

DATE: October 31, 2013

TO: All Interested Parties

FROM: Michael F. Consedine
Insurance Commissioner 

SUBJECT: Additional Medical Malpractice Basic Insurance Capacity

In accordance with Section 711 of the Medical Care Availability and Reduction of Error (Mcare) Act of 2002 (the "Act" or "Act 13"), the Pennsylvania Insurance Department (Department) has conducted a study to determine whether sufficient "additional basic insurance coverage capacity" in the medical malpractice insurance marketplace exists to allow a step-up of the statutorily based limit in 2014. The medical malpractice basic coverage limits are currently at \$500,000 per claim, but may be increased to \$750,000 per claim in 2014 if the Commissioner finds that additional basic insurance coverage capacity is available.

While there have been positive changes with regard to capacity in the marketplace since the enactment of Act 13 in 2002, there are a number of factors in the current marketplace that may have a material impact on capacity levels, including: the uncertainty of the impact of the Affordable Care Act on hospitals and healthcare providers; the large market share of companies that do business exclusively or almost exclusively in Pennsylvania; the growth of risk retention groups since 2004 and their possible need to raise capital to support higher limits; and the potential impact on costs to policyholders.

Based on the review and analysis of the Department and its consultant, PricewaterhouseCoopers, it cannot be determined that additional basic insurance coverage capacity is available given the market uncertainties. Accordingly, there will be no increase in the current basic coverage limits for calendar year 2014.