

Why have medical indemnity insurance premiums been increasing in recent years?

Medical indemnity premiums have increased in Australia and overseas in recent years in response to higher claims costs and higher operational costs generally. Some of the key factors impacting higher costs are explained below.

As a doctor owned, not-for-profit organisation, MDA National has and will continue to make every effort to minimise the impact of higher costs on Members' premiums. This includes a sophisticated data-led pricing approach that seeks to set premiums in alignment with a Member's individual risk as well as a disciplined approach to ensuring operational costs are minimised.

What economic factors contribute to premiums?



General inflation

The impact of inflation which increases the costs associated with running the business and costs generally that are built into the calculation of claims settlements.



Medical inflation

The impact of increasingly higher costs specifically associated with long term medical care, which are built into the calculation of claims settlements.



Wage inflation

Wage increases in response to inflation result in a direct increase in the cost of claims as future earnings are built into the calculation of claims settlements.



Social inflation

The medical profession has become a focus for a more litigious society supported by aggressive plaintiff lawyers operating on a no win, no fee basis.



Specialty specific impacts

Increases in claims costs have been more pronounced in some specialties e.g. Neurosurgery, Orthopaedic surgery, and Cosmetic procedures.



Reinsurance costs

Increasing reinsurance costs globally, driven by adverse weather events, inflation, global geo-political risks and the impact of social inflation across all insurance lines.

How medical indemnity works

Insurance works by pooling together the premiums of all of our Members. When a Member experiences a financial loss because of a medical negligence claim that is brought against them (as defined by the Professional Indemnity Insurance Policy), they make a claim to access the premium pool to cover that loss.

Some Members may never need to make a claim, although data shows that at least **65% of doctors will experience a claim** at least once in their career.



Premiums are collected and pooled together.



A claim is brought against a Member.



Member makes a claim to access the premium pool.

- ▶ Every Member benefits from the peace of mind knowing that the premium pool is full and they are protected if a medical negligence claim is brought against them that results in financial loss.
- ▶ Every Member has the opportunity to claim from the premium pool.

A few things to be mindful of:

- ▶ A claim includes a solicitors Writ, the need to respond to Ahpra or other bodies, or an investigation initiated by a hospital.
- ▶ Claims cover the costs associated with any payments to plaintiffs (e.g. patients) as well as legal defence costs associated with defending a case.
- ▶ A medical negligence claim can be brought against a doctor many years after the event that triggered the case has occurred.
- ▶ The need to make a claim is not necessarily a reflection of the quality of a doctor's practice. Many cases are assessed as being above standard of care by doctors on the MDA National Cases Committee.

Understanding how we calculate premiums

Ensuring the premium pool is full to cover all future claims is important to providing peace of mind to all Members. This includes:

- ▶ Adequate reserves or surplus of funds above what is required to cover all unforeseen circumstances.
- ▶ Collecting the right level of premium from all Members.

Determining what premium is required from Members collectively each year is based on what is required to:



Cover the cost of claims (including projected claims costs).



Cover the operational costs of running the insurance business.



Adjustment for any income/loss that arises from investing the pool funds.

The premium individual Members contribute is not the same. There are **several factors that broadly determine what is a fair contribution a Member should pay**, based on the likelihood and potential cost of a future claim they may require from the premium pool.

Reducing the impacts on our Members

We continue to take steps to ensure that we reduce the impacts on our Members:

- ✓ We have reduced our operating costs significantly in recent years (our expense ratio is now below industry standard). This has been done without impacting MDA National's market leading service offering.
- ✓ We do not pay bonuses to staff.
- ✓ We do not pay dividends to shareholders, unlike privately owned medical indemnity providers.
- ✓ We have introduced a more sophisticated, data driven and granular pricing approach.
- ✓ We have implemented an active program to manage and minimise the risk and future claims costs of High-risk Members who have been identified as needing specific tailored assistance to manage their personal profile.
- ✓ As a doctor-owned organisation, we will continue to advocate on behalf of our Members and the profession, through the Insurance Council of Australia and other bodies.

Continuing to support you in the moments that matter

We have been protecting our Members with unwavering support and advice for over 95 years and want to ensure that we are able to continue this same level of support well into the future.

Premium increases will not impact on the quality of service, advice and support MDA National provides to you, our Member. We exist solely to support and protect our Members, and to promote good medical practice. Our Members will continue to be at the heart of everything that we do.

Relevant. Responsive. Confidential. Always by your side.

As an MDA National Member, if you have a claim brought against you, we will be with you every step of the way.

MDA National has **helped over 42,000 Members with medico-legal advice** in the last 5 years.



Tips on how to help reduce your risk

Visit mdanational.com.au/renewal/tips

Why choose MDA National

With the persistent increase in frequency and rising cost of claims, there has never been a more crucial time to have a strong, caring, reputable medical defence organisation by your side, who will protect your reputation in the event of a claim being made against you.

Our immediate priority will always be to provide timely, practical and expert medico-legal support and advice, when you need it most. With MDA National, you have the support of industry-leading doctors, lawyers and medical defence experts who are just a click or phone call away. Our highly experienced team are always ready and available to provide you with personalised medico-legal advice—on call in emergencies.

Providing protection to our Members for over 95 years, we remain committed to supporting you in the moments that matter, so you can keep on practising with confidence and providing outstanding patient care.

- ▶ **Expert advice**
- ▶ **Individualised support**
- ▶ **Unwavering Member care**
- ▶ **Comprehensive protection**
- ▶ **Owned by Members, run for Members**



By your side today, and into the future.

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