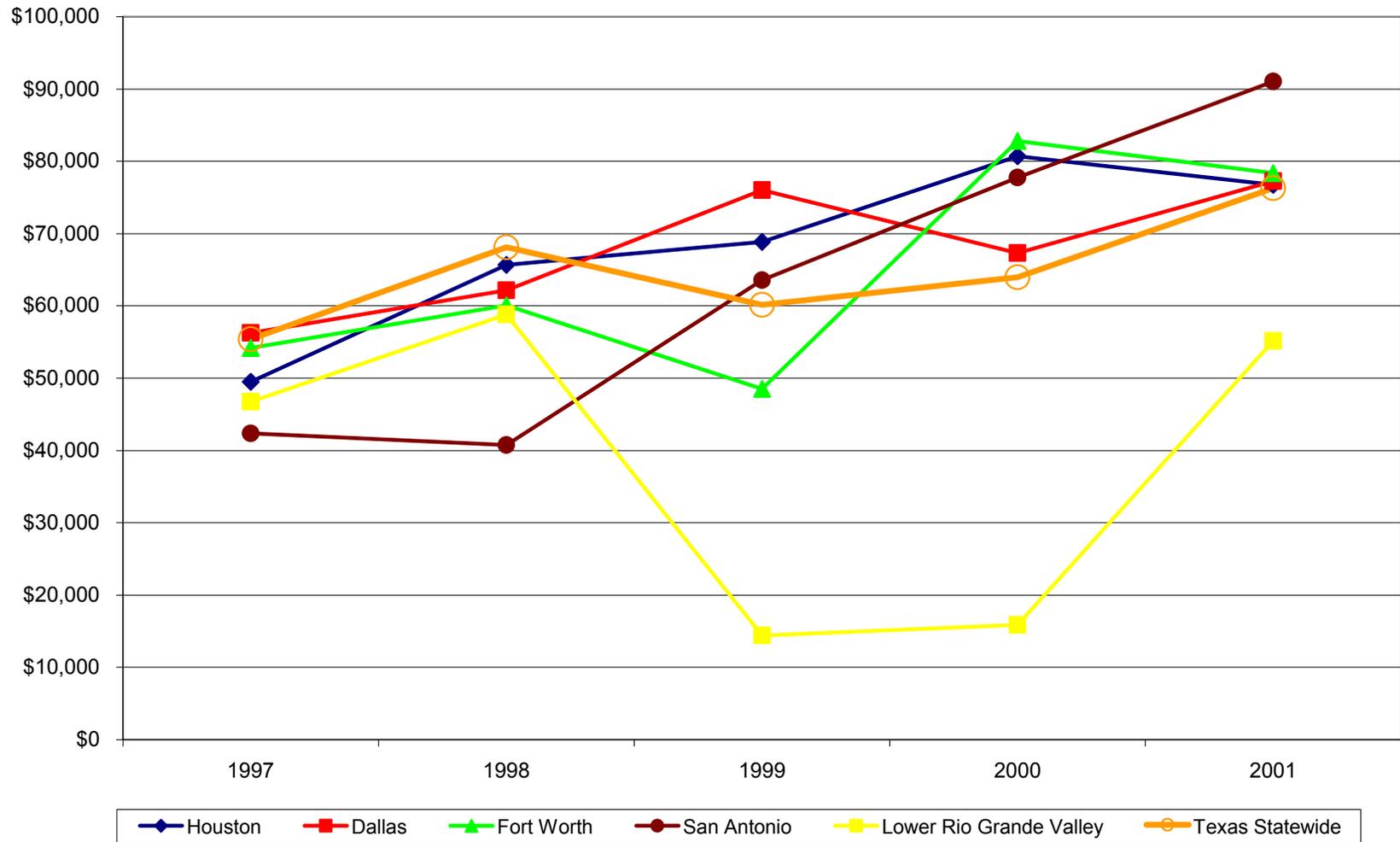


Chart 4
TDI PHYSICIANS AND SURGEONS MEDICAL MALPRACTICE DATA CALL 2002
PROJECTED AVERAGE COST PER REPORTED CLAIM [REPORTED SEVERITY]
Including All Mass Tort Except Phen-Fen Claims



D. Texas Regional Rate Comparison

The geographical difference in loss experience is reflected in the premiums doctors pay in various parts of the State. Table 2 shows that, on the average, doctors in the Valley and along the border pay the highest rates and those in the Panhandle pay the lowest rates. This pattern exists throughout the different specialties.

Table 2
TEXAS MEDICAL MALPRACTICE FILED RATES FOR SELECTED SPECIALITIES¹²
MATURE CLAIMS MADE WITH \$1,000,000 / \$3,000,000 LIMITS OF LIABILITY
 Sorted from Highest Premium City to Lowest Premium City

City	County	Family Physician No Surgery	Obstetrics / Gynecology Surgery	Neurosurgery	Anesthesiology
McAllen	Hidalgo	\$21,430 - \$28,250	\$92,326 - \$131,601	\$116,822 - \$164,946	\$32,915 - \$46,730
Brownsville	Cameron	\$21,430 - \$28,250	\$92,326 - \$131,601	\$116,822 - \$164,946	\$32,915 - \$46,730
El Paso	El Paso	\$16,469 - \$27,477	\$73,118 - \$131,601	\$83,482 - \$164,946	\$23,029 - \$46,730
Houston	Harris	\$16,469 - \$34,346	\$62,318 - \$131,601	\$83,482 - \$164,946	\$23,029 - \$58,412
Beaumont	Jefferson	\$16,469 - \$27,477	\$62,318 - \$131,601	\$83,482 - \$164,946	\$23,029 - \$46,730
Corpus Christi	Nueces	\$14,638 - \$27,477	\$64,988 - \$93,457	\$74,199 - \$116,822	\$20,469 - \$46,730
Dallas	Dallas	\$15,124 - \$27,477	\$59,221 - \$93,457	\$83,482 - \$116,822	\$21,755 - \$46,730
Austin	Travis	\$14,638 - \$27,477	\$64,164 - \$93,457	\$74,199 - \$116,822	\$20,469 - \$46,730
San Antonio	Bexar	\$14,638 - \$27,477	\$64,164 - \$93,457	\$74,199 - \$116,822	\$20,469 - \$46,730
Lubbock	Lubbock	\$12,680 - \$27,477	\$42,710 - \$93,457	\$67,818 - \$116,822	\$18,708 - \$46,730

*** Minor corrections made to this chart 02/21/2003 ***

¹² Detailed information can be found in the Appendix on page 28.

III. Comparison with Other States

TDI obtained information detailing how Texas compares with 14 other states in terms of the cost of medical malpractice insurance and profitability of the medical malpractice line of insurance.

The 14 states were selected on the basis of premium volume. Thirteen of the states were able to provide premium information. Maryland, the remaining state, was unable to submit complete information. The material provided contains the information collected thus far.

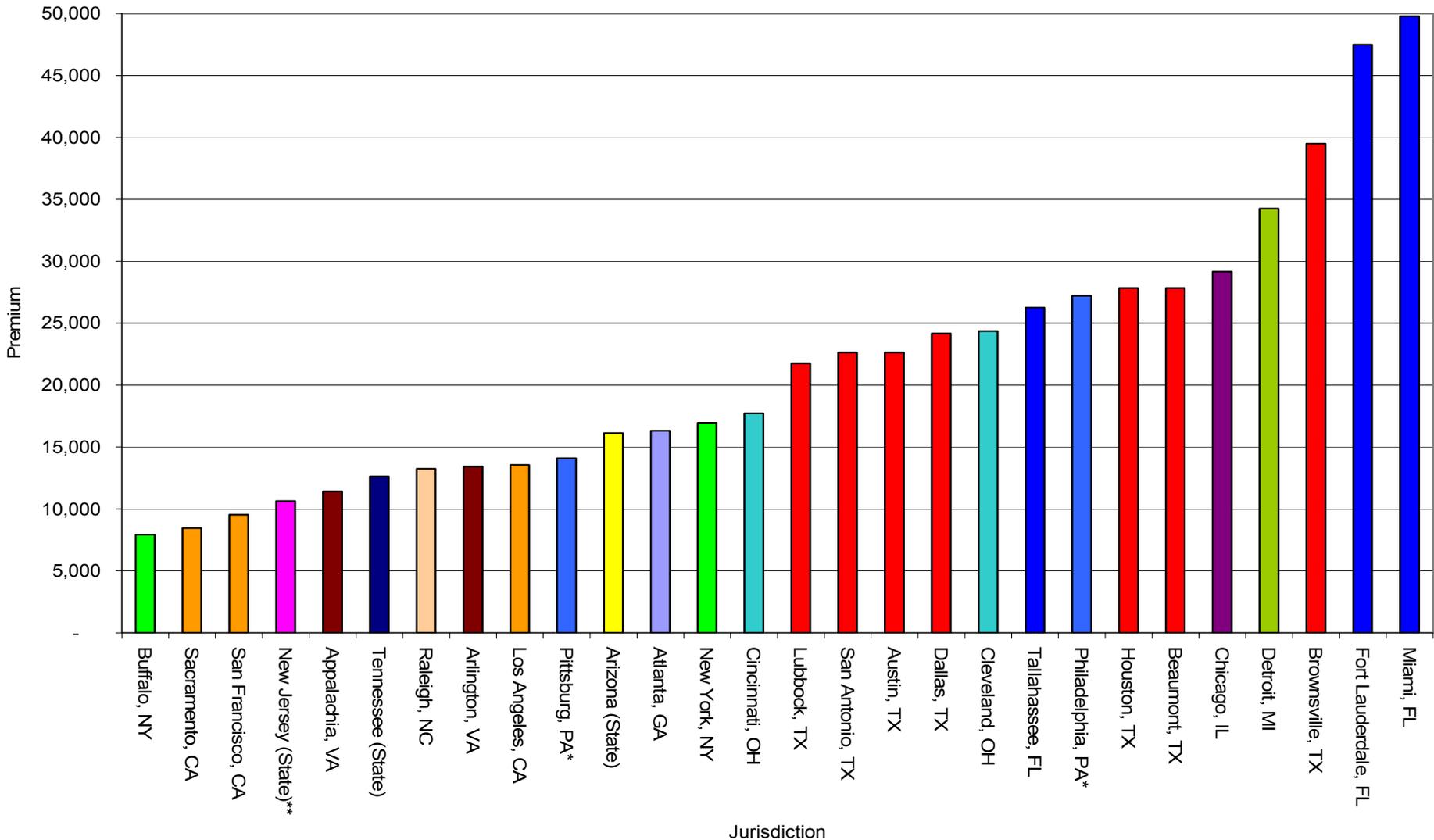
A. Rates in Other States

The states providing rate information are: California, Florida, Arizona, Michigan, Pennsylvania, New York, New Jersey, Ohio, Virginia, Illinois, Georgia, Tennessee and North Carolina. Analysis shows several clear trends. California and Arizona appear to have lower rates than Texas, while Florida has higher rates. No clear trends are identifiable when Texas' rates are compared with Michigan's. (Refer to Charts 5 - 8 on the following pages) ¹³

The rate comparison is based on actual rate filing information for the top three medical malpractice carriers in each state. The weighted average rate is based roughly on the premium volume of the three top medical malpractice carriers in each state. Note that medical malpractice insurers are generally regional carriers. Therefore, the same insurers in the various states are not being compared.

¹³ Detailed information can be found in the Appendix on pages 29-33.

Chart 5
MEDICAL MALPRACTICE RATE COMPARISON
SPECIALTY: ANESTHESIOLOGY
Mature Claims Made 1,000,000 / 3,000,000 Limits of Liability (No Deductible)
(information gathered from state insurance departments)



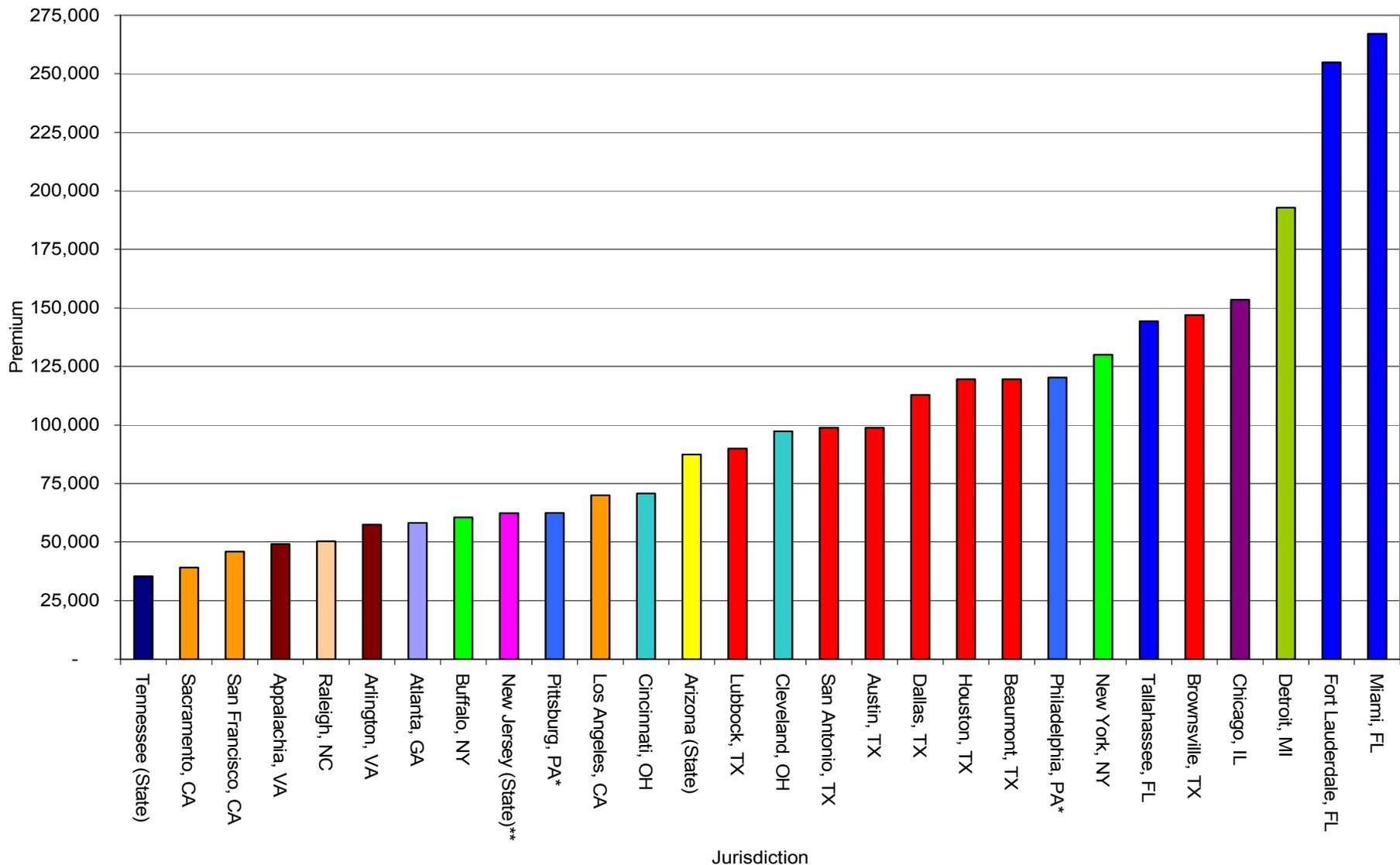
* Limits are 1.2M/3.6M. Companies only write up to 500K/1.5M. A State Cat Fund covers the excess to 1.2M/3.6M on a "pay as you go" basis.

** NJ uses a merit rating system.

Texas state data as of February 1, 2003.

Other state data as of April 2002.

Chart 6
MEDICAL MALPRACTICE RATE COMPARISON
SPECIALTY: NEUROSURGERY
Mature Claims Made 1,000,000 / 3,000,000 Limits of Liability (No Deductible)
(information gathered from state insurance departments)



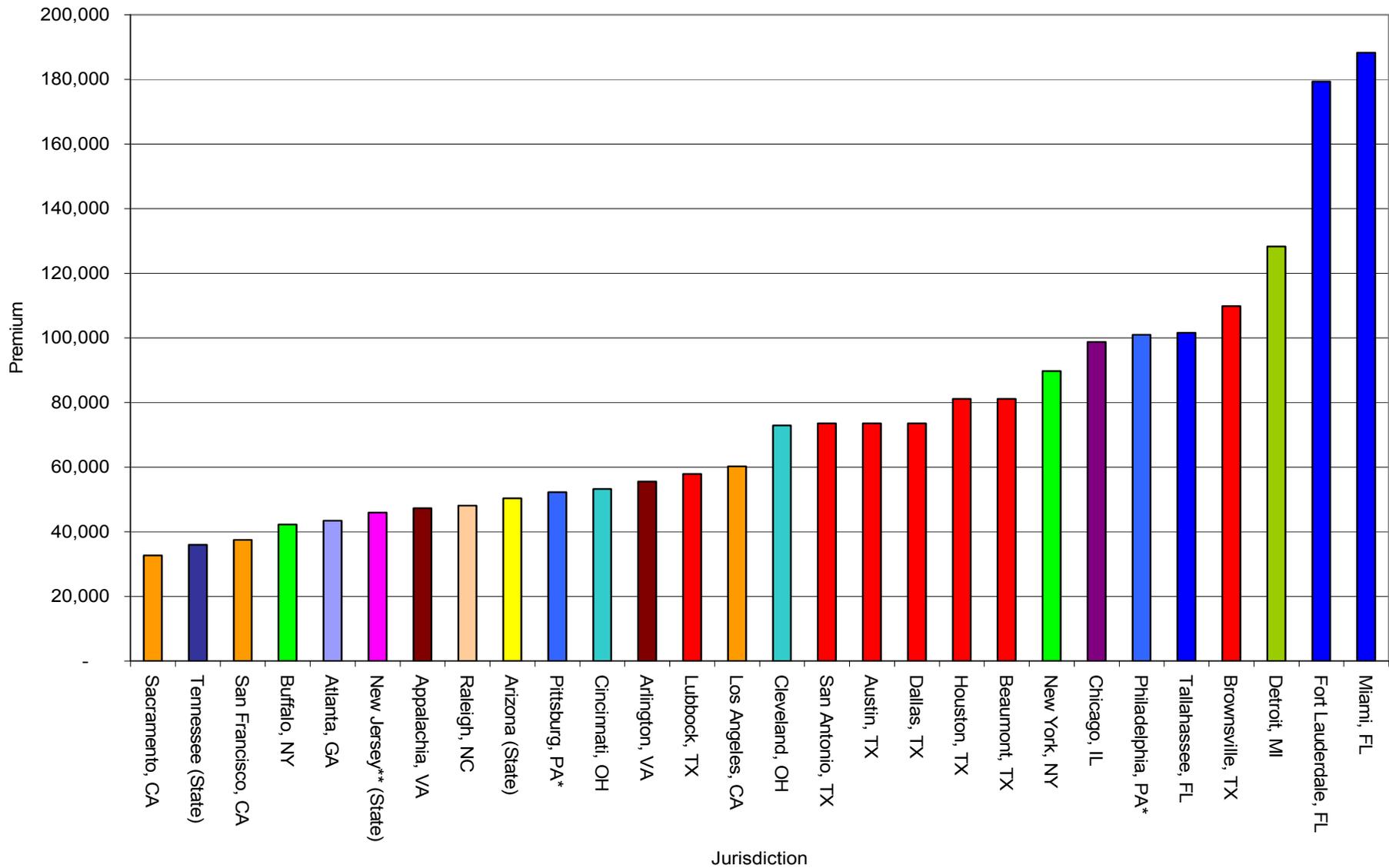
* Limits are 1.2M/3.6M. Companies only write up to 500K/1.5M. A State Cat Fund covers the excess to 1.2M/3.6M on a "pay as you go" basis.

** NJ uses a merit rating system.

Texas state data as of February 1, 2003.

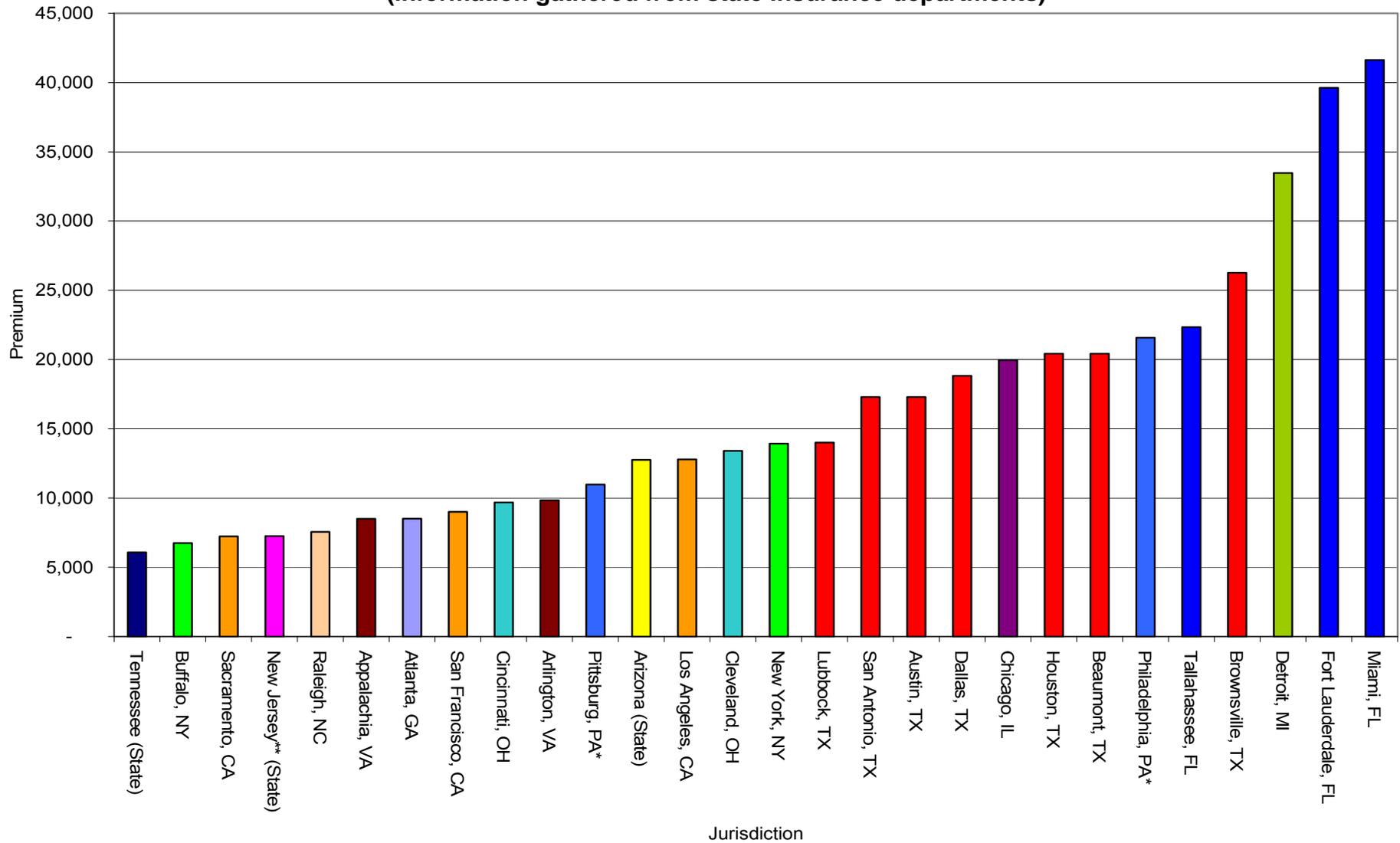
Other state data as of April 2002.

Chart 7
MEDICAL MALPRACTICE RATE COMPARISON
SPECIALTY: OBSTETRICS / GYNECOLOGY
Mature Claims Made 1,000,000 / 3,000,000 Limits of Liability (No Deductible)
(information gathered from state insurance departments)



* Limits are 1.2M/3.6M. Companies only write up to 500K/1.5M. A State Cat Fund covers the excess to 1.2M/3.6M on a "pay as you go" basis.
 ** NJ uses a merit rating system.
 Texas state data as of February 1, 2003.
 Other state data as of April 2002.

Chart 8
MEDICAL MALPRACTICE RATE COMPARISON
SPECIALTY: FAMILY PRACTICE, NO SURGERY
Mature Claims Made 1,000,000 / 3,000,000 Limits of Liability (No Deductible)
(information gathered from state insurance departments)



* Limits are 1.2M/3.6M. Companies only write up to 500K/1.5M. A State Cat Fund covers the excess to 1.2M/3.6M on a "pay as you go" basis.

** NJ uses a merit rating system.

Texas state data as of February 1, 2003.

Other state data as of April 2002.

B. NAIC Profitability Information

Medical malpractice insurance in Texas is the least profitable for insurance companies, compared with the other top fifteen states, based on the 2000 NAIC *Report on Profitability By Line By State*.¹⁴

For all measures of profitability, including Underwriting Profit and Return on Net Worth, Texas ranks last over the ten year period of 1991 through 2000. Under these market conditions, it will be very difficult for Texas to retain or attract medical malpractice insurers.

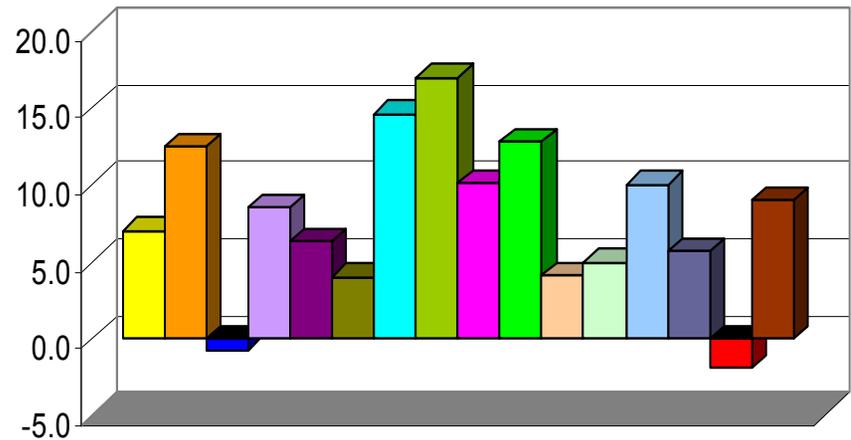
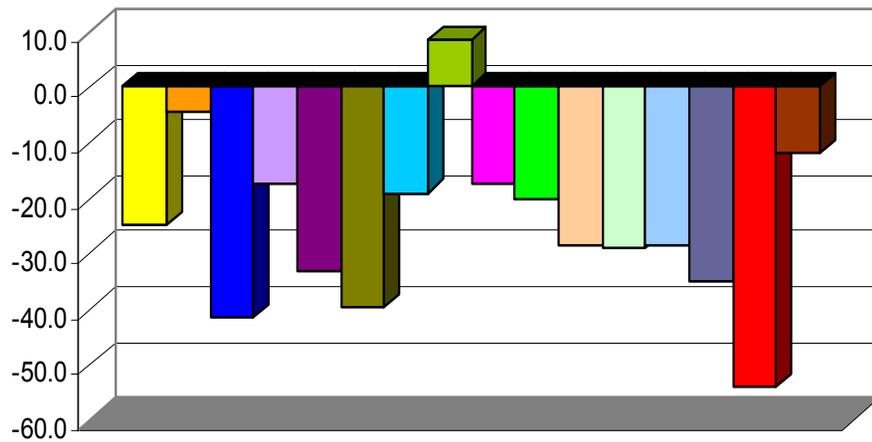
- *Underwriting Profit* is premiums less losses and expenses as a percentage of the premium. It does not include income from investments or federal taxes.
- *Return on Net Worth* is the return to the insurance company “investors” and is analogous to a return on any investment (e.g. savings account, a bond, etc.). It includes income from all sources and reflects all federal taxes.

Refer to Chart 9 (following) and Tables A7 and A8 in the Appendix (pages 40-41) for more detailed information.

¹⁴ The NAIC report does not include TMLT, which does not report data to the NAIC.

Chart 9
MEDICAL MALPRACTICE INSURANCE^{15,16}
Calendar Years 1992 - 2001

PERCENTAGE RETURN ON NET WORTH



Arizona	California	Florida	Georgia
Illinois	Maryland	Massachusetts	Michigan
New Jersey	New York	North Carolina	Ohio
Pennsylvania	Tennessee	Texas	Virginia

Source: 2001 NAIC Profitability Report

¹⁵ Detailed information can be found in the Appendix on pages 40-41.

¹⁶ The NAIC report does not include TMLT, which does not report data to the NAIC.

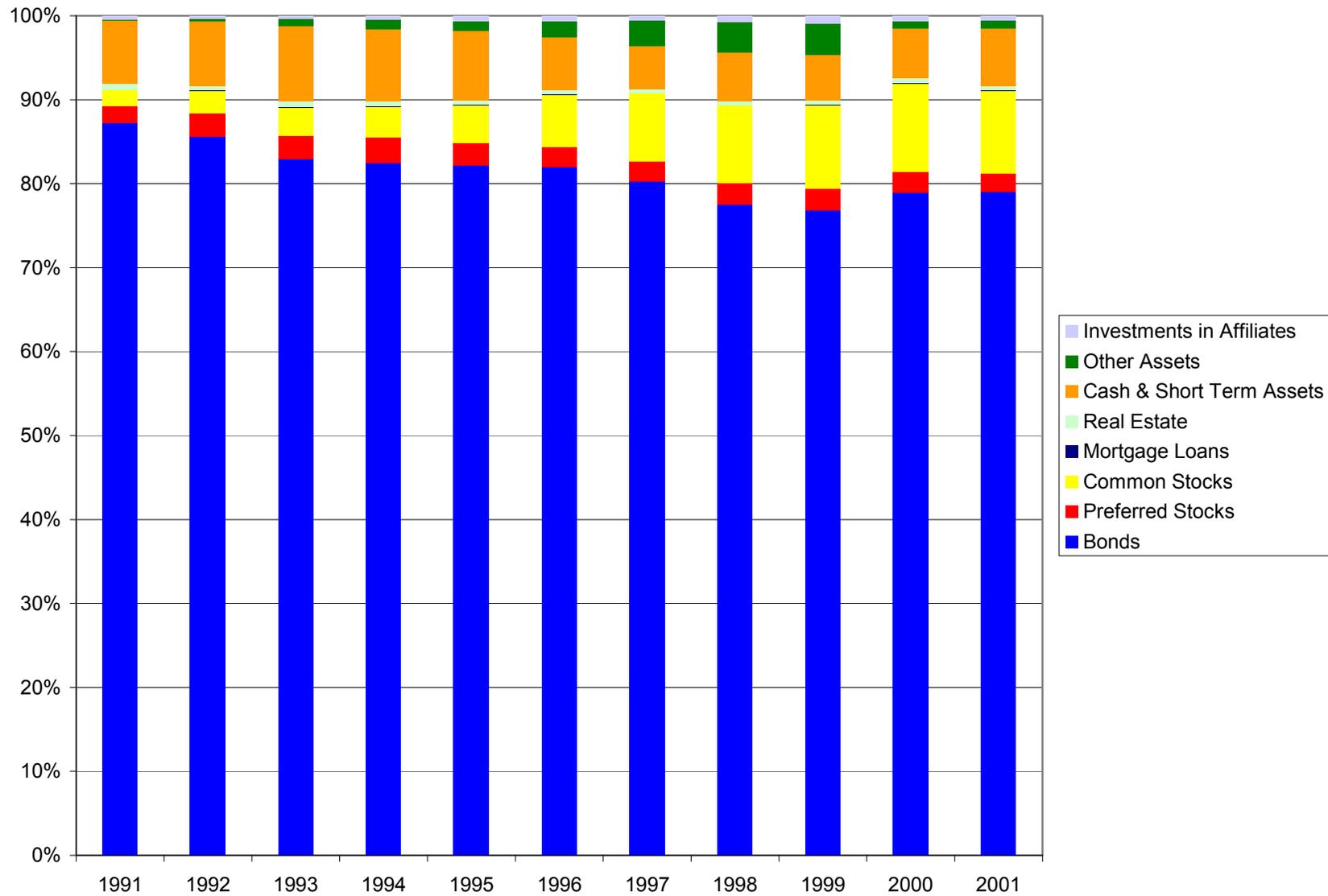
IV. Investment Distribution

A. *Insurers with Medical Malpractice Predominating (Source: Bests Aggregates and Averages)*

- At the end of 2001, bonds accounted for approximately 80 percent of invested assets.
- Common and preferred stocks account for approximately 12 percent of invested assets.
- Company's investment income is affected more by changes in interest rates and the market value of bonds, than changes in the stock market.
- In ratemaking, generally a long-term average, such as ten years, of capital gains will be used in determining company investment returns.
- Loss in the stock market (either realized or unrealized) will primarily affect company surplus/equity rather than (investment) income. Changes in surplus due to stock market losses could be dwarfed by changes in the surplus due to reserve changes.
e.g., If these companies suffered a 50 percent drop in the value of their stock portfolio, this would be equivalent to a 10 percent reserve deficiency. A 10 percent reserve deficiency is not an extraordinary event.
- Unrealized capital losses were \$193 million in calendar year 2001. Net underwriting losses were \$1.6 billion in calendar year 2001.
- TDI examined the investments of three top insurance carriers in Texas (TMLT, Medical Protective and APIE) and their stock holdings are even less than the industry aggregates provided.
- In summary: Underwriting losses are the major factor influencing rates.

See Chart 10 (following) and Table A11 (Appendix, page 46) for additional detail.

Chart 10
SUMMARY OF INVESTABLE ASSETS DISTRIBUTION
Medical Malpractice Predominating Companies



Source: Bests Aggregates and Averages 2002 – 1992 Editions

V. Ongoing Actions

There are many theories as to the reasons for the serious insurance market condition in affordability and availability of medical malpractice insurance. In September of 2002, TDI mailed a comprehensive closed claims survey to the top three medical malpractice carriers in Texas in order to gather information to assess these theories. TDI is in the process of analyzing this data, and the results will be released in the next several weeks.

APPENDIX

Appendix 1

Medical Liability Insurance - Who and What it Covers

It is insurance that covers a healthcare provider for errors or omissions arising from the practice of the insured's professional area.

These policies include defense costs and generally cover claims for medical error or neglect even if they are false or groundless. Intentional and criminal acts are not covered, although some policies may provide defense until the nature of the underlying act is determined.

Types of Companies Writing Coverage in Texas

Licensed (Admitted) Insurers - The malpractice insurance forms and rates of licensed insurers are regulated by the Texas Department of Insurance (TDI).

TDI reviews malpractice policies offered by licensed insurers to see that they contain the following legislatively mandated provisions for healthcare provider liability insurance:

- minimum ninety days notice of non-renewal or premium increase, including written reasons for non-renewal;
- notice that the insurer may not cancel coverage after 90 days from the effective date of the policy; and,
- no surcharge for claims may be assessed unless the claims have been paid.

Policies are reviewed by TDI for restrictive provisions not in accord with public policy, and to ensure that claims-made policies have provisions for tail or run-off coverage.

Insureds obtaining malpractice insurance from a licensed insurer are protected by the Guaranty Fund in the event a licensed insurer becomes insolvent.

Texas Medical Liability Trust (TMLT) - Established under provisions of legislation enacted in 1977 that provides for a statewide association of physicians to create a self-insurance trust. The Texas Medical Association formed TMLT in 1978. By statute, only members of the founding association may join.

TMLT files its rates and policy forms with TDI for information purposes only. TMLT submits an audited annual financial statement to TDI for review. The Trust, however, does not participate in the Guaranty Fund and insureds are not protected by it.

Risk Purchasing Groups (RPGs) - Formed under the provisions of the federal Liability Risk Retention Act (LRRRA) of 1986, a purchasing group is comprised of individuals or firms of like characteristics who share similar insurance needs. The eligibility criteria for members of a purchasing group are set by the LRRRA. Once formed and registered with the State of Texas, the group may use its purchasing power to obtain malpractice insurance and benefits that may not be otherwise available.

If a purchasing group buys insurance from a licensed insurer, it may be eligible for Texas Guaranty Fund protection. In order for the policyholder to be eligible, the licensed company must have capital and surplus of at least \$25,000,000 at the time of policy issue. Potential insureds must be advised if the purchasing group is not eligible for Guaranty Fund protection.

Although licensed insurers underwriting purchasing groups do not file policy forms for approval, policies are subject to legislatively mandated provisions listed above for licensed insurers.

Rates and policy forms of surplus lines insurers underwriting purchasing groups are not regulated and policyholders are not covered by the Guaranty Fund.

Risk Retention Groups (RRGs) - Also formed under the provisions of the federal Liability Risk Retention Act (LRRRA), these groups do not purchase commercial insurance policies for members' protection, but retain the risk within the group. Because a risk retention group is an insurer, however, it may purchase reinsurance. This is a form of insurance (not available to the general public) that companies purchase to cede part of their risk or spread losses over several years. To be registered in Texas, a risk retention group must be licensed or legally domiciled in its home state.

The rates and policy forms of risk retention groups are not regulated and risk retention groups are not covered by the Guaranty Fund.

Surplus Lines Insurers - Insurance not available through licensed insurers may be placed with eligible surplus lines insurers. These insurers must be licensed in their home country or state to sell the kind of insurance they sell in Texas and they must also be on the Texas eligible list to conduct insurance business in Texas. Only a specially licensed surplus lines agent may place a risk with a surplus lines insurer after making a diligent effort to find a licensed insurer to issue the policy.

There is no Guaranty Fund protection in the event of insolvency. Rates and policy forms are not regulated and the policy may be more restrictive than policies subject to TDI review. Additionally, Texas laws regarding notice of cancellation, non-renewal or premium increases do not apply, defense costs could be included within the limit of liability, tail or nose coverage may not be available, and, in some cases, a surplus lines insurer can cancel before a policy's renewal date.

Texas Medical Liability Insurance Underwriting Association (JUA) - Formed in 1975 according to legislation to insure physicians and other eligible healthcare providers who cannot obtain insurance in the voluntary market. JUA member companies consist of all insurers authorized to write and engaged in writing liability insurance in Texas.

TDI regulates the policy forms and rates of the JUA. Although it does not participate in the Guaranty Fund, JUA member insurance companies and policyholders may be assessed to maintain solvency.

Table A1
TEXAS MEDICAL MALPRACTICE FILED RATES FOR SELECTED SPECIALITIES
MATURE CLAIMS MADE WITH \$1,000,000 / \$3,000,000 LIMITS OF LIABILITY
Sorted from Highest Premium City to Lowest Premium City

City	County	Family Physician No Surgery	Obstetrics / Gynecology Surgery	Neurosurgery	Anesthesiology	Emergency Medicine Major Surgery
McAllen	Hidalgo	\$21,430 - \$28,250	\$92,326 - \$131,601	\$116,822 - \$164,946	\$32,915 - \$46,730	\$47,909 - \$69,131
Brownsville	Cameron	\$21,430 - \$28,250	\$92,326 - \$131,601	\$116,822 - \$164,946	\$32,915 - \$46,730	\$47,909 - \$69,131
El Paso	El Paso	\$16,469 - \$27,477	\$73,118 - \$131,601	\$83,482 - \$164,946	\$23,029 - \$46,730	\$40,302 - \$62,244
Houston	Harris	\$16,469 - \$34,346	\$62,318 - \$131,601	\$83,482 - \$164,946	\$23,029 - \$58,412	\$29,240 - \$70,095
Beaumont	Jefferson	\$16,469 - \$27,477	\$62,318 - \$131,601	\$83,482 - \$164,946	\$23,029 - \$46,730	\$29,240 - \$62,244
Corpus Christi	Nueces	\$14,638 - \$27,477	\$64,988 - \$93,457	\$74,199 - \$116,822	\$20,469 - \$46,730	\$35,820 - \$56,075
Dallas	Dallas	\$15,124 - \$27,477	\$59,221 - \$93,457	\$83,482 - \$116,822	\$21,755 - \$46,730	\$30,470 - \$56,075
Austin	Travis	\$14,638 - \$27,477	\$64,164 - \$93,457	\$74,199 - \$116,822	\$20,469 - \$46,730	\$32,961 - \$56,075
San Antonio	Bexar	\$14,638 - \$27,477	\$64,164 - \$93,457	\$74,199 - \$116,822	\$20,469 - \$46,730	\$32,961 - \$56,075
Lubbock	Lubbock	\$12,680 - \$27,477	\$42,710 - \$93,457	\$67,818 - \$116,822	\$18,708 - \$46,730	\$25,645 - \$56,075

City	County	General Surgery	Orthopedic Surgery (Non-Spinal)	Psychiatry	Ophthalmology No Surgery	Internal Medicine No Surgery
McAllen	Hidalgo	\$70,092 - \$109,668	\$79,007 - \$93,516	\$18,142 - \$27,477	\$12,686 - \$20,608	\$26,334 - \$29,640
Brownsville	Cameron	\$70,092 - \$109,668	\$79,007 - \$93,516	\$18,142 - \$27,477	\$12,686 - \$20,608	\$26,334 - \$29,640
El Paso	El Paso	\$46,059 - \$109,668	\$46,059 - \$93,516	\$12,626 - \$27,477	\$10,979 - \$20,608	\$16,469 - \$29,640
Houston	Harris	\$46,059 - \$109,668	\$46,059 - \$107,089	\$12,626 - \$34,346	\$10,979 - \$25,761	\$16,469 - \$34,346
Beaumont	Jefferson	\$46,059 - \$109,668	\$46,059 - \$85,670	\$12,626 - \$27,477	\$10,979 - \$20,608	\$16,469 - \$29,640
Corpus Christi	Nueces	\$40,938 - \$77,400	\$40,938 - \$85,670	\$11,222 - \$27,477	\$8,953 - \$20,608	\$14,638 - \$27,477
Dallas	Dallas	\$46,059 - \$77,400	\$38,390 - \$85,670	\$12,618 - \$27,477	\$8,625 - \$20,608	\$16,469 - \$27,477
Austin	Travis	\$40,938 - \$77,400	\$40,938 - \$85,670	\$11,222 - \$27,477	\$8,953 - \$20,608	\$14,638 - \$27,477
San Antonio	Bexar	\$40,938 - \$77,400	\$40,938 - \$85,670	\$11,222 - \$27,477	\$8,953 - \$20,608	\$14,638 - \$27,477
Lubbock	Lubbock	\$34,144 - \$70,092	\$36,450 - \$85,670	\$10,257 - \$27,477	\$8,044 - \$20,608	\$12,680 - \$27,477

Note:

The above rates are base rates only. Other credits and surcharges may apply on an individual physician basis.

*** Minor corrections made to this page 02/21/2003 ***

**Table A2
PHYSICIANS RATE COMPARISON**

Specialty	Arizona (entire State)		Los Angeles, CA		Sacramento, CA	
	RANGE	AVG*	RANGE	AVG*	RANGE	AVG*
Neurosurgery	\$87,416 - \$87,416	\$87,416	\$66,228 - \$83,716	\$69,957	\$29,328 - \$48,394	\$39,165
Obstetrics & Gynecology - Surgery	\$50,361 - \$50,361	\$50,361	\$58,588 - \$65,389	\$60,222	\$25,944 - \$37,801	\$32,698
Orthopedics - Surgery	\$38,571 - \$38,571	\$38,571	\$40,367 - \$53,446	\$43,216	\$18,048 - \$30,897	\$24,896
General Surgery	\$38,571 - \$38,571	\$38,571	\$35,664 - \$49,436	\$39,360	\$15,792 - \$28,579	\$22,927
Emergency Medicine - Including surgery	\$27,347 - \$27,347	\$27,347	\$29,720 - \$32,048	\$30,322	\$13,160 - \$17,575	\$15,666
Anesthesiology	\$16,124 - \$16,124	\$16,124	\$11,888 - \$16,867	\$13,548	\$5,264 - \$10,372	\$8,462
Family Practice - No surgery	\$12,752 - \$12,752	\$12,752	\$10,536 - \$17,781	\$12,796	\$5,264 - \$10,279	\$7,245
Internal Medicine - No surgery	\$12,752 - \$12,752	\$12,752	\$11,888 - \$14,744	\$12,535	\$5,264 - \$8,523	\$6,915
Ophthalmology - No surgery	\$10,512 - \$10,512	\$10,512	\$7,490 - \$11,825	\$8,958	\$3,682 - \$6,836	\$4,761
Psychiatry - No surgery	\$8,378 - \$8,378	\$8,378	\$6,368 - \$10,262	\$7,802	\$2,820 - \$5,932	\$4,375

Specialty	San Francisco, CA		Broward County, FL (Ft. Lauderdale)		Miami, FL	
	RANGE	AVG*	RANGE	AVG*	RANGE	AVG*
Neurosurgery	\$39,772 - \$48,394	\$45,900	\$204,087 - \$264,754	\$254,827	\$233,235 - \$278,829	\$267,064
Obstetrics & Gynecology - Surgery	\$34,349 - \$39,408	\$37,432	\$150,746 - \$190,016	\$179,396	\$172,277 - \$201,376	\$188,306
Orthopedics - Surgery	\$25,742 - \$30,897	\$29,170	\$102,043 - \$173,573	\$145,336	\$116,618 - \$183,949	\$152,710
General Surgery	\$23,988 - \$28,579	\$26,827	\$81,171 - \$164,437	\$137,637	\$92,764 - \$174,268	\$144,292
Emergency Medicine - Including surgery	\$16,262 - \$19,988	\$17,795	\$55,659 - \$109,625	\$90,960	\$63,609 - \$116,179	\$95,430
Anesthesiology	\$7,996 - \$10,372	\$9,524	\$30,934 - \$54,812	\$47,490	\$35,352 - \$58,089	\$49,791
Family Practice - No surgery	\$6,191 - \$10,279	\$9,005	\$29,511 - \$45,677	\$39,621	\$33,725 - \$48,408	\$41,618
Internal Medicine - No surgery	\$6,957 - \$8,523	\$8,105	\$29,511 - \$45,677	\$39,621	\$33,725 - \$48,408	\$41,618
Ophthalmology - No surgery	\$3,682 - \$6,836	\$5,980	\$20,352 - \$36,542	\$29,355	\$22,945 - \$38,726	\$30,883
Psychiatry - No surgery	\$4,284 - \$5,932	\$5,291	\$18,316 - \$27,406	\$24,481	\$20,932 - \$29,045	\$25,693

*Weighted average

**Table A2 (continued)
PHYSICIANS RATE COMPARISON**

Specialty	Tallahassee, FL		Atlanta, GA		Chicago, IL	
	RANGE	AVG*	RANGE	AVG*	RANGE	AVG*
Neurosurgery	\$122,439 - \$155,738	\$144,369	\$50,103 - \$63,532	\$58,160	\$145,240 - \$215,179	\$153,782
Obstetrics & Gynecology - Surgery	\$90,439 - \$103,825	\$101,540	\$35,033 - \$48,973	\$43,397	\$88,928 - \$162,819	\$98,734
Orthopedics - Surgery	\$61,221 - \$94,333	\$81,787	\$31,415 - \$39,280	\$36,134	\$74,437 - \$136,638	\$86,621
General Surgery	\$48,699 - \$89,368	\$77,426	\$25,266 - \$33,138	\$29,989	\$59,016 - \$105,222	\$65,298
Emergency Medicine - Including surgery	\$33,394 - \$59,579	\$51,151	\$25,266 - \$25,266	\$25,266	\$46,696 - \$101,484	\$55,068
Anesthesiology	\$18,559 - \$28,789	\$26,263	\$11,521 - \$19,523	\$16,322	\$25,756 - \$54,169	\$29,161
Family Practice - No surgery	\$17,705 - \$24,824	\$22,336	\$6,686 - \$9,745	\$8,521	\$18,540 - \$26,789	\$19,967
Internal Medicine - No surgery	\$17,705 - \$24,824	\$22,336	\$6,686 - \$9,745	\$8,521	\$22,060 - \$31,722	\$23,499
Ophthalmology - No surgery	\$12,210 - \$19,860	\$16,485	\$6,686 - \$9,745	\$8,521	\$13,264 - \$26,789	\$14,840
Psychiatry - No surgery	\$10,989 - \$14,895	\$13,820	\$5,361 - \$7,887	\$6,877	\$13,264 - \$21,572	\$14,103

Specialty	Wayne County, MI (Detroit)		New Jersey (State)		Buffalo, NY	
	RANGE	AVG*	RANGE	AVG*	RANGE	AVG*
Neurosurgery	\$176,103 - \$209,558	\$192,831	\$56,822 - \$67,953	\$62,388	\$53,972 - \$80,287	\$60,551
Obstetrics & Gynecology - Surgery	\$115,628 - \$140,917	\$128,273	\$41,427 - \$50,440	\$45,934	\$36,273 - \$60,095	\$42,229
Orthopedics - Surgery	\$94,356 - \$97,697	\$96,027	\$27,118 - \$32,760	\$29,939	\$27,020 - \$41,785	\$30,711
General Surgery	\$97,464 - \$107,139	\$102,302	\$30,401 - \$33,213	\$31,807	\$19,713 - \$32,077	\$22,804
Emergency Medicine - Including surgery	\$97,697 - \$105,763	\$101,730	\$14,691 - \$16,834	\$15,763	\$9,555 - \$11,023	\$9,922
Anesthesiology	\$32,201 - \$36,319	\$34,260	\$9,246 - \$12,010	\$10,628	\$6,965 - \$10,796	\$7,923
Family Practice - No surgery	\$30,613 - \$36,319	\$33,466	\$6,208 - \$8,308	\$7,258	\$5,221 - \$11,326	\$6,747
Internal Medicine - No surgery	\$31,152 - \$45,761	\$38,457	\$9,431 - \$10,896	\$10,164	\$6,803 - \$9,462	\$7,468
Ophthalmology - No surgery	\$20,957 - \$31,234	\$26,096	\$6,208 - \$7,601	\$6,905	\$2,219 - \$4,665	\$2,831
Psychiatry - No surgery	\$17,574 - \$19,249	\$18,412	\$4,386 - \$4,621	\$4,504	\$2,219 - \$3,804	\$2,615

*Weighted average

**Table A2 (continued)
PHYSICIANS RATE COMPARISON**

Specialty	New York, NY		Raleigh, NC		Cincinnati, OH	
	RANGE	AVG*	RANGE	AVG*	RANGE	AVG*
Neurosurgery	\$121,463 - \$132,902	\$130,042	\$24,672 - \$61,597	\$50,396	\$60,269 - \$80,100	\$70,798
Obstetrics & Gynecology - Surgery	\$89,319 - \$90,915	\$89,718	\$27,068 - \$65,717	\$48,059	\$46,400 - \$60,817	\$53,237
Orthopedics - Surgery	\$63,215 - \$66,535	\$65,705	\$19,759 - \$38,457	\$29,277	\$27,067 - \$43,017	\$36,468
General Surgery	\$48,528 - \$48,543	\$48,539	\$15,918 - \$37,393	\$29,929	\$34,524 - \$43,017	\$38,918
Emergency Medicine - Including surgery	\$16,677 - \$23,529	\$21,816	\$15,918 - \$32,474	\$26,645	\$23,754 - \$65,477	\$36,475
Anesthesiology	\$16,333 - \$17,151	\$16,947	\$7,494 - \$16,569	\$13,241	\$12,850 - \$21,534	\$17,730
Family Practice - No surgery	\$12,857 - \$17,135	\$13,927	\$3,979 - \$8,890	\$7,562	\$7,641 - \$12,650	\$9,693
Internal Medicine - No surgery	\$14,315 - \$16,751	\$16,142	\$3,979 - \$10,930	\$7,913	\$8,683 - \$12,757	\$10,884
Ophthalmology - No surgery	\$5,463 - \$7,057	\$5,862	\$3,979 - \$8,361	\$6,715	\$6,138 - \$9,874	\$6,973
Psychiatry - No surgery	\$5,463 - \$5,755	\$5,536	\$3,184 - \$8,361	\$6,287	\$6,230 - \$9,874	\$7,704

Specialty	Cleveland, OH		Philadelphia, PA		Pittsburg, PA	
	RANGE	AVG*	RANGE	AVG*	RANGE	AVG*
Neurosurgery	\$76,358 - \$140,350	\$97,326	\$108,973 - \$137,434	\$120,310	\$58,687 - \$67,734	\$62,478
Obstetrics & Gynecology - Surgery	\$58,133 - \$100,691	\$72,920	\$97,953 - \$103,110	\$100,952	\$46,750 - \$55,627	\$52,292
Orthopedics - Surgery	\$39,411 - \$70,948	\$49,378	\$87,850 - \$108,973	\$102,373	\$45,462 - \$58,687	\$54,254
General Surgery	\$43,017 - \$74,227	\$53,278	\$86,732 - \$87,080	\$86,928	\$42,179 - \$46,874	\$45,181
Emergency Medicine - Including surgery	\$34,486 - \$140,776	\$51,879	\$45,638 - \$56,779	\$49,769	\$24,579 - \$29,290	\$25,715
Anesthesiology	\$16,063 - \$37,238	\$24,355	\$25,930 - \$28,813	\$27,218	\$13,941 - \$14,873	\$14,093
Family Practice - No surgery	\$9,552 - \$21,375	\$13,419	\$18,628 - \$26,844	\$21,575	\$10,032 - \$12,585	\$10,984
Internal Medicine - No surgery	\$10,854 - \$21,375	\$14,778	\$18,628 - \$26,844	\$22,172	\$10,032 - \$13,311	\$11,290
Ophthalmology - No surgery	\$6,230 - \$16,418	\$9,744	\$8,494 - \$11,438	\$9,351	\$4,574 - \$5,898	\$4,918
Psychiatry - No surgery	\$6,230 - \$16,518	\$10,481	\$12,086 - \$19,452	\$13,583	\$5,804 - \$10,025	\$7,036

*Weighted average

**Table A2 (continued)
PHYSICIANS RATE COMPARISON**

Specialty	Tennessee (State)		Dickinson County, VA (Appalachia)		Arlington, VA	
	RANGE	AVG*	RANGE	AVG*	RANGE	AVG*
Neurosurgery	\$26,880 - \$37,970	\$35,419	\$46,926 - \$51,449	\$49,188	\$51,449 - \$63,414	\$57,432
Obstetrics & Gynecology - Surgery	\$21,120 - \$40,396	\$35,963	\$46,926 - \$47,648	\$47,287	\$47,648 - \$63,414	\$55,531
Orthopedics - Surgery	\$14,016 - \$26,008	\$23,250	\$25,561 - \$30,275	\$27,918	\$25,561 - \$40,912	\$33,237
General Surgery	\$16,704 - \$26,863	\$24,526	\$25,561 - \$30,276	\$27,918	\$25,561 - \$40,912	\$33,237
Emergency Medicine - Including surgery	\$16,305 - \$16,704	\$16,397	\$15,137 - \$25,561	\$20,349	\$20,256 - \$25,561	\$22,909
Anesthesiology	\$6,912 - \$14,322	\$12,618	\$11,353 - \$11,472	\$11,413	\$11,472 - \$15,342	\$13,407
Family Practice - No surgery	\$3,840 - \$6,753	\$6,083	\$7,569 - \$9,446	\$8,508	\$9,446 - \$10,228	\$9,837
Internal Medicine - No surgery	\$4,800 - \$5,939	\$5,677	\$7,569 - \$9,446	\$8,508	\$9,446 - \$10,228	\$9,837
Ophthalmology - No surgery	\$3,264 - \$5,939	\$5,324	\$6,055 - \$6,074	\$6,065	\$6,074 - \$8,182	\$7,128
Psychiatry - No surgery	\$3,840 - \$4,864	\$4,628	\$6,055 - \$7,716	\$6,886	\$7,716 - \$8,182	\$7,949

Specialty	Austin, TX		Cameron and Hidalgo County, TX (Brownsville)		Dallas, TX	
	RANGE	AVG*	RANGE	AVG*	RANGE	AVG*
Neurosurgery	\$74,199 - \$116,414	\$91,665	\$143,201 - \$164,946	\$147,014	\$83,482 - \$116,414	\$104,210
Obstetrics & Gynecology - Surgery	\$64,164 - \$92,880	\$69,110	\$92,326 - \$131,601	\$109,802	\$59,221 - \$92,880	\$69,134
Orthopedics - Surgery	\$40,938 - \$59,305	\$45,150	\$79,007 - \$93,516	\$87,015	\$38,390 - \$59,305	\$44,211
General Surgery	\$40,938 - \$77,400	\$48,275	\$71,200 - \$109,668	\$79,703	\$46,059 - \$77,400	\$54,275
Emergency Medicine - Including surgery	\$32,961 - \$43,930	\$35,607	\$47,909 - \$69,131	\$57,487	\$30,470 - \$43,930	\$35,930
Anesthesiology	\$20,469 - \$23,040	\$20,952	\$32,915 - \$41,174	\$39,351	\$21,755 - \$23,040	\$22,394
Family Practice - No surgery	\$14,638 - \$17,215	\$15,999	\$21,430 - \$28,250	\$26,269	\$15,124 - \$18,778	\$17,422
Internal Medicine - No surgery	\$14,638 - \$20,919	\$16,869	\$26,334 - \$29,640	\$27,501	\$16,469 - \$20,919	\$18,291
Ophthalmology - No surgery	\$8,953 - \$10,809	\$10,163	\$12,686 - \$19,829	\$18,409	\$8,625 - \$10,979	\$9,498
Psychiatry - No surgery	\$11,222 - \$16,505	\$14,073	\$18,142 - \$23,394	\$21,999	\$12,618 - \$21,389	\$17,006

*Weighted average

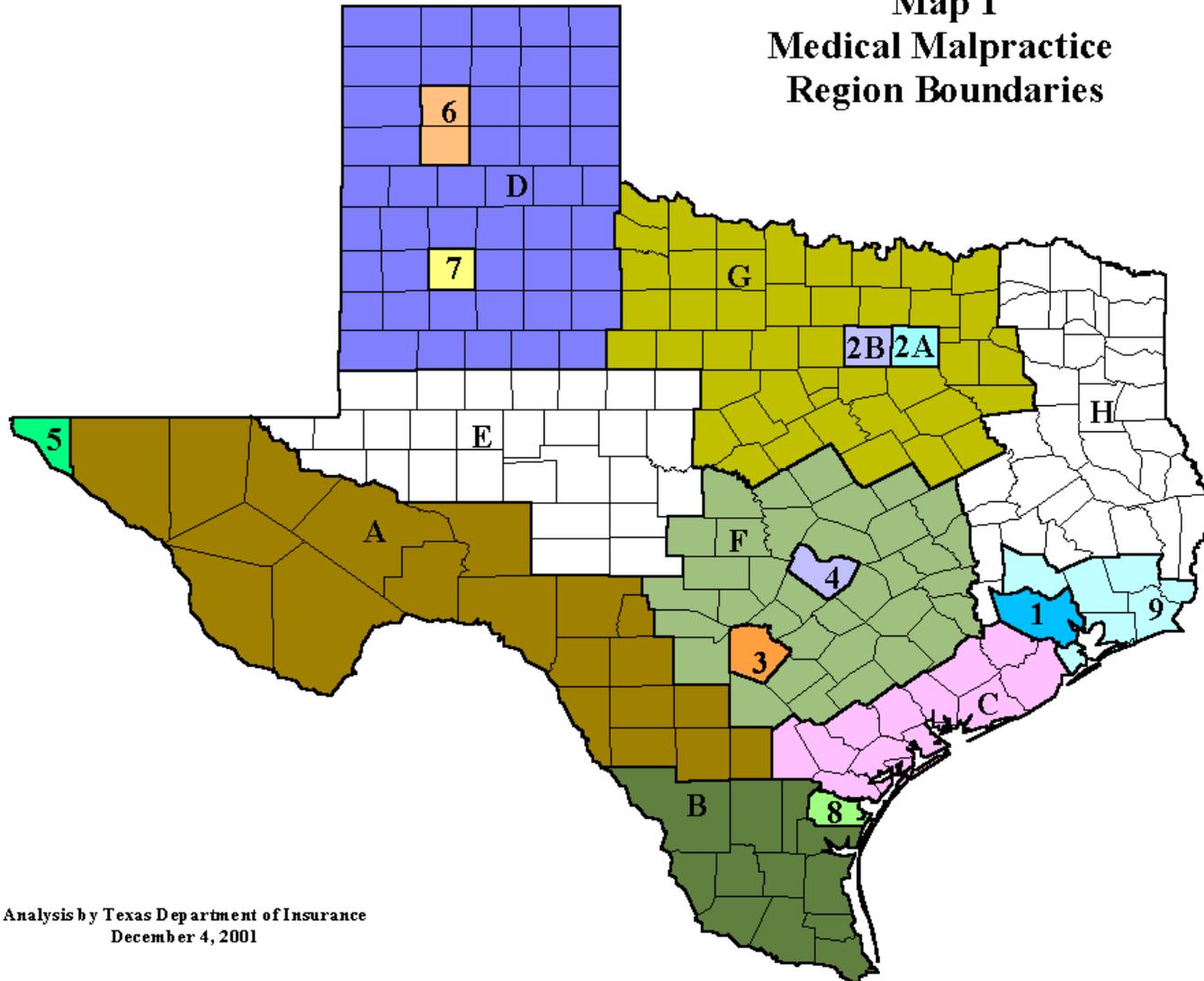
**Table A2 (continued)
PHYSICIANS RATE COMPARISON**

Specialty	Houston, TX		Jefferson County, TX (Beaumont)		Lubbock, TX	
	RANGE	AVG*	RANGE	AVG*	RANGE	AVG*
Neurosurgery	\$83,482 - \$164,946	\$111,008	\$83,482 - \$164,946	\$111,008	\$67,818 - \$104,595	\$83,367
Obstetrics & Gynecology - Surgery	\$62,318 - \$131,601	\$76,490	\$62,318 - \$131,601	\$76,490	\$42,710 - \$83,450	\$54,662
Orthopedics - Surgery	\$46,059 - \$84,029	\$55,176	\$46,059 - \$84,029	\$55,176	\$36,450 - \$53,284	\$39,314
General Surgery	\$46,059 - \$109,668	\$58,320	\$46,059 - \$109,668	\$58,320	\$34,144 - \$69,542	\$40,599
Emergency Medicine - Including surgery	\$29,240 - \$62,224	\$38,062	\$29,240 - \$62,244	\$38,062	\$25,645 - \$39,470	\$30,202
Anesthesiology	\$23,029 - \$32,915	\$25,779	\$23,029 - \$32,915	\$25,779	\$18,708 - \$21,502	\$20,192
Family Practice - No surgery	\$16,469 - \$21,430	\$18,926	\$16,469 - \$21,430	\$18,926	\$12,680 - \$13,589	\$13,061
Internal Medicine - No surgery	\$16,469 - \$29,640	\$20,157	\$16,469 - \$29,640	\$20,157	\$12,680 - \$18,795	\$13,842
Ophthalmology - No surgery	\$10,979 - \$13,915	\$12,915	\$10,979 - \$13,915	\$12,703	\$8,044 - \$12,156	\$10,417
Psychiatry - No surgery	\$12,626 - \$25,093	\$19,687	\$12,626 - \$25,093	\$19,687	\$10,257 - \$12,560	\$11,530

Specialty	San Antonio, TX	
	RANGE	AVG*
Neurosurgery	\$74,199 - \$116,414	\$91,665
Obstetrics & Gynecology - Surgery	\$64,164 - \$92,880	\$68,760
Orthopedics - Surgery	\$40,938 - \$59,305	\$45,150
General Surgery	\$40,938 - \$77,400	\$48,275
Emergency Medicine - Including surgery	\$32,961 - \$43,930	\$35,607
Anesthesiology	\$20,469 - \$23,040	\$20,952
Family Practice - No surgery	\$14,638 - \$17,215	\$15,999
Internal Medicine - No surgery	\$14,638 - \$20,919	\$16,869
Ophthalmology - No surgery	\$8,953 - \$10,809	\$10,163
Psychiatry - No surgery	\$11,222 - \$16,505	\$14,073

*Weighted average

**Map 1
Medical Malpractice
Region Boundaries**



Analysis by Texas Department of Insurance
December 4, 2001

**Table A3
MEDICAL MALPRACTICE REGION BOUNDARIES**

Territory	Counties		
1	Harris		
2A	Dallas		
2B	Tarrant		
3	Bexar		
4	Travis		
5	El Paso		
6	Randall, Potter		
7	Lubbock		
8	Nueces		
9	Galveston Chambers Jefferson	Liberty Hardin	Orange Montgomery
A	Brewster Crockett Culberson Dimmit Edwards Frio Hudspeth	Jeff Davis Kinney LaSalle Maverick McMullen Pecos Presidio	Real Reeves Terrell Uvalde Val Verde Zavala
B	Brooks Cameron Duval Hidalgo	Jim Hogg Jim Wells Kenedy Kleberg	Starr Webb Willacy Zapata
C	Aransas Bee Brazoria Calhoun Fort Bend	Goliad Jackson Live Oak Matagorda	Refugio San Patricio Victoria Wharton

Territory	Counties		
D	Armstrong Bailey Borden Briscoe Carson Castro Childress Cochran Collingsworth Cottle Crosby Dallam Dawson Deaf Smith Dickens Donley	Fisher Floyd Gaines Garza Gray Hale Hall Hansford Hartley Hemphill Hockley Hutchinson Roberts Kent King	Lamb Lipscomb Lynn Moore Motley Ochiltree Oldham Parmer Scurry Sherman Stonewall Swisher Terry Wheeler Yoakum
E	Andrews Callahan Coke Coleman Concho Crane Ector Glasscock Howard Irion	Kimble Loving Martin McCulloch Menard Midland Mitchell Nolan Reagan	Runnels Schleicher Sterling Sutton Taylor Tom Green Upton Ward Winkler

Table A3 (continued)
MEDICAL MALPRACTICE REGION BOUNDARIES

Territory	Counties		
	Atascosa	Comal	Lampasas
	Austin	Coryell	Lavaca
	Bandera	Falls	Lee
	Bastrop	Fayette	Llano
	Bell	Gillespie	Medina
	Blanco	Gonzales	Milam
	Brazos	Guadalupe	Robertson
	Burleson	Hays	San Saba
	Burnet	Karnes	Washington
	Caldwell	Kendall	Williamson
	Colorado	Kerr	Wilson
G	Archer	Grayson	Mills
	Baylor	Hamilton	Montague
	Bosque	Hardeman	Navarro
	Brown	Haskell	Palo Pinto
	Clay	Henderson	Parker
	Collin	Hill	Rockwall
	Comanche	Hood	Shackelford
	Cooke	Hunt	Somervell
	Denton	Jack	Stephens
	Eastland	Johnson	Throckmorton
	Ellis	Jones	Van Zandt
	Erath	Kaufman	Wichita
	Fannin	Knox	Wilbarger
	Foard	Limestone	Wise
	Freestone	McLennan	Young

Territory	Counties		
H	Anderson	Houston	Rusk
	Angelina	Jasper	Sabine
	Bowie	Lamar	San Augustine
	Camp	Leon	San Jacinto
	Cass	Madison	Shelby
	Cherokee	Marion	Smith
	Delta	Morris	Trinity
	Franklin	Nacogdoches	Tyler
	Gregg	Newton	Upshur
	Grimes	Panola	Walker
	Harrison	Polk	Waller
	Hopkins	Red River	Wood

Table A4
TDI PHYSICIANS AND SURGEONS MEDICAL MALPRACTICE DATA CALL 2002
PROJECTED AVERAGE INDEMNITY AND DEFENSE COST PER INSURED PHYSICIAN
[TOTAL AVERAGE COST PER INSURED PHYSICIAN]
Including All Mass Tort Except Phen-Fen Claims
Claims Made Policies Only

Region *	Year Coverage Was Provided (Report Year)					Total	Avg. Docs Per Year	Statewide Relativity	Average Trend
	1997	1998	1999	2000	2001				
1	\$14,042	\$17,291	\$18,220	\$21,200	\$21,251	\$18,820	2,758	1.205	10.9%
2A	\$7,944	\$10,078	\$10,323	\$11,049	\$14,328	\$10,989	2,504	0.704	13.6%
2B	\$10,377	\$11,985	\$11,315	\$18,624	\$17,628	\$14,442	1,188	0.925	16.2%
3	\$7,257	\$8,218	\$11,902	\$13,709	\$17,076	\$11,905	1,435	0.762	24.9%
4	\$6,317	\$19,937	\$12,620	\$14,188	\$22,756	\$15,752	1,126	1.009	24.9%
5	\$17,938	\$15,720	\$19,285	\$21,065	\$14,024	\$17,806	321	1.140	-2.0%
6	\$6,178	\$7,418	\$24,873	\$14,033	\$3,188	\$11,348	317	0.727	-6.6%
7	\$13,221	\$8,433	\$12,575	\$13,816	\$10,737	\$11,940	402	0.764	0.8%
8	\$11,216	\$16,991	\$32,107	\$19,170	\$16,722	\$19,943	437	1.277	9.6%
9	\$23,371	\$38,531	\$25,506	\$25,511	\$36,794	\$30,270	528	1.938	5.1%
A	\$25,654	\$16,331	\$23,613	\$20,847	\$20,999	\$21,428	79	1.372	-1.6%
B	\$16,201	\$18,124	\$19,547	\$20,411	\$19,543	\$18,872	627	1.208	5.1%
C	\$9,542	\$20,717	\$18,159	\$11,986	\$14,090	\$15,033	440	0.962	2.4%
D	\$8,509	\$15,869	\$11,757	\$11,097	\$11,320	\$11,676	170	0.748	2.2%
E	\$9,584	\$12,698	\$7,979	\$11,801	\$21,755	\$13,137	555	0.841	17.0%
F	\$9,079	\$8,875	\$7,612	\$8,518	\$14,587	\$10,000	765	0.640	9.5%
G	\$19,408	\$18,085	\$18,113	\$19,324	\$18,373	\$18,788	1,421	1.203	-0.4%
H	\$8,594	\$15,654	\$15,458	\$24,231	\$16,780	\$16,621	956	1.064	19.4%
Grand Total	\$11,582	\$14,745	\$15,157	\$16,736	\$18,144	\$15,619	16,028	1.000	10.8%

Notes:

- Due to the long settlement time for medical malpractice, the values for 2001 are subject to a good deal of uncertainty.
- Regional data may be distorted by differing distributions of insured specialties by region. For example, Region X may have a larger proportion of high (or low) risk specialties and therefore have a higher (or lower) loss costs.
- Some regions lack statistical credibility.
- Regional data may also be affected by different average policy limits. Average costs would be understated in regions with lower than average policy limits and overstated in regions with higher than average policy limits.

* See Medical Malpractice Region Boundaries in the Appendix on pages 34-36.

Table A5
TDI PHYSICIANS AND SURGEONS MEDICAL MALPRACTICE DATA CALL 2002
PROJECTED NUMBER OF REPORTED CLAIMS PER 100 INSURED PHYSICIANS
[REPORTED CLAIM FREQUENCY]
Including All Mass Tort Except Phen-Fen Claims
Claims Made Policies Only

Region *	Year Coverage Was Provided (Report Year)					Total	Avg. Docs Per Year	Statewide Relativity	Average Trend
	1997	1998	1999	2000	2001				
1	28.36	26.33	26.46	26.26	27.69	27.01	2,758	1.139	-0.5%
2A	14.12	16.21	13.58	16.41	18.55	15.87	2,504	0.670	5.7%
2B	19.16	19.95	23.32	22.49	22.50	21.65	1,188	0.913	4.5%
3	17.13	20.17	18.73	17.63	18.75	18.49	1,435	0.780	0.5%
4	16.03	19.30	15.77	20.67	22.76	19.23	1,126	0.811	8.0%
5	22.42	27.86	22.64	22.58	20.97	23.25	321	0.981	-3.4%
6	15.25	11.01	14.96	16.08	8.67	13.15	317	0.554	-7.2%
7	18.77	21.02	17.89	25.87	19.31	20.81	402	0.878	2.7%
8	27.61	38.61	29.27	34.10	28.46	31.32	437	1.321	-0.6%
9	30.08	28.58	31.68	35.68	49.01	35.41	528	1.494	12.7%
A	30.57	21.40	26.42	40.79	22.31	28.19	79	1.189	0.2%
B	34.64	30.82	135.81	128.68	35.44	73.71	627	3.109	15.9%
C	24.43	31.40	27.16	25.19	23.55	26.13	440	1.102	-2.9%
D	17.91	14.87	16.25	13.71	24.22	17.33	170	0.731	5.4%
E	19.57	13.59	12.14	11.14	12.23	13.32	555	0.562	-10.8%
F	15.32	16.21	17.36	13.87	18.71	16.37	765	0.690	2.5%
G	20.55	22.53	24.16	26.03	26.79	24.44	1,421	1.031	7.0%
H	19.33	20.06	22.19	26.19	25.17	22.92	956	0.967	8.3%
Grand Total	20.91	21.65	25.20	26.17	23.78	23.71	16,028	1.000	4.6%

Notes:

- Regional data may be distorted by differing distributions of insured specialties by region. For example, Region X may have a larger proportion of high (or low) risk specialties and therefore have a higher (or lower) loss costs.
- Some regions lack statistical credibility.

* See Medical Malpractice Region Boundaries in the Appendix on pages 34-36.

Table A6
TDI PHYSICIANS AND SURGEONS MEDICAL MALPRACTICE DATA CALL 2002
PROJECTED AVERAGE INDEMNITY AND DEFENSE COST PER REPORTED CLAIM
Including All Mass Tort Except Phen-Fen Claims
Claims Made Policies Only

Region *	Year Coverage Was Provided (Report Year)					Total	Avg. Docs Per Year	Statewide Relativity	Average Trend
	1997	1998	1999	2000	2001				
1	\$49,507	\$65,661	\$68,860	\$80,715	\$76,752	\$69,674	2,758	1.058	11.4%
2A	\$56,278	\$62,157	\$76,033	\$67,329	\$77,245	\$69,221	2,504	1.051	7.4%
2B	\$54,172	\$60,080	\$48,510	\$82,816	\$78,356	\$66,688	1,188	1.012	11.2%
3	\$42,372	\$40,740	\$63,556	\$77,772	\$91,060	\$64,394	1,435	0.978	24.3%
4	\$39,405	\$103,313	\$80,029	\$68,636	\$99,992	\$81,939	1,126	1.244	15.6%
5	\$80,006	\$56,420	\$85,175	\$93,284	\$66,879	\$76,571	321	1.162	1.5%
6	\$40,512	\$67,391	\$166,279	\$87,252	\$36,761	\$86,340	317	1.311	0.6%
7	\$70,445	\$40,119	\$70,296	\$53,397	\$55,599	\$57,362	402	0.871	-1.9%
8	\$40,628	\$44,009	\$109,702	\$56,223	\$58,753	\$63,670	437	0.967	10.3%
9	\$77,697	\$134,817	\$80,512	\$71,489	\$75,070	\$85,465	528	1.297	-6.8%
A	\$83,922	\$76,322	\$89,364	\$51,114	\$94,125	\$76,000	79	1.154	-1.7%
B	\$46,767	\$58,800	\$14,393	\$15,862	\$55,149	\$25,600	627	0.389	-9.3%
C	\$39,058	\$65,970	\$66,861	\$47,590	\$59,822	\$57,526	440	0.873	5.4%
D	\$47,517	\$106,719	\$72,372	\$80,940	\$46,740	\$67,354	170	1.023	-3.0%
E	\$48,984	\$93,452	\$65,707	\$105,931	\$177,810	\$98,615	555	1.497	31.0%
F	\$59,261	\$54,760	\$43,843	\$61,409	\$77,966	\$61,096	765	0.928	6.9%
G	\$94,434	\$80,269	\$74,958	\$74,236	\$68,582	\$76,855	1,421	1.167	-6.9%
H	\$44,468	\$78,018	\$69,667	\$92,535	\$66,662	\$72,526	956	1.101	10.3%
Grand Total	\$55,393	\$68,107	\$60,158	\$63,954	\$76,286	\$65,871	16,028	1.000	5.9%

Notes:

- Due to the long settlement time for medical malpractice, the values for 2001 are subject to a good deal of uncertainty.
- Regional data may be distorted by differing distributions of insured specialties by region. For example, Region X may have a larger proportion of high (or low) risk specialties and therefore have a higher (or lower) loss costs.
- Some regions lack statistical credibility.
- Regional data may also be affected by different average policy limits. Average costs would be understated in regions with lower than average policy limits and overstated in regions with higher than average policy limits.

* See Medical Malpractice Region Boundaries in the Appendix on pages 34-36.

Table A7
Medical Malpractice Insurance
Calendar Years 1992 - 2001
UNDERWRITING PROFIT AS A PERCENT OF DIRECT PREMIUMS EARNED

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Ten Year Average
Texas	-47.7	-62.2	-47.9	-47.3	-43.1	-26.7	-59.9	-84.4	-65.6	-55.6	-54.0
Maryland	-1.7	-7.1	-33.8	-22.3	-18.7	-56.6	-94.3	-51.1	-64.7	-47.0	-39.7
Florida	-14.3	-3.5	-25.9	-35.8	-15.9	-54.1	-44.8	-46.6	-94.4	-78.5	-41.4
Illinois	-59.8	-51.2	-30.0	-24.8	7.8	-7.1	-37.6	-2.4	-43.2	-81.1	-32.9
Tennessee	-1.8	3.4	-7.8	-3.5	-15.9	-47.4	-7.8	-67.6	-149.0	-51.6	-34.9
Pennsylvania	41.2	0.4	33.9	-22.4	-35.0	-26.0	-33.9	-81.2	-63.1	-99.6	-28.6
North Carolina	-7.2	-10.2	-20.5	-12.9	-3.6	-38.8	-30.3	-52.7	-42.6	-65.8	-28.5
Ohio	3.6	-8.9	17.8	-15.8	-17.7	-30.2	-57.2	-50.2	-67.9	-62.9	-28.9
New Jersey	-66.6	-30.9	-23.8	-30.2	-45.2	0.5	1.0	29.5	20.6	-28.2	-17.3
Arizona	-6.4	-6.2	5.2	-0.8	-38.8	-29.7	-64.3	-22.3	-27.8	-57.8	-24.9
New York	-104.2	-35.3	-10.8	14.7	12.7	32.1	-32.7	-35.0	13.7	-55.7	-20.1
Massachusetts	35.1	28.1	57.7	5.8	-4.6	-40.1	-30.9	-51.5	-123.6	-66.3	-19.0
Georgia	20.5	23.7	4.2	9.0	6.9	-19.7	-23.0	-43.4	-64.2	-88.6	-17.5
Virginia	0.5	-1.9	18.2	3.4	8.6	-18.3	-31.3	-29.2	-15.3	-53.1	-11.8
California	-15.0	-8.4	2.0	-4.0	-7.4	2.9	4.7	-3.8	4.4	-17.8	-4.2
Michigan	-0.4	1.4	-2.0	28.5	20.4	23.4	9.0	-0.2	24.8	-20.2	8.5

Source: 2001 NAIC Profitability Report

Table A8
Medical Malpractice Insurance
Calendar Years 1992 - 2001
PERCENTAGE RETURN ON NET WORTH

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	Ten Year Average
Texas	5.6	-2.9	-4.4	-4.0	1.5	6.7	-1.7	-8.2	-3.3	-8.1	-1.9
Florida	14.7	15.4	-0.7	-4.7	7.7	-5.1	-0.5	-2.8	-14.0	-17.4	-0.7
North Carolina	17.3	11.9	4.2	8.4	11.8	1.2	4.0	-4.1	0.4	-14.3	4.1
Maryland	19.8	14.2	2.3	7.1	8.5	1.2	-7.4	0.3	-3.1	-3.0	4.0
Ohio	21.9	12.4	19.7	6.6	6.8	4.7	-4.3	-2.3	-4.6	-10.6	5.0
Illinois	5.5	3.6	5.4	7.6	18.2	12.9	5.7	11.3	3.1	-10.1	6.3
Tennessee	22.1	19.7	11.7	13.8	9.8	1.5	11.5	-4.3	-23.4	-5.5	5.7
Arizona	19.2	14.5	13.8	12.4	2.7	4.7	-1.4	4.3	5.2	-5.7	7.0
New Jersey	1.8	9.6	8.2	7.3	4.9	14.7	14.3	17.0	18.4	5.0	10.1
Pennsylvania	44.7	20.3	30.1	10.5	7.2	8.4	4.9	-6.9	-2.6	-16.9	10.0
Virginia	19.0	14.2	18.1	12.9	14.7	6.3	3.4	2.5	7.7	-8.8	9.0
Georgia	25.8	23.2	12.9	14.6	13.9	6.9	6.7	-0.6	-3.2	-15.5	8.5
New York	4.0	13.8	14.4	19.9	18.8	20.7	9.7	7.4	17.1	1.9	12.8
Massachusetts	34.5	28.3	34.1	16.7	14.0	7.0	9.3	4.7	-3.7	0.9	14.6
California	15.9	15.1	15.0	13.0	11.6	13.8	13.8	8.8	13.7	4.0	12.5
Michigan	22.1	18.9	13.8	23.5	20.4	19.5	15.4	10.9	19.3	6.1	17.0

Source: 2001 NAIC Profitability Report

Table A9
COMPANIES WRITING PHYSICIANS AND SURGEONS
MEDICAL PROFESSIONAL LIABILITY INSURANCE

Based on Data Reported as of 3/31/02

INSURANCE COMPANY NAME	STATUS IN TEXAS	FORMS AND RATES REGULATION	NO. OF INSURED
Texas Medical Liability Trust (TMLT)	Authorized pursuant to 21.49-4	Forms and rates are not subject to TDI regulation, however, the Trust is required to submit forms and rates for informational purposes	9,964
The Medical Protective Company	Admitted	Forms are prior approval and rates are file and use – Art. 5.13-2 and 5.15-1, Texas Insurance Code	5,235
The Doctors Company, An Interinsurance Exchange	Admitted	Forms are prior approval and rates are file and use – Art. 5.13-2 and 5.15-1, Texas Insurance Code	1,456
Texas Medical Liability Insurance Underwriting Association (JUA)	Authorized pursuant to 21.49-3	Forms are prior approval and rates are file and use – Art. 5.13-2 and 5.15-1, Texas Insurance Code	510*
American Physicians Insurance Exchange (APIE)	Admitted	Forms are prior approval and rates are file and use – Art. 5.13-2 and 5.15-1, Texas Insurance Code	278
Evanston Insurance Company	Surplus Lines	Forms and rates unregulated	115
Texas Hospital Insurance Exchange (THIE)**	Admitted	Forms are prior approval and rates are file and use – Art. 5.13-2 and 5.15-1, Texas Insurance Code	19
CNA**	Admitted	Forms are prior approval and rates are file and use – Art. 5.13-2 and 5.15-1, Texas Insurance Code	17
Essex Insurance Company	Surplus Lines	Forms and rates unregulated	3
American International Group***	Admitted	Forms are prior approval and rates are file and use – Art. 5.13-2 and 5.15-1, Texas Insurance Code	
American International Group***	Surplus Lines	Forms and rates unregulated	
TOTAL			17,597

Table A9 (continued)
COMPANIES WRITING PHYSICIANS AND SURGEONS

INSURANCE COMPANY'S WRITING THROUGH PURCHASING GROUPS	STATUS IN TEXAS	FORMS AND RATES REGULATION	NO. OF INSURED
Preferred Professional Insurance Company**	Admitted	Writes through Purchasing Group – forms and rates not required to be filed for approval	269
The Medical Assurance Company, Inc.	Admitted	Writes through Purchasing Group – forms and rates not required to be filed for approval	264
Steadfast Insurance Company	Surplus Lines	Writes through Purchasing Group – forms and rates not required to be filed for approval	257
Truck Insurance Exchange	Admitted	Writes through Purchasing Group – forms and rates not required to be filed for approval	87
Health Care Indemnity**	Admitted	Writes through Purchasing Group – forms and rates not required to be filed for approval	69
Texas Medical Insurance Company**	Admitted	Writes through Purchasing Group – forms and rates not required to be filed for approval	43
NCMIC Insurance Company**	Admitted	Writes through Purchasing Group – forms and rates not required to be filed for approval	10
Zurich American Insurance Company	Admitted	Writes through Purchasing Group – forms and rates not required to be filed for approval	7
American Zurich Insurance Company	Admitted	Writes through Purchasing Group – forms and rates not required to be filed for approval	6
TOTAL			1,012

Table A9 (continued)
COMPANIES WRITING PHYSICIANS AND SURGEONS

RISK RETENTION GROUPS	STATUS IN TEXAS	FORMS AND RATES REGULATION	NO. OF INSURED
Ophthalmic Mutual Ins Co.**	Registered	Risk Retention Group - Forms and rates not required to be filed	231
OMS National Insurance Company**	Registered	Risk Retention Group - Forms and rates not required to be filed	226
National Guardian Risk Retention Group	Registered	Risk Retention Group - Forms and rates not required to be filed	185
Preferred Physicians Medical, Inc.**	Registered	Risk Retention Group - Forms and rates not required to be filed	45
TOTAL			687

*Updated JUA information – see Table A10 on page 45

**Company only writes certain segments of the market

***Incomplete Data Submitted

**Table A10
TEXAS MEDICAL LIABILITY INSURANCE
UNDERWRITING ASSOCIATION (JUA)**

Policy Information as of 02/07/03
<ul style="list-style-type: none">● 1,987 Physicians
<ul style="list-style-type: none">● 221 Other Health Care Providers including Dentist, Podiatrists, and Corporate Policies
<ul style="list-style-type: none">● 30 Hospitals
<ul style="list-style-type: none">● 46 Nursing Homes (30 for-profit and 16 not-for-profit)
2,284 Total Policies

Table A11
SUMMARY OF INVESTMENT INCOME FROM 1989 - 2000
Medical Malpractice Predominating Companies

Year	Total Invested Assets (000) ¹	Gross Investment Income (000) ²	Investment Expenses (000)	Net Investment Income (000) ²	Realized Capital Gains (000)	Unrealized Capital Gains (000)	Net Investment Income Yield	Realized Capital Gains Yield	Unrealized Capital Gains Yield	Total Yield
1989	\$12,873,166	\$1,046,450	\$36,920	\$1,009,530	\$77,371	\$23,801	7.8%	0.6%	0.2%	8.6%
1990	\$14,457,169	\$1,155,491	\$40,765	\$1,114,726	(\$3,270)	(\$32,552)	7.7%	0.0%	-0.2%	7.5%
1991	\$16,081,076	\$1,214,828	\$44,904	\$1,169,924	\$152,890	\$75,523	7.3%	1.0%	0.5%	8.7%
1992	\$17,418,375	\$1,220,473	\$51,805	\$1,168,668	\$374,629	\$28,519	6.7%	2.2%	0.2%	9.0%
1993	\$19,651,822	\$1,256,155	\$76,032	\$1,180,123	\$482,407	\$450	6.0%	2.5%	0.0%	8.5%
1994	\$20,668,173	\$1,268,458	\$53,045	\$1,215,413	(\$22,176)	(\$65,727)	5.9%	-0.1%	-0.3%	5.5%
1995	\$23,125,183	\$1,435,007	\$53,926	\$1,381,081	\$275,979	\$193,941	6.0%	1.2%	0.8%	8.0%
1996	\$23,944,659	\$1,442,560	\$77,298	\$1,365,262	\$274,658	\$89,567	5.7%	1.1%	0.4%	7.2%
1997	\$24,277,779	\$1,429,102	\$81,880	\$1,347,222	\$409,279	\$218,041	5.5%	1.7%	0.9%	8.1%
1998	\$24,588,665	\$1,387,926	\$85,457	\$1,302,469	\$547,200	\$33,246	5.3%	2.2%	0.1%	7.7%
1999	\$24,522,751	\$1,329,357	\$85,158	\$1,244,199	\$289,536	\$79,883	5.1%	1.2%	0.3%	6.6%
2000	\$23,273,762	\$1,295,291	\$66,456	\$1,228,835	\$380,462	(\$441,648)	5.3%	1.6%	-1.9%	5.0%
2001	\$23,383,705	\$1,258,229	\$69,589	\$1,188,640	\$204,804	(\$193,235)	5.1%	0.9%	-0.8%	5.1%

1998-ending Average Yield ³	5.5%	1.2%	0.3%	7.0%
1999-ending Average Yield ³	5.3%	1.3%	0.3%	6.9%
2000-ending Average Yield ³	5.2%	1.5%	0.1%	6.8%
2001-ending Average Yield ³	5.1%	1.4%	0.0%	6.6%

¹ Average of invested assets at beginning and end of the year. Also includes investments in affiliates and home office real estate.

² Includes interest, dividends and real estate income. Includes income from affiliates and home office real estate.

³ A 3-year average of investment income, and 10-year averages of realized and unrealized capital gains is used.

Source: Bests Aggregates and Averages 2002 - 1990 Editions