



2021 Proposed Professional Liability Rating Changes

Background

There is perhaps no industry more dynamic than healthcare. Rapid advances in technology continue to shape the scope and availability of professional services. Furthermore, larger societal changes are influencing expectations of the healthcare system as well jury impressions on how to best indemnify poor patient outcomes in the courtroom. The practice of dentistry is certainly impacted by these changes. Over the last 20 years, we witnessed the blossoming of innovative dental treatments including chairside use of CAD/CAM based restorative dentistry, digital radiography, elective cosmetic dermal fillers as well as the wide-scale deployment of new implant surgery techniques. We have also seen a dramatic rise in the severity of dental professional liability claims. While the expansion of surgical dental services is correlated with a rise in severity, it is also part of a trend in all of U.S. healthcare that sees increased indemnity payments affected by social inflation (monetary desensitization) and targeted litigation against healthcare providers.

PPP and Procedure-Based Rating

In the past, the PPP responded to changes in the dental profession in various ways. At times, the PPP was on the forefront of recognizing and embracing expansion of dental services— as was the case with our stance on elective cosmetic dermal fillers. Other times, we have been content to sit back and let the greater insurance marketplace chart a course. That position characterized our approach to procedure-based rating (PBR). Procedure-based rating is the professional liability insurance market's response to the expansion of surgical procedures (notably impacted tooth extractions and implant surgeries) performed by general dentists across the country. We were one of the last carriers to focus on procedures, we did not employ PBR until 2015.

A PPP study conducted in 2016 showed that nearly 4 out of every 10 claim dollars spent from 2011 – 2015 were related to claims involving impacted tooth extractions and implant surgeries. This was a staggering 30% increase from the prior 5 year period. In response to this worsening loss experience in the Program, the PPP moved forward with a 3% base rate increase plus new procedure-based rating classifications that assessed premium based on procedures. The changes began in early 2017. A four-tiered classification system was eventually implemented as follows:

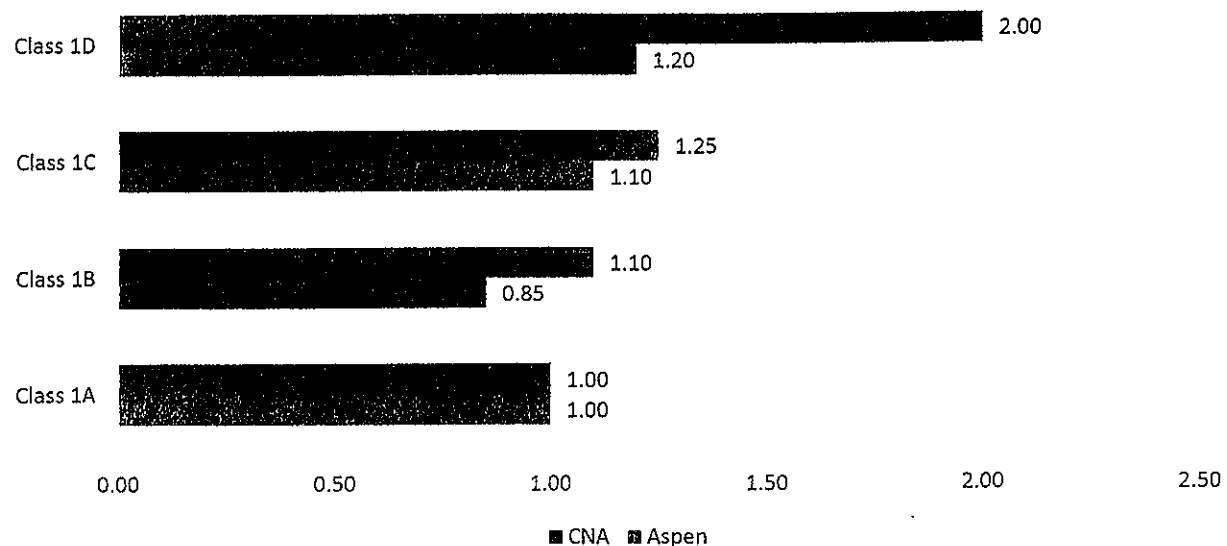
Class	Description	Rating Factor
Class 1A	General Dentist - no procedures	1.00
Class 1B	General Dentist - Molar Endodontics	1.10
Class 1C	General Dentist - Implant Surgery and/or Partially Impacted Extractions	1.25
Class 1D	General Dentist - Fully Impacted Extractions	2.00

Later in 2017, the PPP commenced the transition from CNA to Aspen. Aspen adopted a moderated approach to procedure-based rating as well as introduced a class for Orthodontics at a reduced rate. Furthermore, Aspen rolled back the 3% overall rate increase that had started earlier in the year. Their revised class plan is below.

Class	Description	Rating Factor
Class 1A	General Dentist - no procedures	1.00
Class 1B	Orthodontics	0.85
Class 1C	General Dentist Performing single minor surgical procedure	1.1
Class 1D	General Dentist Performing multiple minor or major surgical procedure	1.20

The following chart illustrates the differences between the two plans:

2017 CNA vs. Aspen Procedure Base Rating



Current Program Analysis

Today, nearly 4 years later, the good news is that we have access to more data than ever before that can be used to support appropriate based rates and procedure-based rating factors. Unfortunately, a recent analysis of our Program conducted by Aspen showed that the professional liability loss experience for the Program is considerably off from target. This is true despite premium increases taken in 2020 into the first half of 2021. Of note, two major factors are impacting the overall book of business:

- The loss ratio for dentists performing surgical procedures (such as implants and fully impacted tooth extractions) is still very poor. Losses attributed to these procedures still outpace the needed premium for them by a wide margin.
- Overall claim severity is rising. The Program continues to see an increase in allegations of malpractice resulting in the death of a patient. We also see enlarging indemnity payments with 6 and 7 figure settlements taking place in more and more jurisdictions.

2021 Professional Liability Rating Changes

After careful consideration, we have elected to move forward with several revisions to our professional liability rate plan to properly address the aforementioned challenges. These changes are pending and subject to state regulatory approvals. The plan is multi-faceted and designed to implement rate increases where supported by our own experience. We are also mindful of the competition. These rate increases will be primarily focused on dentists performing surgical procedures, who according to our research, are currently paying considerably more premiums in most of the rest of the marketplace (anywhere from 30 – 100% more). Below is a summary of the plan:

1. **Base Rate Changes**

Take base rate increases anywhere from 2% – 4.5% depending on each state's individual loss experience.

2. **Class 1D Factor**

Increase the rating factor for Class 1D by 10% (goes from 1.20 to 1.32). Class 1D is the segment of dentists performing multiple minor or major surgical procedures (implants and impacted tooth extractions)

3. **ILF Rating Changes**

Increase the rating factor associated with increasing liability limits higher than \$1M/\$3M. These factors are original to the Program and have not changed since the 1980s. Claim severity has risen dramatically since the 1980s and these changes will put our pricing for higher limits in better alignment with the possibility of a large loss (greater than \$1M).

The Future Is Bright

We are confident that this plan will better align our premiums with our losses and position us for continued growth and influence in the dental profession.

In addition to rate changes, we will implement a more refined risk management strategy aimed at those dentists performing surgical procedures. Our hope is to better prevent claims through targeted patient safety seminars.

The future is bright with the PPP and we look forward to continued partnership with all of our stakeholders.