



Connecticut Insurance Department
October 22, 2008

Current Business Environment

Alternative Risk Market

- **Includes captives, risk retention groups (RRG's) and trusts**
- **All are different forms of self insurance**
- **Over 4,000 captive companies and RRG's formed worldwide (60% of Fortune 500 companies)**
- **Most not in U.S. because of state insurance laws (capital requirements and rate regulation)**
- **Bermuda, Cayman Islands and Vermont are most popular domiciles**

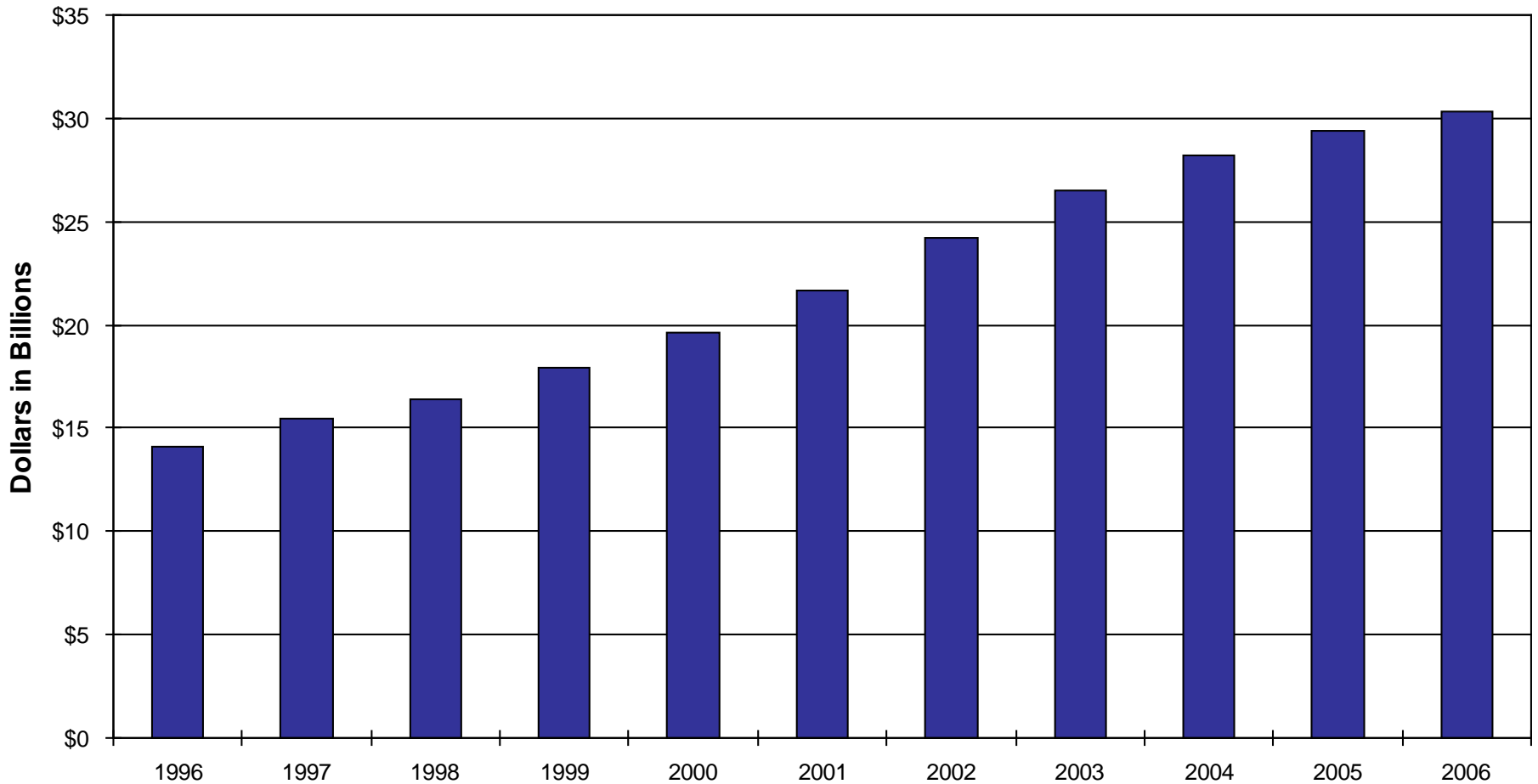
Major Advantages of Self Insurance

- **Cost Savings**
 - No commercial insurance profit factor
 - Typically lower overhead than commercial
- **Overfunding is returned to shareholders**
- **Insurance policy flexibility**
- **Linking malpractice loss costs with loss prevention/patient safety programs**

Review of CT Med Mal Market

- **Connecticut insurance market stable but not competitive.**
- **Recent high verdicts creating volatility.**
- **2 major writers comprise 48% of the market (CMIC and ProSelect).**
- **Physician carrier rates for top multi line writers have not increased in last 3 years.**
- **Third largest writer is a Risk Retention Group (RRG) representing 22% of the premium.**
- **Surplus lines and RRGs are writing 37% of the business, consistent with their market share over the last 6 years.**
- **Appears CT has some of the highest average claims in nation.**

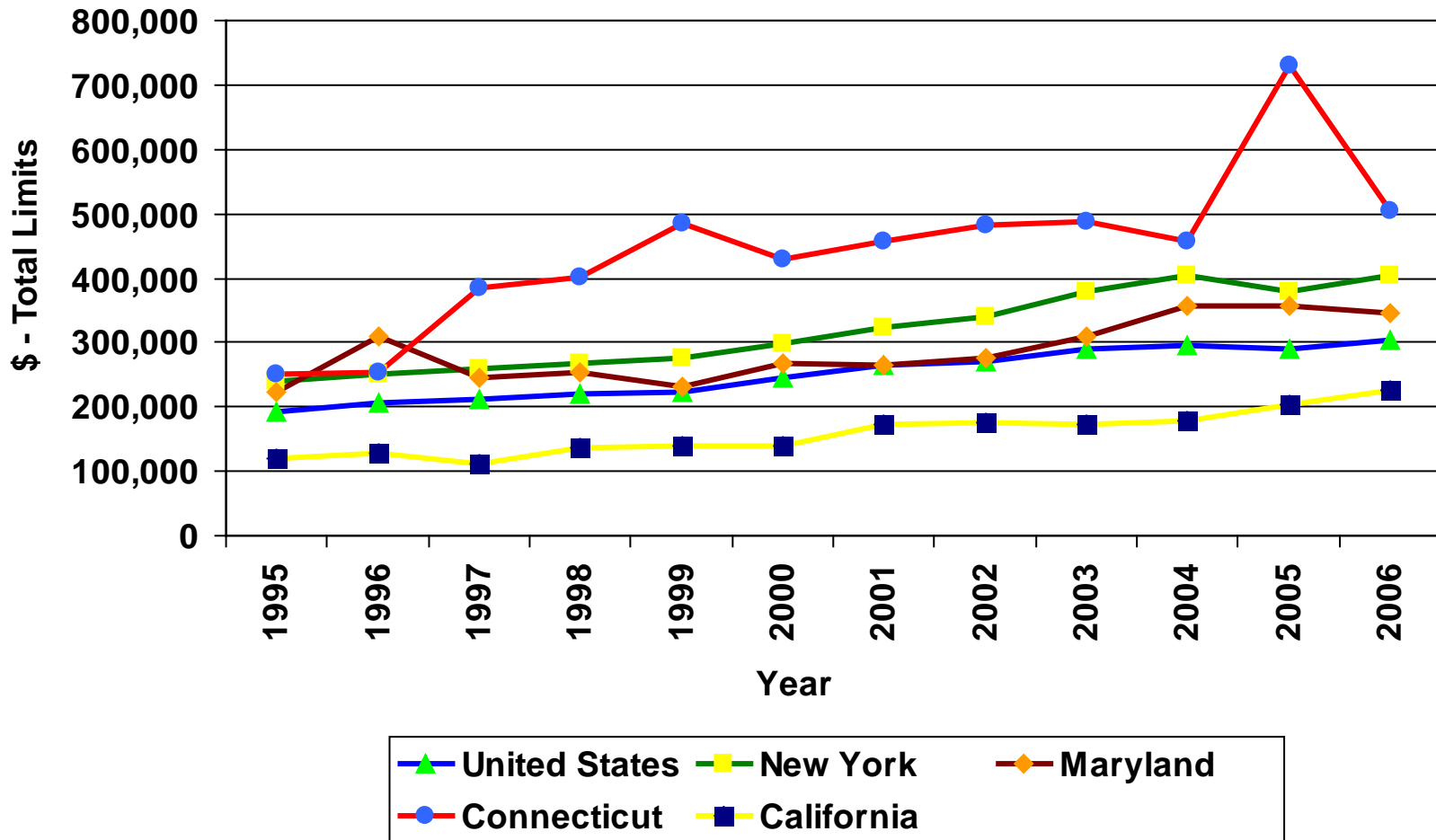
Total U.S. Cost for Medical Malpractice



* Sources: Tillinghast-Towers Perrin, US Bureau of Labor Statistics, Insurance Information Institute

Average Claim Severity

National Practitioner Data Bank @ 12/2006



How Rates are Promulgated

- Rates are file and use if less than 7.5% (+/-).
- If 7.5% or greater then prior approval.
- All med mal rate filings regardless of percentage treated on a priority basis by the Department.
- 2 carriers filed rate requests in 2007
 - 24.2% decrease with Med Pro
 - Doctor's Company requests 7.1% increase;