Florida Office of Insurance Regulation

2006 Annual Report – November, 2006

Medical Malpractice Financial Information
Closed Claim Database and Rate Filings

-- INDEX --

Executive Summary

Section 627.912(6)(b)&(c), Florida Statutes, requires the Office 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 15 medical malpractice insurance writers that constituted 80% of the Florida market in 2005, 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 five of the largest states, California, Texas, Illinois, Pennsylvania and New York;
    - Florida is the third largest market as measured by direct premium written,
    - Florida ranks fourth highest in terms of the losses to earned premium (40.2%) ratio,
    - Florida ranks third highest in terms of defense and containment costs to earned premium (21.3%) ratio,
    - Florida ranks fourth highest in terms of the combined loss and defense cost to earned premium basis (61.7%) ratio,
    - Florida ranks highest (first) when measuring the combined non-loss costs to earned premium (29%) ratio.

- For the 15 firms comprising 80% of the market;
    - Medical Malpractice is generally not the only line of business written,
    - Florida is one of their top five markets,
    - Their loss and expense ratios in Florida are similar to what they experienced in their other major markets,
    - The average return on surplus for this segment was 13.2% in 2005, up from 9.6% in 2004, and -12% in 2003,
    - Solvency risk, as measured several ways, does not appear to be an imminent issue with these sample firms; the trend in adverse reserve development documented back to 2001 has reversed, at least for this reporting year.

- Reviewing the rate filings received in 2005;
    - 33 medical malpractice filings with rate impact were approved by OIR in 2005,
    - The companies received rate approvals of between -29.2% and 130%

- From the reported closed claims data files;
  - 3,753 claims were reported as closed in 2005, 1,955 by female plaintiffs, 1,798 by males,
  - Hospital Inpatient facilities were the most commonly reported claim locations,
  - Most claims were in the severe to moderately severe category,
  - $676,942,154 was paid in total in 2005; $449 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 National Association of Insurance Commissioners (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.

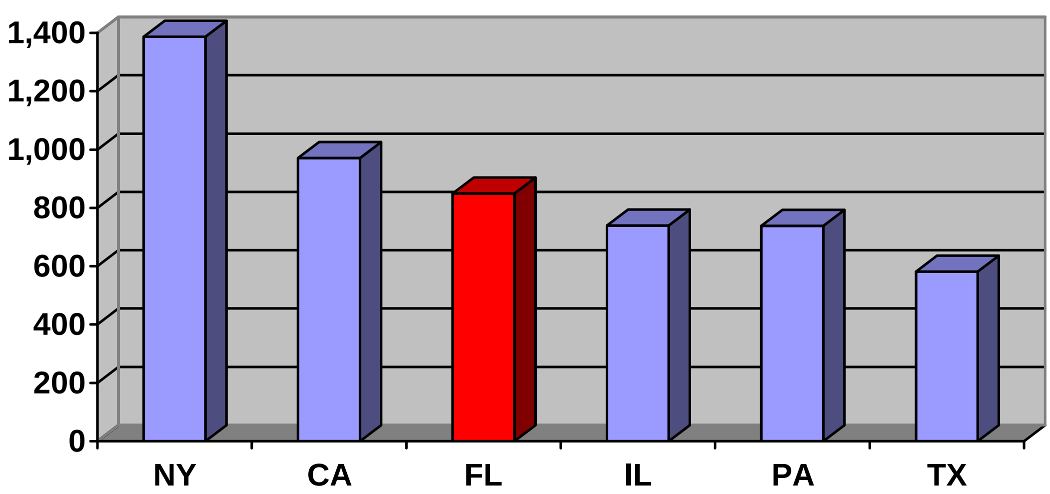
(c) The annual report shall also include a summary of the rate filings for medical malpractice which have been approved by the office for the prior calendar year, including an analysis of the trend of direct and incurred losses as compared to prior years.

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, it would be expected that Florida would represent one of the largest medical malpractice insurance markets in the country. For purposes of comparison, the report compares Florida to the other five largest states: California, Texas, New York, Illinois and Pennsylvania.

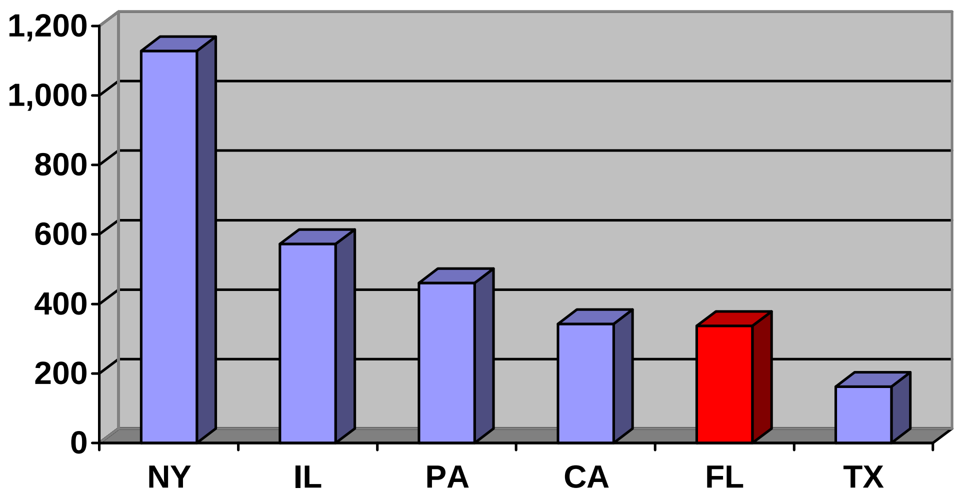
As the figure below shows, there is not a direct 1:1 correlation between state population and total medical malpractice premium earned in the private market. California, by far the most populous state, is a distant second to New York in the amount of medical malpractice premium earned. Meanwhile, Texas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

Medical Malpractice Earned Premium 2005 (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
2005 (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 seems 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. Interestingly, California now ranks fourth on this list, surpassing Florida, which ranked fourth last year. Comparing the reported losses to the earned premium by state allows for the calculation of state's loss ratios, which can then be ranked. The loss ratios of the most populous state including Florida are shown below:

State	Losses / Earned Premium
New York	84.7%
Illinois	78.4%
Pennsylvania	64.8%
Florida	**40.2%**
California	35.6%
Texas	27.3%

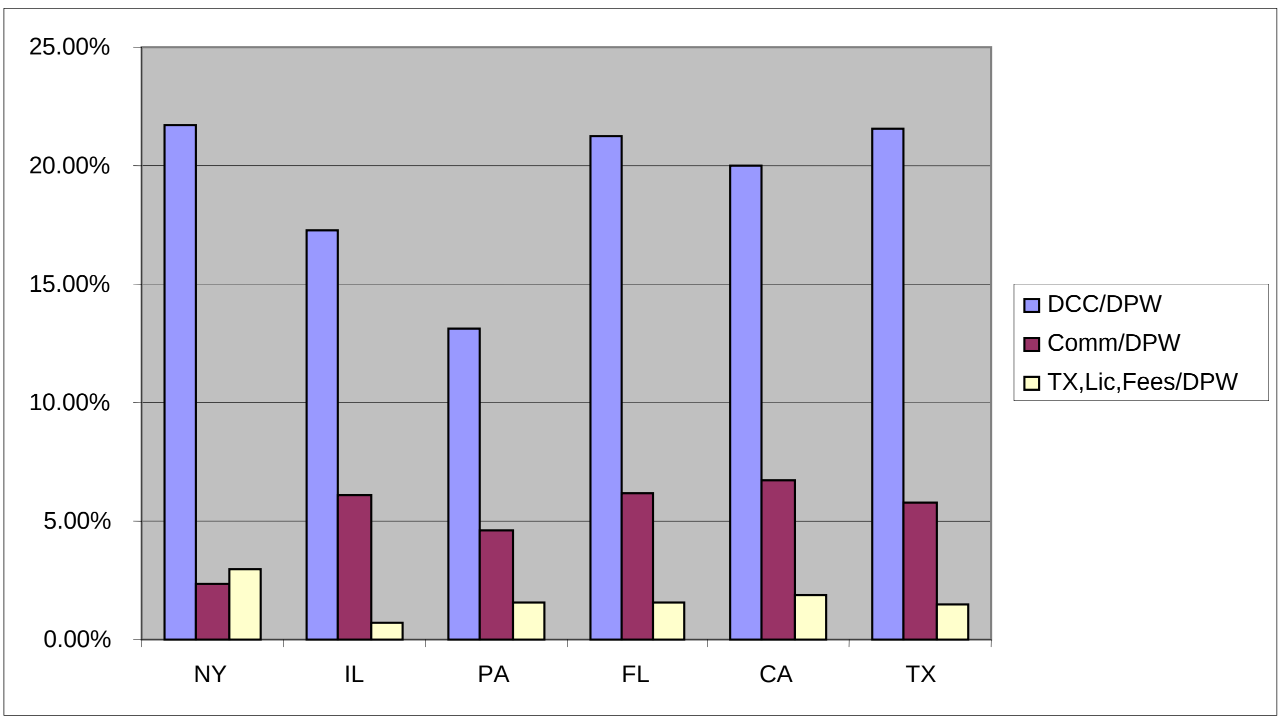
New York continues to lead this group followed by Illinois. Florida's has a favorable loss ratio when compared to other populous states.

Non-Loss Costs

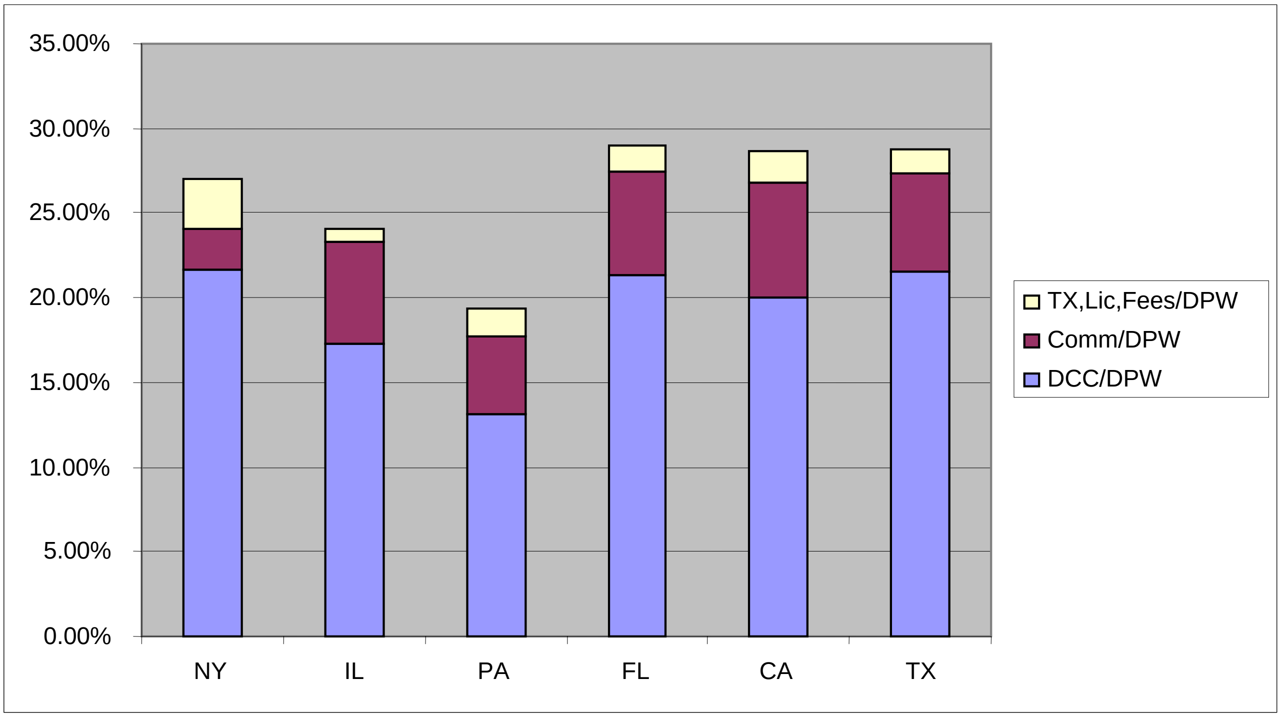
Although direct losses from claims is the primary component in determining the costs, and ultimately the rates being charged for medical malpractice products, it is important to look at other "non-loss costs" to determine their importance in the overall expenses. These non-loss costs include three broad categories: 1.) Agent commissions and brokerage fees; 2.) Taxes and licensing fees; and 3.) Defense cost containment, which is correlated to the amount of legal fees. The chart below highlights the relative magnitude of these costs for each of the six large states:

Non-Loss Costs as Percentage of Direct Premium Written

-- 2005 --



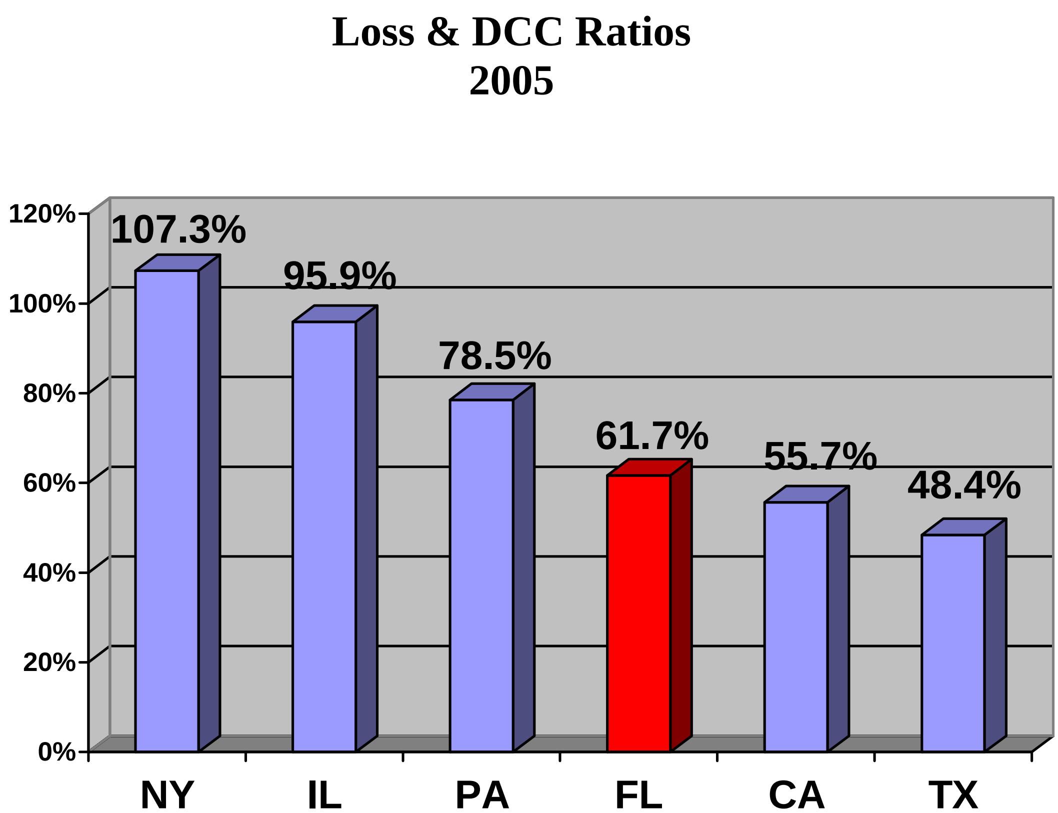
Clearly, for all six populous states, the main component of total non-loss cost is the defense cost and containment (DCC) expense. When compared to other large states, Florida ranks in the middle with the third lowest DCC component expense. In Florida, 21.3% of the premium dollar is spent to defend or contain costs for medical malpractice suits; this percentage is lower than in both New York (21.7%) and Texas (21.6%). However, when other non-loss costs such as agent and broker commissions and licenses and taxes are included, Florida has a higher percentage of non-loss costs (29.0%) than the other most populous states:



As the chart above shows, while the Florida market does not have the highest DCC percentage, its non-loss costs are among the highest. The data also show there is a higher commission percentage paid in Florida than in Texas or New York, and Florida's Tax/Fees percentage is comparable with other states. While non-loss costs for Illinois (24.1%) and Pennsylvania (19.3%) are noticeably below the other states, the remaining states have non-loss costs as a percentage of written premium ratios that are very close ranging, between 27-29%.

Overall Profitability (Loss + DCC Ratios)

Combining the loss ratio and the DCC ratio on a statewide basis provides an approximate, 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.



As shown, Florida's Loss + DCC ratio would make it appear profitable relative to the other states.

Leading Writers of Medical Malpractice Insurance in Florida

Section (6)(b) of Section 627.912, Florida Statutes, requires 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 as 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. Because of these data limitations, OIR cannot specifically fulfill this statutory requirement.

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 using *direct premium written* as a surrogate for net written premium. OIR replicated this methodology for the 2005 report. 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 these caveats, the companies that comprise 80% of the medical malpractice insurance market in Florida include the following:

Rank	Company	Abbrev.	Direct Written Premium	Percent	Percent Cum.
# 1	First Professional Ins. Co.	FPIC	$215,690,159	25.39%	25.39%
# 2	Health Care Indemnity Inc.	HCII	$111,554,563	13.13%	38.52%
# 3	MAG Mutual Insurance Co.	MMIC	$88,556,737	10.42%	48.94%
# 4	Pronational Insurance Co.	PIC	$57,521,252	6.77%	55.71%
# 5	Lexington Insurance Co.	LIC	$43,227,928	5.09%	60.80%
# 6	Doctors Co. An Interins Exch.	DCIE	$32,101,949	3.78%	64.58%
# 7	Evanston Insurance Co.	EIC	$24,656,168	2.90%	67.48%
# 8	Columbia Casualty Co.	CCC	$22,872,520	2.69%	70.17%
# 9	Anesthesiologists Pro Assur. Co.	APAC	$18,044,197	2.12%	72.30%
# 10	American Casualty Co. of Reading	ACCR	$16,962,975	2.00%	74.29%
# 11	Medical Protective Co.	MPC	$16,249,724	1.91%	76.21%
# 12	Physicians Professional Liability	PPL	$10,507,810	1.24%	77.44%
# 13	Everest Ind. Ins. Co.	EIIC	$10,035,304	1.18%	78.63%
# 14	Hudson Specialty Ins. Co.	HSIC	$9,829,457	1.16%	79.78%
# 15	Physicians Insurance Co.	PIC (2)	$9,053,066	1.07%	80.85%
	TOTAL MARKET		**$849,578,362**		

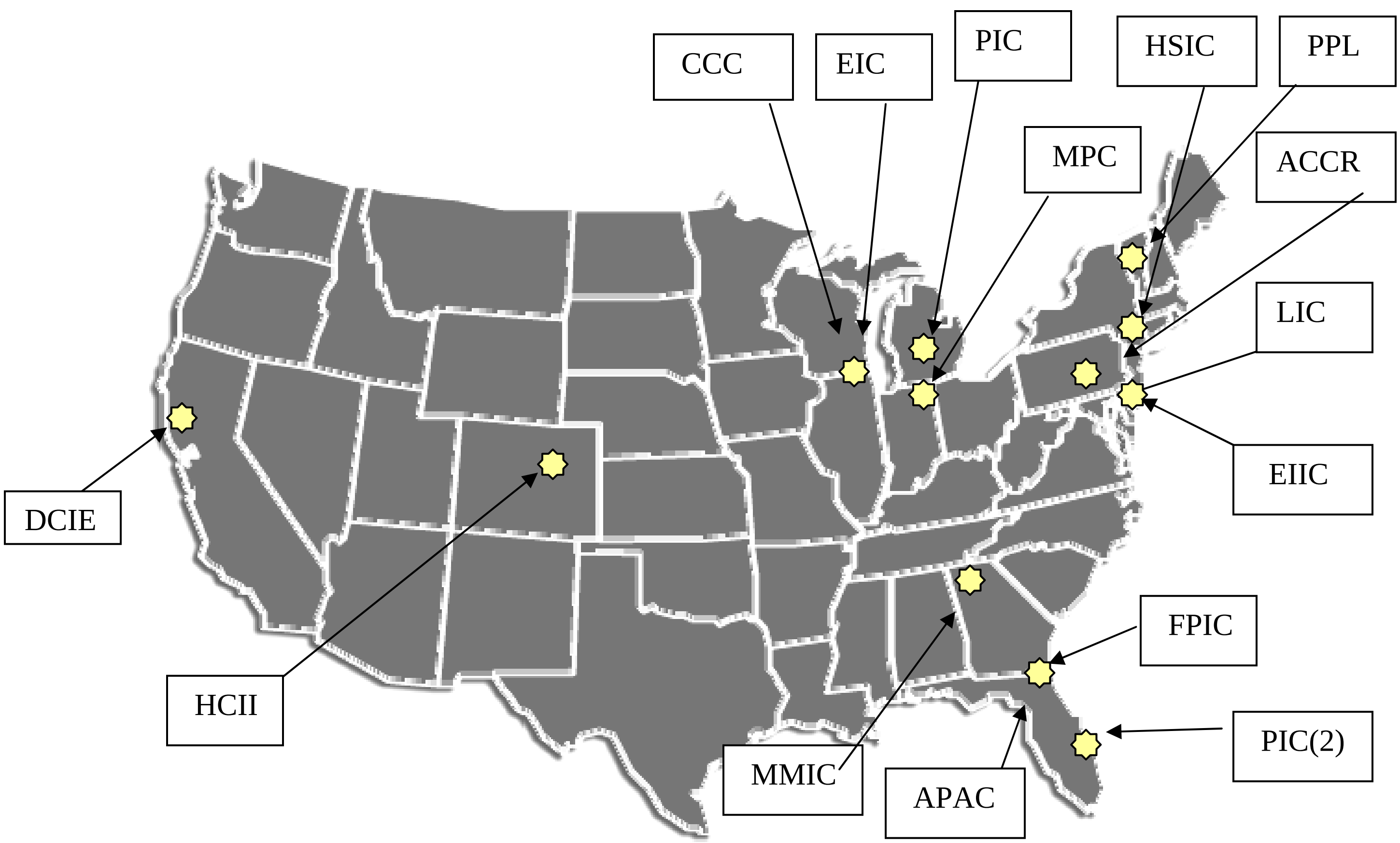
The list shows some differences in the market when compared to the sample firms in the 2005 Annual Report. For calendar year 2005, the period for this report, 15 insurers satisfied the 80% market share requirement while only 12 were required to meet the threshold in 2004, and 11 were required in 2003. This represents a 25% increase over 2004 in the number of companies competing for the bulk of the medical malpractice market.

Four companies are new to the list in this year's report --- # 10 American Casualty Co. of Reading, # 12 Physicians Professional Liability RRG, # 14 Hudson Specialty Insurance Co., and # 15 Physicians Insurance Co. One company dropped from the analysis ---

Continental Casualty Company which ranked 10th in the prior year's list. Another interesting finding is the total medical malpractice insurance premium for the state of Florida dropped in 2005 for the second consecutive year. In 2004, reported total gross medical malpractice insurance premiums in Florida were $860 million. In 2005, reported premiums fell to total was $849.6 million, representing a decline of 1%.

General Information about the Leading Medical Malpractice Insurance Writers

Twelve of the 15 companies are foreign; three are domestic insurers (FPIC, ANPAC and PIC(2)). Ten companies are fully licensed property & casualty writers in Florida; four have letters of eligibility to operate as surplus lines carriers (LIC, EIC, EIIC and HSIC), and one is a risk retention group (PPL). Finally, 13 are organized as stock companies; there is one mutual company (MMIC) and one reciprocal (DCIE). Geographically, these companies, based on their state of domicile, represent a diverse group, as shown on the following map:



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 companies that diversify by type of business (i.e. writing non-medical malpractice insurance), and by geographic region (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 15 companies. This table contains direct premium data only:

	Medical Malpractice			
Company	**Claims-Made**	**Occurrence**	**Work Comp.**	**Total All Lines**
FPIC	$227,139,220	$10,796,138	$0	$238,409,071
HCII	$0	$331,637,721	$0	$331,660,961
MMIC	$333,746,561	$18,774,700	$3,926,790	$360,612,580
PIC	$163,592,890	$10,954,568	$0	$182,883,352
LIC	$703,167,820	$15,513,107	$1,091,740	$5,020,961,382
DCIE	$395,948,336	$31,530,431	$0	$427,678,592
EIC	$162,651,116	$0	$0	$727,675,134
CCC	$173,971,452	$0	$0	$824,824,172
APAC	$28,593,170	$436,717	$3,114,531	$32,144,418
ACCR	$31,239,960	$113,761,205	$148,707,749	$697,728,969
MPC	$387,609,428	$278,576,011	$0	$669,946,905
PPL	$10,622,677	$0	$0	$10,622,677
EIIC	$51,575,808	$0	$0	$215,288,385
HSIC	$143,241,612	$0	$0	$231,625,915
PIC (2)	$8,883,144	$206,222	$0	$9,089,366

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

Other than HCII and ACCR, 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' medical malpractice 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** $215,690	GA $12,113	AR $8,969	PA $939	OH $234	$0
HCII	**FL** $111,555	TX $95,075	GA $10,659	NV $9,886	LA $8,894	$95,569
MMIC	GA $162,209	**FL** **$88,557**	NC $67,945	VA $14,359	AL $10,225	$352,521
PIC	**FL** **$57,521**	MI $42,953	IL $25,729	KY $21,413	NJ $15,388	$11,559
LIC	CA $72,349	NY $66,438	TN $64,129	NJ $46,583	**FL** **$43,228**	$425,954
DCIE	CA $153,785	OH $35,492	VA $33,844	**FL** **$32,102**	WA $31,596	$140,662
EIC	**FL** **$24,656**	CA $18,791	TX $10,588	NC $8,012	MI $6,556	$94,180
CCC	**FL** **$22,873**	TX $15,628	TN $9,491	WA $9,470	GA $9,106	$107,405
APAC	**FL** **$18,044**	TX $5,147	GA $1,984	AZ $1,718	AL $724	$1,416
ACCR	**FL** **$16,963**	CA $11,830	NY $10,887	PA $8,188	NJ $6,919	$90,213
MPC*	OH $95,626	TX $92,631	PA $91,116	KY $39,503	IN $38,223	$309,282
PPL	**FL** **$10,508**	IL $115				$0
EIIC	MI $13,951	**FL** **$10,035**	VA $6,149	MO $3,933	PA $3,350	$17,272
HSIC**	CA $22,895	IL $16,438	GA $13,692	OH 13,622	MS $12,591	$64,027
PIC (2)	**FL** **$9,053**	TX $36				

**MPC's Florida premium was $16,250.*
***HSIC's Florida premium was $9,829.*

For nine companies, Florida is the largest market *(last year only 4 of the 12 companies had Florida as its largest market)*. For 13 of the 15 companies, Florida ranks in the top five. Only for MPC (Medical Protective Co.) and HSIC (Hudson Specialty Ins. Co.) is Florida not in their top five markets for selling medical malpractice insurance. The companies that write the most premium in Florida do appear to have books of business that are geographically distributed. Except for PPL (Physicians Professional Liability) and PIC(2) (Physicians Insurance Co.), both of which write nearly all business in Florida, none of the other top companies write the majority of their business in Florida.

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 15 Medical Malpractice writers in Florida and for their other top state markets are listed below:

Company	State 1	State 2	State 3	State 4	State 5	State 6	All States
FPIC	**FL** 30%	GA 74%	AR 4%	PA 1017%	OH 947%		30%
HCII	**FL** 56%	TX 32%	GA 71%	NV 76%	LA 27%		43%
MMIC	GA 35%	**FL** 41%	NC 19%	VA 5%	AL 0%		31%
PIC	**FL** 12%	MI 13%	IL 19%	KY 4%	NJ 3%		16%
LIC	CA 10%	NY 7%	TN 13%	NJ 2%	**FL** 46%		14%
DCIE	CA 25%	OH 19%	VA 37%	**FL** 44%	WA 13%		32%
EIC	**FL** 23%	CA 22%	TX 43%	NC 3%	MI 23%		19%
CCC	**FL** 1%	TX 67%	TN 42%	WA 15%	GA - 3%		15%
APAC	**FL** 28%	TX 16%	GA 56%	AZ 0%	AL 4%		28%
ACCR	**FL** 32%	CA 19%	NY 23%	PA 14%	NJ 5%		32%
MPC*	OH 50%	TX 41%	PA 32%	KY 29%	IN 16%	**FL** **95%**	41%
PPL	**FL** 18%	IL 98%					19%
EIIC	MI 0%	**FL** **9%**	VA 16%	MO 53%	PA 62%		15%
HSIC**	CA 1%	IL 0%	GA 0%	OH 0%	MS 2%	**FL** **0%**	2%
PIC (2)	**FL** 5%	TX 0%					5%

Medical Malpractice Insurance Loss Ratios by State

The sample companies' operating experience in Florida for 2005 appears to be roughly in line with their experience in their other state markets. Of the 15 companies, six had loss ratios higher in Florida than their overall average, five had loss ratios lower in Florida than their average, and four reported the same loss ratios in Florida as the company's national average.

Another useful measure is the Defense Cost Containment (DCC) expense ratio. In general terms these are the 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 eight of the 15 companies; for six 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

Company	State 1	State 2	State 3	State 4	State 5	State 6	All States
FPIC	**FL 48%**	GA 106%	AR 13%	PA 1630%	OH 1790%		61%
HCII	**FL 80%**	TX 61%	GA 101%	NV 112%	LA 84%		72%
MMIC	GA 56%	**FL 56%**	NC 32%	VA 15%	AL 8%		48%
PIC	**FL 52%**	MI 54%	IL 41%	KY 16%	NJ 14%		50%
LIC	CA 15%	NY 9%	TN 15%	NJ 2%	**FL 52%**		18%
DCIE	CA 43%	OH 29%	VA 48%	**FL 66%**	WA 27%		49%
EIC	**FL 25%**	CA 23%	TX 44%	NC 3%	MI 23%		20%
CCC	**FL 2%**	TX 108%	TN 64%	WA 16%	GA - 3%		22%
APAC	**FL 46%**	TX 31%	GA 73%	AZ 5%	AL 29%		49%
ACCR	**FL 58%**	CA 32%	NY 37%	PA 28%	NJ 18%		38%
MPC*	OH 65%	TX 62%	PA 43%	KY 45%	IN 34%	**FL 143%**	60%
PPL	**FL 30%**	IL 98%					31%
EIIC	MI 14%	**FL 8%**	VA 21%	MO 56%	PA 66%		22%
HSIC**	CA 3%	IL 3%	GA 2%	OH 3%	MS 3%	**FL 1%**	4%
PIC (2)	**FL 13%**	TX 0%					13%

Balance Sheet Information

The following section pertains primarily to the "balance sheet" information for the top 15 writers of medical malpractice insurance in Florida. Ultimately, one of the important parts of this report is an analysis of the profitability of the insurers in the medical malpractice market 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 makes it difficult to assign profit by line, or by state.
With these restrictions, this report presents the data and analysis for these 15 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 statewide 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 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 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 as 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 could 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 summarizing both types of insurance for Florida’s top 15 writers follow:

Net Written Premium and Ceded Percentage
2005 Nationwide Data
OCCURRENCE

Cos.	Direct	Assumed	Gross	Ceded	Net	% Ceded
FPIC	$10,796,138	$886,323	$11,682,461	$3,534,407	$8,148,054	33%
HCII	$331,637,721	$132,561	$331,770,282	-$386,376	$332,156,658	0%
MMIC	$18,774,700	$0	$18,774,700	$2,628,458	$16,146,242	14%
PIC	$10,954,568	$655,545	$11,610,113	$44,443	$11,565,670	0%
LIC	$15,513,107	$8,666,298	$24,179,405	$8,047,881	$16,131,524	52%
DCIE	$31,530,431	$57,951	$31,588,382	$13,329,883	$18,258,499	42%
EIC	$0	$0	$0	$0	$0	0%
CCC	$0	$0	$0	$0	$0	0%
APAC	$436,717	$831,594	$1,268,311	$436,717	$831,594	100%
ACCR	$113,761,205	$0	$113,761,205	$113,761,205	$0	100%
MPC	$278,576,011	$2,037,567	$280,613,578	$474,894,295	-$194,280,717	170%
PPL	$0	$0	$0	$0	$0	0%
EIIC	$0	$0	$0	$0	$0	0%
HSIC	$0	$0	$0	$0	$0	0%
PIC (2)	$206,222	$0	$206,222	$108,007	$98,215	52%

Net Written Premium and Ceded Percentage
2005 Nationwide Data
CLAIMS-MADE

Cos.	Direct	Assumed	Gross	Ceded	Net	%
FPIC	$227,139,220	$38,444,978	$265,584,198	$90,249,098	$175,335,100	34%
HCII	$0	$12,972,035	$12,972,035	$629,575	$12,342,460	5%
MMIC	$333,746,561	$3,427,784	$337,174,345	$71,016,006	$266,158,339	21%
PIC	$163,592,890	$15,959,935	$179,552,825	$7,606,031	$171,946,794	4%
LIC	$703,167,820	$72,601,671	$775,769,491	$246,443,862	$529,325,629	32%
DCIE	$395,948,336	$70,027,624	$465,975,960	$29,789,188	$436,186,772	6%
EIC	$162,651,116	$17,131,638	$179,782,754	$42,858,666	$136,924,088	
CCC	$173,971,452	$3,758,642	$177,730,094	$177,730,094	$0	100%
APAC	$28,593,170	$17,888,715	$46,481,885	$28,593,170	$17,888,715	61%
ACCR	$31,239,960	$0	$31,239,960	$31,239,960	$0	100%
MPC	$387,609,428	$113,697	$387,723,125	$535,469,747	-$147,746,622	138%
PPL	$10,622,677	$0	$10,622,677	$2,436,626	$8,186,051	23%
EIIC	$51,575,808	$0	$51,575,808	$47,318,781	$4,257,027	92%
HSIC	$143,241,612	$0	$143,241,612	$131,571,280	$11,670,332	92%
PIC (2)	$8,883,144	$0	$8,883,144	$4,993,821	$3,889,323	56%

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
MPC	151%
ACCR	100%
CCC	100%
HSIC	92%
EIIC	92%
APAC	61%
PIC(2)	56%
FPIC	34%
LIC	32%
EIC	24%
PPL	23%
MMIC	21%
DCIE	9%
PIC	4%
HCII	0%

Two companies, Columbia Casualty Company (CCC), and American Casualty Co. of Reading (ACCR) cede all of their medical malpractice business to another company – albeit an affiliate company within the same management group. Medical Protective Company also cedes a vast majority of its business to an affiliate company, although it does cede a portion to a non-affiliate company. It is not clear why the data reported in MPC’s instance shows greater ceded business than directly written and assumed business.

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 for their direct writings:

Cos.	% Occurrence	% Claims-Made
EIIC	0%	100%
PPL	0%	100%
CCC	0%	100%
EIC	0%	100%
HSIC	0%	100%
PIC (2)	2%	98%
LIC	2%	98%
APAC	2%	98%
FPIC	5%	95%
MMIC	5%	95%
PIC	6%	94%
DCIE	7%	93%
MPC	42%	58%
ACCR	78%	22%
HCII	100%	0%

Twelve of the 15 leading writers in Florida write more than 90% of their direct medical malpractice insurance on a claims-made basis. In fact, five companies write exclusively claims-made medical malpractice insurance. Only Health Care Indemnity Inc. (HCII) writes exclusively occurrence type medical malpractice insurance in Florida.

Solvency

To assess the solvency of the medical malpractice companies, this report uses three ratios: 1) the net liability to surplus ratio; and 2) the net written premium to surplus ratio; and 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.

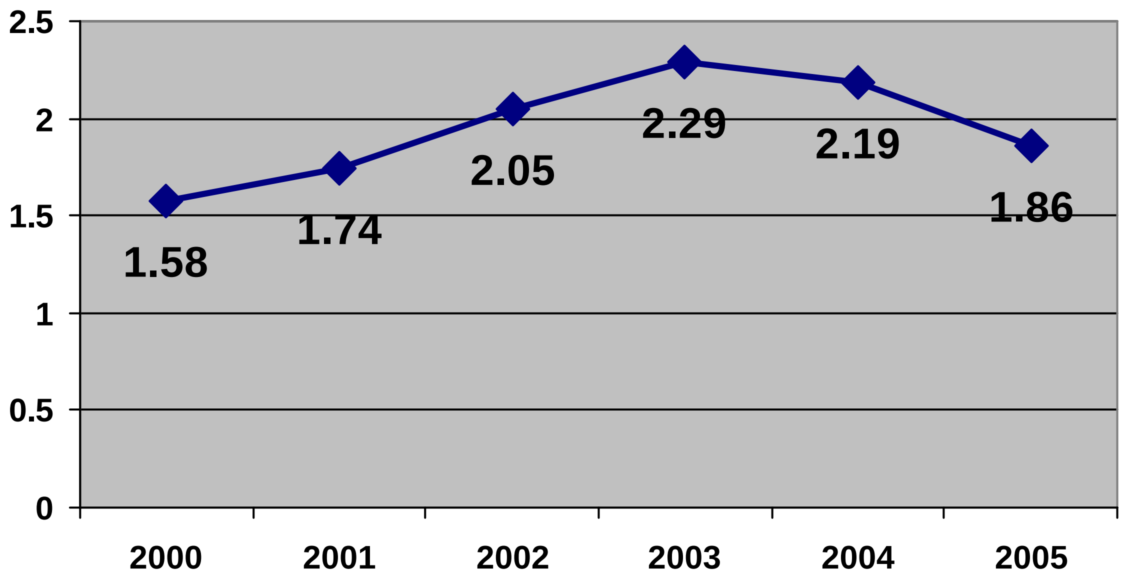
The first measure is the net liability to surplus ratio. "Net liability" is defined as the amount of losses plus loss adjustment expense for a given year. The data for the 15 sample companies are as follows:

Net Liability to Surplus Ratio
2005

Company	Ratio
EIC	2.34
PIC	2.21
LIC	2.13
MMIC	1.95
HCII	1.94
APAC	1.73
DCIE	1.73
FPIC	1.49
MPC	1.22
PPL	0.94
EIIC	0.58
PIC(2)	0.47
HSIC	0.23
CCC	0.00
ACCR	0.00

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 top 80% of the market over the past five years 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 dropped for the second year in a row.

The second important solvency ratio 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 straightforward 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 15 companies writing med-mal in Florida, very few are mono-line writers. 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 15 sample companies is shown below:

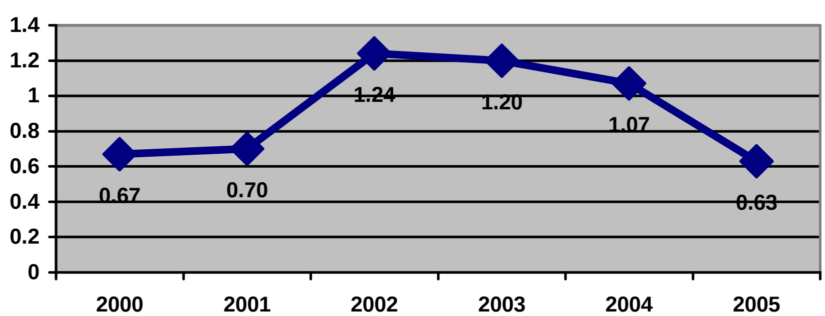
Net Liability to Surplus Ratio
2005

Company	Ratio
EIC	2.34
PIC	2.21
LIC	2.13
MMIC	1.95
HCII	1.94
APAC	1.73
DCIE	1.73
FPIC	1.49
MPC	1.22
PPL	0.94
EIIC	0.58
PIC(2)	0.47
HSIC	0.23
CCC	0.00
ACCR	0.00

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

The chart below provides a view of the trend of the average net written premium to surplus ratio for the majority of the Florida market over time:

Net Written Premium to Surplus Ratio



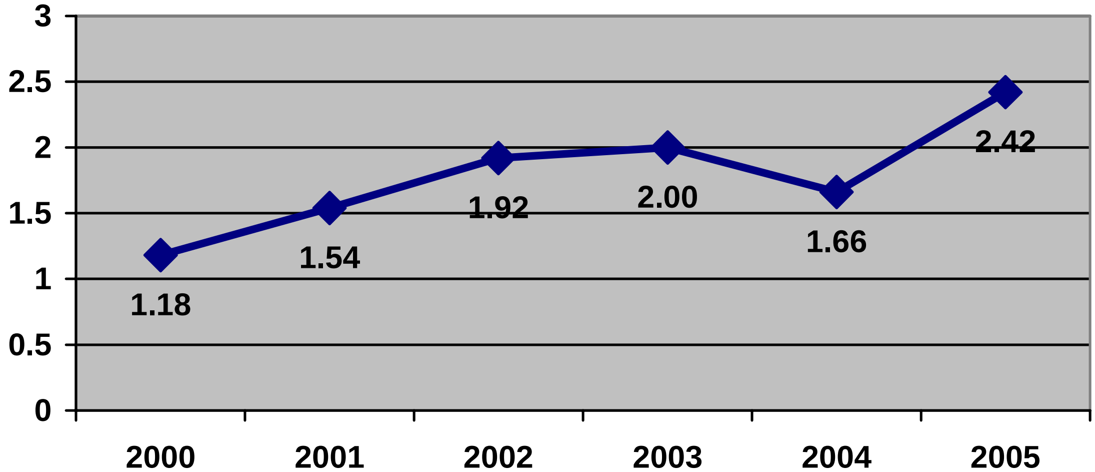
As the chart above shows, after a sharp increase in 2002, the net written premium to surplus ratio drifted downward in 2003, continued downward in 2004, and has dropped even more noticeably in 2005, returning nearly to the level observed in 2000. The ratio of 0.63 is comfortably in the range for solvency purposes, indicating a relatively large capital and surplus position to support the business written.

The third ratio is the gross written premium to surplus ratio. Gross written premium is defined as total direct written premium and assumed reinsurance premium. Section 624.4095 mandates these ratios be lower than 10:1 for admitted carriers while retaining the same insurance multipliers from the previous ratio. Gross premium is the direct written premium plus the assumed premium. The data for the 15 companies are below:

Company	Gross Written Premium to Surplus Ratio
FPIC	1.61
HCII	0.43
MMIC	1.69
PIC	0.62
LIC	2.43
DCIE	0.99
EIC	1.69
CCC	6.28
APAC	2.46
ACCR	6.64
MPC	1.18
PPL	0.88
EIIC	4.07
HSIC	3.46
PIC(2)	1.79

For consistency, the data above have not been adjusted by the requisite premium multipliers. Although Section 624.4095, Florida Statutes, only pertains to admitted carriers, not surplus lines carriers, even the surplus lines carriers are within the statutory ratios. The chart below tracks the trend of this ratio over time for the top 80% of med-mal writers in Florida:

Gross Premium to Surplus Ratio



The weighted total ratio for the 15 sample companies is 2.42, a 46% increase over the 2004 average. This weighted ratio is driven largely by CCC, which, as previously noted, cedes all of its business. As such, the gross premium to surplus ratio for them is high, and not truly reflective of the capital actually at risk. Overall, even with the increase observed in 2005, these ratios are well within the range of prudent solvency management, and do 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 15 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. Below are the Loss and LAE ratio for the 15 companies:

Loss & LAE Ratios
2005

Company	Ratio
MPC	103.1%
HCII	86.3%
MMIC	82.8%
LIC	82.7%
PIC	82.2%
PPL	78.8%
APAC	74.6%
FPIC	74.1%
DCIE	63.0%
EIIC	62.2%
HSIC	61.6%
EIC	55.0%
PIC(2)	48.1%
ACCR	NA
CCC	NA

As the tables show, there is substantial variation among the companies.

Another common measure of overall profitability is net income, and to make the number more meaningful, net income as a percentage 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 2005 for the 15 companies:

Return on Surplus
2005
(In 000s)

Company	Net Income	Surplus	Return on Surplus
FPIC	$9,926	$172,853	5.7%
HCII	$128,964	$800,309	16.1%
MMIC	$16,017	$215,503	7.4%
PIC	$32,027	$320,160	10.0%
LIC	$315,821	$2,564,850	12.3%
DCIE	$77,579	$503,159	15.4%
EIC	$119,193	$527,761	22.6%
CCC	$6,008	$131,968	4.6%
APAC	$2,002	$20,731	9.7%
ACCR	$2,900	$108,012	2.7%
MPC	$77,532	$571,331	13.6%
PPL	$623	$12,018	5.2%
EIIC	$4,076	$52,887	7.7%
HSIC	$9,893	$66,954	14.8%
PIC (2)	$476	$5,066	9.4%

As the data suggest, 2005 was a profitable year for the top 15 companies with an overall return on surplus of 13.2%; a rate that reflects a continued return to profitability but which does not indicate excess profits, or industry trouble. This is in addition to the 9.6% Return on Surplus achieved by the top 12 companies (encompassing 80% of the Florida med-mal premium) in 2004. However, over the past five years, the data following show that the return on surplus has been highly volatile; positive in 2002, 2004, and 2005 but providing negative returns in 2001 and 2003.

Return on Surplus
2001-2005

Year	2001	2002	2003	2004	2005
ROS	**(- 7 %)**	**19%**	**(- 12%)**	**10%**	**13%**

Finally, the analysis compares other commonly used financial ratios obtained from the 2005 income statements. These ratios include the combined ratio, as well as the operating ratio on a pre-tax and post-tax basis:

Financial Ratios
2005 Income Statement

Company	Combined Ratio	Operating Ratio (pre-tax)	Operating Ratio (post-tax)
EIIC	81.9%	64.2%	49.9%
PPL	109.3%	86.7%	81.0%
CCC	NA	NA	NA
EIC	87.4%	77.5%	72.0%
HSIC	43.0%	26.5%	6.6%
PIC (2)	83.3%	76.9%	67.6%
LIC	97.8%	86.8%	83.4%
APAC	96.8%	81.9%	75.6%
FPIC	95.4%	88.7%	83.4%
MMIC	99.0%	87.7%	81.4%
PIC	96.7%	79.0%	74.4%
DCIE	81.0%	76.9%	71.0%
MPC	76.9%	113.8%	91.5%
ACCR	NA	NA	NA
HCII	91.0%	69.4%	76.5%

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

Reserve Development

Another area that is important to examine, especially in medical malpractice insurance, is the reserve development experience. Since overall company solvency pertains more to the reserve development of the overall book of business, the development amounts shown below are for all lines of business. The reserve development data collected in the annual statutory financial statements are 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 15 sample companies is listed below:

Adverse / (Favorable) Reserve Development

Company	One Year Reserve Development 2005	2 Year Reserve Development 2005
EIIC	-$1,146	-$66
PPL	$979	$2,616
PIC(2)	-$33	$121
MPC	-$402,479	-$192,988
LIC	-$107,102	-$84,230
ACCR	$0	$0
CCC	$0	$0
FPIC	-$541	$19,345
DCIE	-$27,603	$33,021
EIC	-$43,284	-$38,657
HCII	-$159,534	-$194,038
HSIC	$203	$0
APAC	$123	$4,029
PIC	-$10,797	-$30,131
MMIC	-$15,132	-$11,465
Total:	(-$766,346)	(-$492,443)

When measured as either a one-year or two-year reserve development, the overall results suggest the same result; in aggregate, 2005 reserve development was favorable, stemming the unfavorable reserve development trend evidenced in the Florida market since 2001. Ten of the sample companies reported favorable one year reserve development and eight of the sample companies reported favorable two year reserve development. This favorable reserve development experience, if continued, could ease rate pressures in the Florida medical malpractice market.

Medical Malpractice Rate Filings in 2005

Admitted insurance companies writing medical malpractice insurance are required by law (627.062(7)(f), F.S) to submit a rate filing with the office at least once each calendar year and compliance with this requirement is monitored annually. In cases where underwriting factors do not indicate a change in rate, the company will provide a rate filing reflecting no change. These filings generally reflect the presumed factor of -7.8% for the experience before the enactment of Senate Bill 2-D in 2003, and their actual experience subsequent to the enactment.

The list below shows the rate filings that were approved in calendar year 2005 that contained rate change impacts. Please note that some of these rates did not take effect until 2006.

Company	Program	Insurer Filed Indicated Rate	Approved Statewide Rate Change	Approval Date
FIRST PROFESSIONALS INS CO	(P&S)	13.8%	8.0%	1/12/2005
NATIONAL UNION FIRE INS. CO. OF PITTSB	(Chiropractors)	46.4%	5.0%	1/27/2005
PACO ASSURANCE COMPANY, INC.	(Chiropractors)	9.2	8.9	2/10/2005
HEALTHCARE UNDERWRITERS GROUP OF FL	(P&S)	7.4%	7.4%	2/24/2005
MAG MUTUAL INSURANCE COMPANY	(P&S)	8.9%	8.9%	2/25/2005
PREFERRED PROFESSIONAL INS. CO.	(P&S)	36.5%	35.0%	3/3/2005
ANESTHESIOLOGISTS PROFESSIONAL ASSUR	(Anesth.)	0.0%	0.0%	3/14/2005
FLORIDA MEDICAL MALPRACTICE JUA	(Nurse Anesthetists)	19.0%	19.0%	3/14/2005
DOCTORS' CO, AN INTERINSURANCE EXCH	(P&S)	7.0%	5.0%	3/28/2005
CHICAGO INSURANCE COMPANY	(Home Healthcare)	22.7%	-29.2%	4/5/2005
CHICAGO INSURANCE COMPANY	(Nurse Practitioners)	20.0%	20.0%	4/19/2005
GRANITE STATE INSURANCE COMPANY	(HealthCare)	11.9%	5.9%	4/22/2005
HEALTH CARE INDEMNITY INC.	(Hospitals)	6.5%	-2.0%	4/22/2005
CHICAGO INSURANCE COMPANY	(Allied Health PG)	8.0%	8.0%	5/5/2005
CHICAGO INSURANCE COMPANY	(Physical Therapists)	136.5%	15.7%	5/5/2005
STATE FARM FIRE AND CASUALTY COMPANY	(Dentists)	-7.8%	-7.8%	5/26/2005
MEDICAL PROTECTIVE COMPANY	(P&S)	-9.4%	-8.7%	6/14/2005
AMERICAN CASUALTY CO OF READING, PE	(Nurses)	74.8%	37.1%	6/24/2005
CHICAGO INSURANCE COMPANY	(Dietitians)	-11.4%	-11.8%	6/24/2005
CONTINENTAL CASUALTY COMPANY	(Hospitals)	18.7%	18.7%	6/29/2005
AMERICAN INSURANCE COMPANY	(Dentists)	6.6	6.6	7/7/2005
FIRST PROFESSIONALS INS CO	(Dental)	-1.4%	-1.4%	7/7/2005
AMERICAN CASUALTY CO OF READING, PE	(P&S)	1.8%	1.8%	8/19/2005
CONTINENTAL CASUALTY COMPANY	(P&S)	1.8%	1.8%	8/19/2005
MEDICAL ASSURANCE COMPANY, INC.	(Hospitals)	130.0%	130.0%*	9/1/2005
PODIATRY INS CO OF AMERICA	(Podiatrist)	17.4%	9.5%	9/29/2005
INSURANCE SERVICES OFFICE (ISO)	(P&S)	3.8%	3.8%	11/3/2005
ANESTHESIOLOGISTS PROFESSIONAL ASSUR	(Anesth.)	0.0%	0.0%	11/16/2005
HEALTH CARE INDEMNITY INC.	(P&S)	-8.7%	-8.7%	11/17/2005
MEDICAL ASSURANCE COMPANY	(P&S)	0.7%	-0.7%	11/17/2005
PRONATIONAL INSURANCE COMPANY	(P&S)	1.9%	0.5%	11/17/2005
PREFERRED PROFESSIONAL INS. CO.	(P&S)	16.3%	6.0%	12/9/2005
CONTINENTAL CASUALTY COMPANY	(Chiropractors)	-7.0%	-7.0%	12/22/2005

P&S = Physicians and Surgeons.
** Rate reflects a single hospital policy*

While a number of the companies that comprise 80% of the market are included above, note the surplus lines companies are not included as they do not have to submit rate filings for approval or review file with the OIR, nor is Columbia Casualty which cedes 100% of its business.

It is difficult to compare rate increases across companies for different types of programs. As an illustration, the table below analyzes the most common program, medical malpractice insurance for physicians and surgeons (P&S), and compares the rate filings for this program to similar rate filings in 2004:

Year	P&S Filings Approved	Avg. Rate Request	Avg. Rate Approved
2005	5	8.0%	7.0%
2004	16*	28.6%	9.2%

** Two of these filings accepted the standard -7.8% rate adjustment factor. The data in this table are based on the remaining 14 filings.*

These averages are of limited usefulness as many rule filings do not include rate increases but are filed for compliance, and, moreover, "rate increases" cannot be calculated for new programs. In addition, these data do not provide insight into relative price pressures within specific physician specialties. 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 October 1, 2005 to October 1, 2006 eight (8) "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 October 1, 2005 to October 1, 2006 the following companies entered the medical malpractice insurance market in Florida:

Company Name	Authority*	Authorized Date
Centurion Medical Liability	RRG	08/25/2006
Clinical Trials Reciprocal	RRG	11/21/2005
Florida Doctors Insurance	P&C	11/03/2005
National Medical Professional Risk	RRG	08/24/2006
Physhield Insurance Exchange	RRG	06/08/2006
Physicians Indemnity Risk	RRG	10/04/2006
Physicians Purchasing Group	RPG	04/27/2006
Samaritan Risk Retention Group	RRG	05/21/2006

** 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. As two of these companies were authorized in November of 2005, and the remainder in 2006, the impact of their business operations will not be available until the end of 2006 when the year-end annual statements are prepared and filed.

Analysis of the Closed Claim Database

The Office of Insurance Regulation (OIR) collects closed claim data reported by the insurers. For the purposes of the report, all claims closed during the period January 1, 2005 to December 31, 2005 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 2005, it is likely the occurrence date and/or report date of a specific claim 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 2005, the average difference between occurrence and when the claim was filed was 491 days, and the difference between when a claim was filed and when the claim was closed was 855 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 or the entire universe of outstanding claims. As well, trend in either the amount of time to close a claim or in the amount of claim payments cannot be systematically evaluated.

To satisfy the statutory requirements of Section 627.912(6)(b)&(c), Florida Statutes, this portion of the report is divided into two sections: 1.) The statewide data; and, 2.) The data for the 15 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 to be populated by the submitting entities, portions of the analysis below may not match the total number of closed claims due to blank fields submitted by insurance companies. In 2005, the Florida medical malpractice insurance companies reported 3,753 closed claims in Florida. Of these, 1,955 claims were filed by females, while 1,798 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 2005 includes the following:

Location	Frequency of Claims	Percentage of Claims
Hospital Inpatient Facility	**1840**	**49.03%**
Physician's Office	**801**	**21.34%**
Emergency Room	**416**	**11.08%**
Other Outpatient Facility	**173**	**4.61%**
Other location	**139**	**3.70%**
Hospital Outpatient Facility	**138**	**3.68%**
Patient's Home	**80**	**2.13%**
Prison	**68**	**1.81%**
Other Hospital/Institution	**67**	**1.79%**
Nursing Home	**31**	**0.83%**

The data show the largest number of claims came from hospital inpatient facilities, which together with physician’s office and emergency room comprise over eighty percent of all claims closed in 2005.

Severity

The reporting data also contains a field to populate 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, missed 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 2005:

Severity Code	Frequency of Claims
1	**201**
2	**193**
3	**614**
4	**323**
5	**526**
6	**316**
7	**245**
8	**157**
9	**1,176**

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 2005 are:

	County	Frequency of Claims
1	**Dade**	**403**
2	**Broward**	**347**
3	**Palm Beach**	**249**
4	**Hillsborough**	**244**
5	**Pinellas**	**243**
6	**Orange**	**153**
7	**Duval**	**123**
8	**Brevard**	**85**
9	**Volusia**	**84**
10	**Lee**	**83**

There was at least one closed claim in 64 of Florida's 67 counties.

Companies with the Most Closed Claims

The table below lists the frequency of closed claims by company in 2005 as reported to the closed claim database for those companies with the highest frequencies in the database. Note, however, that this listing is not complete as there are 56 records that do not list an insurer. These records are for claims closed by entities that "self-insure"; often hospitals and provider networks. The companies with the most reported closed claims in 2005 are:

Rank	Company	Frequency of Claims
1	**First Professionals Ins Co**	712
2	**Health Care Ind Inc**	497
3	**Pronational Ins Co**	283
4	**Medical Protective Co**	211
5	**MAG Mut Ins Co**	210
6	**Lexington Ins Co**	201
7	**Truck Ins Exch**	158
8	**Doctors Co An Interins Exchn**	128
9	**American Physicians Assur Corp**	83
10	**Continental Cas Co**	75
11	**American Healthcare Ind Co**	65
12	**TIG Ins Co**	61
13	**Podiatry Ins Co Of Amer A Mut Co**	53
14	**Everest Ind Ins Co**	51
15	**Clarendon Natl Ins Co**	44
16	**St Paul Fire & Marine Ins Co**	44
17	**Columbia Cas Co**	37
18	**Anesthesiologists Pro Assur Co**	35
19	**Fortress Ins Co**	26
20	**Physicians Professional Liabilty RRG**	25
21	**Commonwealth Ins Co Of Amer**	21
22	**Chicago Ins Co**	20
23	**Preferred Professional Ins Co**	18
Tie(24)	**Cincinnati Ins Co**	16
Tie(24)	**Firemans Fund Ins Co**	16
Tie(24)	**American Intl Specialty Lines Ins Co**	16
Tie(27)	**Medical Assur Co Inc**	15
Tie(27)	**American Equity Ins Co**	15

The companies in bold are among the 15 companies comprising 80% of the direct written premium in Florida in 2005. As the data show, although these companies are in the top 15 of direct written premium calculations, they are not all in the top 15 for closed claims in 2005. 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 three or four years ago. However, the 15 companies selected for analysis in this report still represent a majority percentage of the total closed claims.

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 reported closed in 2005 are as follows:

Category	Amount
Amount Paid to Plaintiffs	$492,869,563
Loss Adjustment Expense	$133,984,552
Other Expenses	$50,088,039

The total of these three categories, $676,942,154, represents the total amount paid by insurance companies (and self-insurance companies) for claims settled in 2005. It is important to remember that in many instances, approximately 51% of the time, the closed claims showed payments of $0 to the plaintiff. However, even in these instances, it is likely the insured still incurred loss adjustment expenses, 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 reported in the 2005 closed claims indicate the following:

Category	Amount
Economic:	
Insured's medical loss	$79,965,795
Insured's economic wage loss	$12,651,556
Insured's economic other loss	$12,425,620
Insured's estimated future medical loss	$239,261,764
Insured's estimated future wage loss	$54,969,039
Insured's estimated future other loss	$48,995,926
Total Economic damages	**$448,269,730**
Non-Economic	
Total Non-Economic damages	**$203,589,745**

There are some caveats to consider when reading this data. First, while conceptually the economic and non-economic damage total above should equal the total amount paid to the plaintiff presented previously, clearly the sums are different. The amounts in the table above sum to approximately $652 million. This total is about $25 million (or slightly less than 4%) lower than the $676 million previously reported. One possible reason for the discrepancy pertains to the forward looking estimates included in the economic damages above. Differences in methodologies for equating current dollar losses to future losses for reporting purposes can easily skew the results away from the conceptual equality of the two totals.

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 reported data with no estimates, leaving these fields blank.

Assuming the numbers are accurate within the noted limitations, $448 million of the amount paid to plaintiffs (or 69%) are for “economic” damages, while $204 million of the amount paid to plaintiffs (or 31%) are for non-economic damages.

Closed Claims for the 15 Largest Florida Writers

Throughout this report, the focus has been on the top 15 leading writers of medical malpractice in the state of Florida in 2005. This section provides an analysis of the timing sequence involved in reporting and closing a claim, as well as the amounts paid from 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. Also note that American Casualty Company of Reading (ACCR) reported no closed claims in 2005.

The Timing of the Claim

As noted earlier, there are two main time sequences important to the resolution of a claim: 1) The amount of time between the incident occurrence and the reporting of the claim to the insurance company; and 2) The amount of time between reporting the claim, and the final disposition of the claim. For these two elements, the 15 leading writers of medical malpractice insurance in Florida reported the following average times:

Company	Days from Occurrence To Report	Days from Report to Disposition	Total Days
FPIC	**536**	**858**	**1,394**
HCII	**309**	**648**	**957**
MMIC	**512**	**743**	**1,255**
PIC	**592**	**1179**	**1,771**
LIC	**407**	**505**	**912**
DCIE	**643**	**830**	**1,473**
EIC	**349**	**830**	**1,179**
CCC	**296**	**630**	**926**
APAC	**414**	**1185**	**1,599**
ACCR	**NA**	**NA**	**NA**
MPC	**550**	**962**	**1,512**
PPL	**484**	**473**	**957**
EIIC	**435**	**527**	**962**
HSIC	**320**	**648**	**968**
PIC(2)	**619**	**439**	**1,058**

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. 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	Number of claims	Payment to Plaintiff	Percentage
FPIC	712	613	86.10%
HCII	497	493	99.20%
MMIC	210	147	70.00%
PIC	283	257	90.81%
LIC	201	187	93.03%
DCIE	128	118	92.97%
EIC	10	8	80.00%
CCC	37	30	81.08%
APAC	35	35	100.00%
ACCR	0	0	NA
MPC	211	187	88.63%
PPL	25	11	44.00%
EIIC	51	43	84.31%
HSIC	2	2	100.00%
PIC (2)	9	9	100.00%

Severity Codes

With respect to the claims closed by the sample companies in 2005, an analysis of the severity codes for each claim is provided below. The majority of the claims closed by the 15 sample companies in 2005 were in the severe (codes 7-9) or moderate (codes 4-6) as shown below:

Company	Low Severity (1-3)	Moderate Severity (4-6)	High Severity (7-9)
FPIC	153	278	281
HCII	144	161	192
MMIC	34	68	108
PIC	57	104	122
LIC	86	39	76
DCIE	31	37	60
EIC	1	2	6
CCC	11	8	18
APAC	7	6	22
ACCR	0	0	0
MPC	100	37	74
PPL	2	6	17
EIIC	20	10	21
HSIC	0	0	2
PIC(2)	2	5	3

Payment Amounts

Companies are also required to report payment amounts. As noted previously, not all companies provided a segregation of payments between economic and non-economic loss, therefore, no summary of that distinction can be provided here. The claims reported closed by the sample companies in 2005 resulted in the following claim payments:

Company	Total Paid	LAE	Other
FPIC	$53,842,475	$15,987,923	$9,751,635
HCII	$65,393,142	$13,587,869	$6,876,455
MMIC	$32,191,799	$488,311	$1,291,541
PIC	$6,818,100	$12,351,188	$6,590,511
LIC	$34,461,038	$3,209,058	$127,129
DCIE	$9,003,499	$1,636,807	$3,829,307
EIC	$1,102,500	$2,062,894	$0
CCC	$3,600,000	$723,255	$184,051
APAC	$4,240,503	$1,823,150	$875,432
ACCR	NA	NA	NA
MPC	$18,322,548	$7,117,485	$3,427,457
PPL	$1,729,000	$0	$0
EIIC	$2,094,264	$988,784	$411,782
HSIC	$625,000	$157,844	$0
PIC(2)	$495,000	$277,915	$119,263

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
Income Statement Information -- Top 15 Companies

Statement of Income, 2005 Statutory Annual Statements

	LIC	HSIC	PIC
Premiums earned	$3,199,681,398	$18,476,530	$195,520,644
Losses incurred	$2,316,291,646	$10,379,614	$25,098,467
Loss expenses incurred	$330,699,421	$1,007,151	$135,632,887
Other underwriting expenses incurred	$483,409,205	-$3,446,976	$28,354,862
Aggregate write-ins for underwriting deductions	$0	$0	$0
Total underwriting deductions	$3,130,400,272	$7,939,789	$189,086,216
Net income of protected cells	$0	$0	$0
Net underwriting gain (loss)	$69,281,126	$10,536,741	$6,434,428
Net investment income earned	$357,037,009	$3,036,030	$33,414,321
Net realized capital gains (losses) less capital gains tax	$10,373,713	$1,248,199	-$184,352
Net investment gain (loss)	$367,410,722	$4,284,229	$33,229,969
Net gain (loss) from agents' or premium balances charged off	-$4,792,164	$0	$0
Finance and service charges not included in premiums	$0	$0	$0
Aggregate write-ins for miscellaneous income	$1,601,769	$0	$1,213,215
Total other income	-$3,190,395	$0	$1,213,215
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$433,501,453	$14,820,970	$40,877,612
Dividends to policyholders	$0	$0	$0
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$433,501,453	$14,820,970	$40,877,612
Federal and foreign income taxes incurred	$117,680,616	$4,928,139	$8,850,166
Net income	$315,820,837	$9,892,831	$32,027,446
Surplus as regards policyholders; December 31 prior year	$2,226,150,944	$57,982,589	$241,824,698
Net income	$315,820,837	$9,892,831	$32,027,446
Net transfers (to) from protected cell accounts	$0	$0	$0
Change in net unrealized capital gains or (losses) less capital gains tax	$67,514,913	-$1,131,393	$47,751,315
Change in net unrealized foreign exchange capital gain (loss)	$0	$0	$0
Change in net deferred income tax	$61,849,019	$278,247	-$138,448
Change in nonadmitted assets	$67,970,646	-$68,410	-$1,069,289
Change in provision for reinsurance	-$68,093,391	$0	-$236,000
Change in surplus notes	$0	$0	$0
Surplus (contributed to) withdrawn from protected cells	$0	$0	$0
Cumulative effect of changes in accounting principles	$0	$0	$0
Capital changes paid in	$0	$0	$0
Capital changes transferred from surplus (stock dividend)	$0	$0	$0
Capital changes transferred to surplus	$0	$0	$0
Surplus adjustments paid in	$0	$0	$0
Surplus adjustments transferred to capital (stock dividend)	$0	$0	$0
Surplus adjustments transferred from capital	$0	$0	$0
Net remittances from or (to) home office	$0	$0	$0
Dividends to stockholders	-$13,000,000	$0	$0
Change in treasury stock	$0	$0	$0
Aggregate write-ins for gains and losses in surplus	-$93,363,044	$0	$0
Change in surplus as regards policyholders for the year	$338,698,980	$8,971,275	$78,335,024
Surplus as regards policyholders; December 31 current year	$2,564,849,924	$66,953,864	$320,159,722
L+LAE ratio	82.73%	61.63%	82.21%
expense ratio	15.11%	-18.66%	14.50%
NII +OtherIncome Ratio	11.06%	16.43%	17.71%
Pre-Tax Operating Ratio	86.78%	26.54%	79.00%
Tax and Cap Gains Ratio	3.35%	19.92%	4.62%
Post-Tax Operating Ratio	83.42%	6.62%	74.38%

Statement of Income, 2005 Statutory Annual Statements

	APAC	DCIE	FPIC
Premiums earned	$16,836,008	$449,816,620	$164,961,075
Losses incurred	$3,725,827	$181,159,699	$51,195,986
Loss expenses incurred	$8,833,676	$102,245,592	$71,067,590
Other underwriting expenses incurred	$3,739,497	$80,764,821	$35,181,226
Aggregate write-ins for underwriting deductions	$0	$0	$0
Total underwriting deductions	$16,299,000	$364,170,112	$157,444,802
Net income of protected cells	$0	$0	$0
Net underwriting gain (loss)	$537,008	$85,646,508	$7,516,273
Net investment income earned	$2,392,359	$37,364,855	$10,938,775
Net realized capital gains (losses) less capital gains tax	-$2,381	$12,984,745	-$124,694
Net investment gain (loss)	$2,389,978	$50,349,600	$10,814,081
Net gain (loss) from agents' or premium balances charged off	$0	$0	-$76,962
Finance and service charges not included in premiums	$124,492	$1,150	$261,535
Aggregate write-ins for miscellaneous income	$0	-$19,019,714	$0
Total other income	$124,492	-$19,018,564	$184,572
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$3,051,478	$116,977,544	$18,514,926
Dividends to policyholders	$0	$0	$0
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$3,051,478	$116,977,544	$18,514,926
Federal and foreign income taxes incurred	$1,049,631	$39,398,478	$8,588,743
Net income	$2,001,847	$77,579,066	$9,926,183
Surplus as regards policyholders; December 31 prior year	$14,839,829	$405,582,912	$145,402,294
Net income	$2,001,847	$77,579,066	$9,926,183
Net transfers (to) from protected cell accounts	$0	$0	$0
Change in net unrealized capital gains or (losses) less capital gains tax	-$43,821	$13,612,010	$2,825,591
Change in net unrealized foreign exchange capital gain (loss)	$0	$0	$0
Change in net deferred income tax	$735,485	$6,847,230	$4,830,644
Change in nonadmitted assets	-$570,236	-$1,428,662	-$2,928,796
Change in provision for reinsurance	-$3,232,251	$966,414	-$309,000
Change in surplus notes	$0	$0	$0
Surplus (contributed to) withdrawn from protected cells	$0	$0	$0
Cumulative effect of changes in accounting principles	$0	$0	$0
Capital changes paid in	$0	$0	$0
Capital changes transferred from surplus (stock dividend)	$0	$0	$0
Capital changes transferred to surplus	$0	$0	$0
Surplus adjustments paid in	$7,000,000	$0	$13,106,356
Surplus adjustments transferred to capital (stock dividend)	$0	$0	$0
Surplus adjustments transferred from capital	$0	$0	$0
Net remittances from or (to) home office	$0	$0	$0
Dividends to stockholders	$0	$0	$0
Change in treasury stock	$0	$0	$0
Aggregate write-ins for gains and losses in surplus	$0	$0	$0
Change in surplus as regards policyholders for the year	$5,891,024	$97,576,058	$27,450,978
Surplus as regards policyholders; December 31 current year	$20,730,854	$503,158,970	$172,853,272
L+LAE ratio	74.60%	63.00%	74.12%
expense ratio	22.21%	17.96%	21.33%
NII +OtherIncome Ratio	14.95%	4.08%	6.74%
Pre-Tax Operating Ratio	81.86%	76.88%	88.70%
Tax and Cap Gains Ratio	6.25%	5.87%	5.28%
Post-Tax Operating Ratio	75.61%	71.01%	83.42%

Statement of Income, 2005 Statutory Annual Statements

	MPC	EIC	HCII
Premiums earned	-$215,028,527	$706,639,216	$342,980,093
Losses incurred	-$184,146,947	$292,598,621	$205,226,276
Loss expenses incurred	-$37,539,721	$95,909,630	$90,828,225
Other underwriting expenses incurred	$56,326,242	$229,357,365	$16,112,329
Aggregate write-ins for underwriting deductions	$0	$0	$0
Total underwriting deductions	-$165,360,426	$617,865,616	$312,166,830
Net income of protected cells	$0	$0	$0
Net underwriting gain (loss)	-$49,668,101	$88,773,600	$30,813,263
Net investment income earned	$74,605,991	$69,869,690	$70,246,692
Net realized capital gains (losses) less capital gains tax	$4,156,151	$7,910,545	$35,361,590
Net investment gain (loss)	$78,762,142	$77,780,235	$105,608,282
Net gain (loss) from agents' or premium balances charged off	-$1,519,907	$0	$0
Finance and service charges not included in premiums	$695,044	$0	$0
Aggregate write-ins for miscellaneous income	$5,483,744	$0	$3,727,536
Total other income	$4,658,881	$0	$3,727,536
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$33,752,922	$166,553,835	$140,149,081
Dividends to policyholders	$0	$0	$0
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$33,752,922	$166,553,835	$140,149,081
Federal and foreign income taxes incurred	-$43,779,405	$47,360,793	$11,184,679
Net income	$77,532,327	$119,193,042	$128,964,402
Surplus as regards policyholders; December 31 prior year	$510,821,586	$512,494,535	$767,776,963
Net income	$77,532,327	$119,193,042	$128,964,402
Net transfers (to) from protected cell accounts	$0	$0	$0
Change in net unrealized capital gains or (losses) less capital gains tax	$5,695	-$15,972,684	-$14,447,812
Change in net unrealized foreign exchange capital gain (loss)	$0	$0	$0
Change in net deferred income tax	-$40,623,848	$2,979,691	-$10,800,372
Change in nonadmitted assets	$24,022,339	-$211,567	$3,836,779
Change in provision for reinsurance	-$427,581	$0	-$21,000
Change in surplus notes	$0	$0	$0
Surplus (contributed to) withdrawn from protected cells	$0	$0	$0
Cumulative effect of changes in accounting principles	$0	$0	$0
Capital changes paid in	$0	$0	$0
Capital changes transferred from surplus (stock dividend)	$0	$0	$0
Capital changes transferred to surplus	$0	$0	$0
Surplus adjustments paid in	$0	$0	$0
Surplus adjustments transferred to capital (stock dividend)	$0	$0	$0
Surplus adjustments transferred from capital	$0	$0	$0
Net remittances from or (to) home office	$0	$0	$0
Dividends to stockholders	$0	-$89,329,862	-$75,000,000
Change in treasury stock	$0	$0	$0
Aggregate write-ins for gains and losses in surplus	$0	-$1,391,963	$0
Change in surplus as regards policyholders for the year	$60,508,932	$15,266,657	$32,531,997
Surplus as regards policyholders; December 31 current year	$571,330,518	$527,761,192	$800,308,960
L+LAE ratio	103.10%	54.98%	86.32%
expense ratio	-26.19%	32.46%	4.70%
NII +OtherIncome Ratio	-36.86%	9.89%	21.57%
Pre-Tax Operating Ratio	113.76%	77.55%	69.45%
Tax and Cap Gains Ratio	22.29%	5.58%	-7.05%
Post-Tax Operating Ratio	91.47%	71.97%	76.50%

Statement of Income, 2005 Statutory Annual Statements

	PPL	CCC	ACCR	EIIC
Premiums earned	$8,188,413	$0	$0	$19,030,100
Losses incurred	$3,905,740	$0	$0	$7,768,682
Loss expenses incurred	$2,545,045	$0	$0	$4,073,150
Other underwriting expenses incurred	$1,905,591	$0	$0	$3,747,035
Aggregate write-ins for underwriting deductions	$596,926	$0	$0	$0
Total underwriting deductions	$8,953,302	$0	$0	$15,588,867
Net income of protected cells	$0	$0	$0	$0
Net underwriting gain (loss)	-$764,889	$0	$0	$3,441,233
Net investment income earned	$628,829	$4,531,168	$1,991,677	$3,426,511
Net realized capital gains (losses) less capital gains tax	-$65,758	$11,762	$908,426	-$21,101
Net investment gain (loss)	$563,071	$4,542,929	$2,900,103	$3,405,410
Net gain (loss) from agents' or premium balances charged off	$0	$0	$0	-$1,331
Finance and service charges not included in premiums	$0	$0	$0	$0
Aggregate write-ins for miscellaneous income	$1,226,275	$1,464,575	$0	-$59,939
Total other income	$1,226,275	$1,464,575	$0	-$61,270
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$1,024,457	$6,007,504	$2,900,103	$6,785,373
Dividends to policyholders	$0	$0	$0	$0
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$1,024,457	$6,007,504	$2,900,103	$6,785,373
Federal and foreign income taxes incurred	$401,611	$0	$0	$2,709,568
Net income	$622,846	$6,007,504	$2,900,103	$4,075,805
Surplus as regards policyholders; December 31 prior year	$10,922,233	$124,850,175	$102,425,375	$49,660,203
Net income	$622,846	$6,007,504	$2,900,103	$4,075,805
Net transfers (to) from protected cell accounts	$0	$0	$0	$0
Change in net unrealized capital gains or (losses) less capital gains tax	-$53,969	$269,067	$2,469,839	-$43,785
Change in net unrealized foreign exchange capital gain (loss)	$0	$0	$0	$0
Change in net deferred income tax	$152,412	-$6,672,399	$2,778,220	$460,692
Change in nonadmitted assets	$104,701	$7,513,421	-$2,561,286	-$1,265,969
Change in provision for reinsurance	$0	$0	$0	$0
Change in surplus notes	$0	$0	$0	$0
Surplus (contributed to) withdrawn from protected cells	$0	$0	$0	$0
Cumulative effect of changes in accounting principles	$0	$0	$0	$0
Capital changes paid in	$269,540	$0	$0	$0
Capital changes transferred from surplus (stock dividend)	$0	$0	$0	$0
Capital changes transferred to surplus	$0	$0	$0	$0
Surplus adjustments paid in	$0	$0	$0	$0
Surplus adjustments transferred to capital (stock dividend)	$0	$0	$0	$0
Surplus adjustments transferred from capital	$0	$0	$0	$0
Net remittances from or (to) home office	$0	$0	$0	$0
Dividends to stockholders	$0	$0	$0	$0
Change in treasury stock	$0	$0	$0	$0
Aggregate write-ins for gains and losses in surplus	$0	$0	-$593	$0
Change in surplus as regards policyholders for the year	$1,095,530	$7,117,593	$5,586,284	$3,226,743
Surplus as regards policyholders; December 31 current year	$12,017,764	$131,967,768	$108,011,658	$52,886,946
L+LAE ratio	78.78%	NA	NA	62.23%
expense ratio	30.56%	NA	NA	19.69%
NII +OtherIncome Ratio	22.66%	NA	NA	17.68%
Pre-Tax Operating Ratio	86.69%	NA	NA	64.23%
Tax and Cap Gains Ratio	5.71%	NA	NA	14.35%
Post-Tax Operating Ratio	80.98%	NA	NA	49.88%

Statement of Income, 2005 Statutory Annual Statements

	PIC(2)	MMIC
Premiums earned	$3,462,161	$269,082,926
Losses incurred	$847,001	$147,504,837
Loss expenses incurred	$819,046	$75,399,911
Other underwriting expenses incurred	$1,216,264	$43,571,822
Aggregate write-ins for underwriting deductions	$0	$0
Total underwriting deductions	$2,882,311	$266,476,570
Net income of protected cells	$0	$0
Net underwriting gain (loss)	$579,850	$2,606,356
Net investment income earned	$175,470	$25,861,043
Net realized capital gains (losses) less capital gains tax	-$1,682	$576,352
Net investment gain (loss)	$173,788	$26,437,395
Net gain (loss) from agents' or premium balances charged off	$0	$0
Finance and service charges not included in premiums	$43,742	$4,019,091
Aggregate write-ins for miscellaneous income	$0	$489,678
Total other income	$43,742	$4,508,769
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$797,380	$33,552,520
Dividends to policyholders	$0	$0
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	$797,380	$33,552,520
Federal and foreign income taxes incurred	$321,153	$17,535,821
Net income	$476,227	$16,016,699
Surplus as regards policyholders; December 31 prior year	$4,602,851	$194,947,740
Net income	$476,227	$16,016,699
Net transfers (to) from protected cell accounts	$0	$0
Change in net unrealized capital gains or (losses) less capital gains tax	$0	$10,875
Change in net unrealized foreign exchange capital gain (loss)	$0	$0
Change in net deferred income tax	$46,847	$6,158,761
Change in nonadmitted assets	-$59,495	-$1,747,482
Change in provision for reinsurance	$0	$0
Change in surplus notes	$0	$0
Surplus (contributed to) withdrawn from protected cells	$0	$0
Cumulative effect of changes in accounting principles	$0	$116,525
Capital changes paid in	$600,000	$0
Capital changes transferred from surplus (stock dividend)	$0	$0
Capital changes transferred to surplus	$0	$0
Surplus adjustments paid in	-$600,000	$0
Surplus adjustments transferred to capital (stock dividend)	$0	$0
Surplus adjustments transferred from capital	$0	$0
Net remittances from or (to) home office	$0	$0
Dividends to stockholders	$0	$0
Change in treasury stock	$0	$0
Aggregate write-ins for gains and losses in surplus	$0	$0
Change in surplus as regards policyholders for the year	$463,579	$20,555,378
Surplus as regards policyholders; December 31 current year	$5,066,430	$215,503,117
L+LAE ratio	48.12%	82.84%
expense ratio	35.13%	16.19%
NII +OtherIncome Ratio	6.33%	11.29%
Pre-Tax Operating Ratio	76.92%	87.74%
Tax and Cap Gains Ratio	9.32%	6.30%
Post-Tax Operating Ratio	67.60%	81.44%