

# Inflation added \$4 billion to medical malpractice losses in a decade, TDC study finds

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Economic and social inflation has added nearly \$4 billion in insured losses and expenses to the medical malpractice insurance market over the past decade, a study by the Doctors Company found.



The physician-owned medical malpractice insurer said this represented 11% of booked losses over the 10 years ending 2024 and increased from the \$2.4 billion to \$3.5 billion, or 8% to 11%, found in 2023 research, which studied the impact of social inflation on medical malpractice claims for the decade ending in 2021.

"The average of the top 50 medical malpractice verdicts was \$32 million in 2022, \$48 million in 2023, and an alarming \$56 million in 2024," said TDC Group President Robert E. White Jr.

Third-party litigation financing, as a potential driver of social inflation, is projected to cost insurers between \$13 billion and \$25 billion in the next five years, while claims exceeding \$2 million have increased more than tenfold since 1990, the study found.

They began growing in 2014, paused in 2020 and 2021 due to the pandemic, and started rising again in 2023.

The rises were as a result of social inflation because they were after adjusting for economic inflation, the study said. Social inflation is when an insurer's average claim amount grows faster than overall inflation rate.

## Annual change consumer price index - all urban



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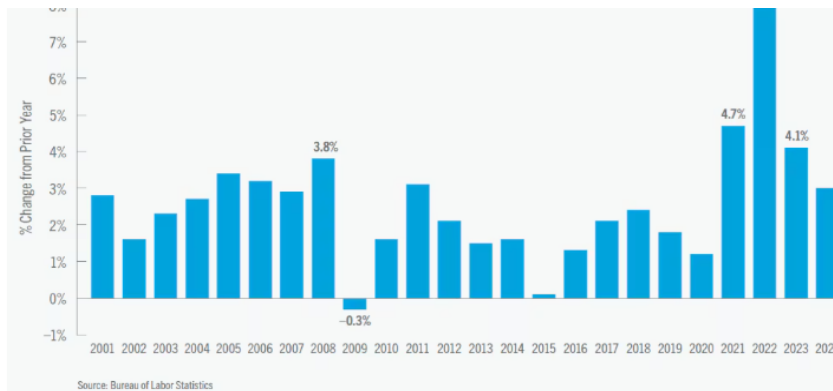
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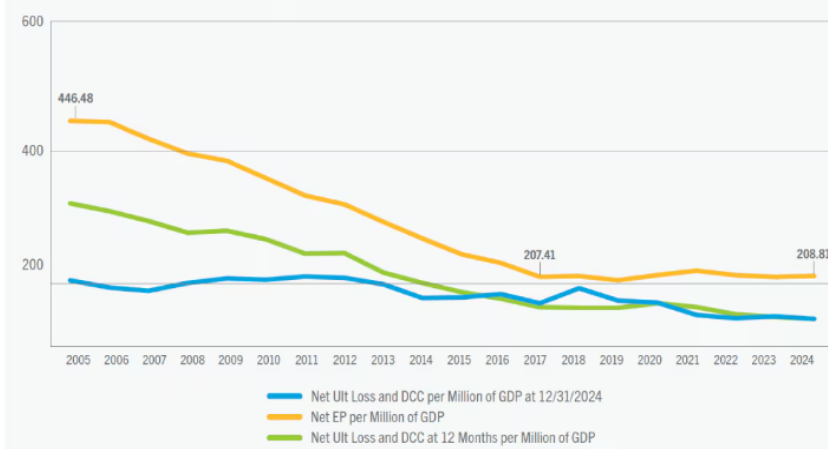
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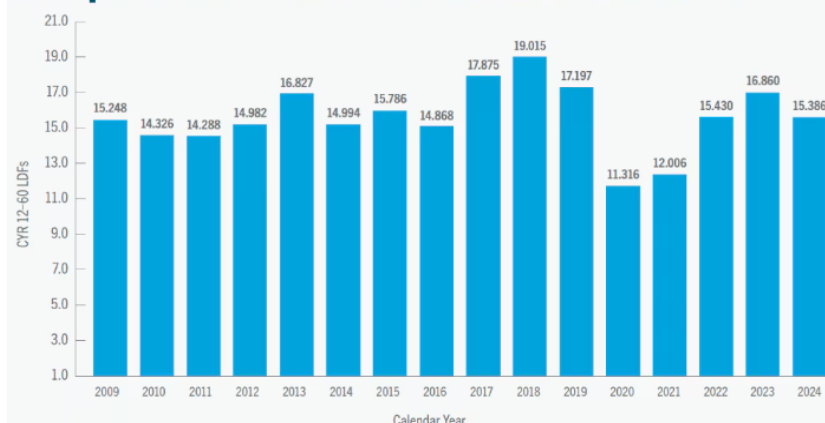
The report said that the industry has seen "adverse development" in four out of the last six calendar years, except the pandemic years of 2020 and 2021.

## Premium and losses in medical malpractice business



Medical malpractice insurers posted an underwriting loss of -10% of direct premiums earned in 2023, compared with underwriting margins of -8.2% in 2021 and -2.5% in 2022. It compared with the 10-year average of -6.6%.

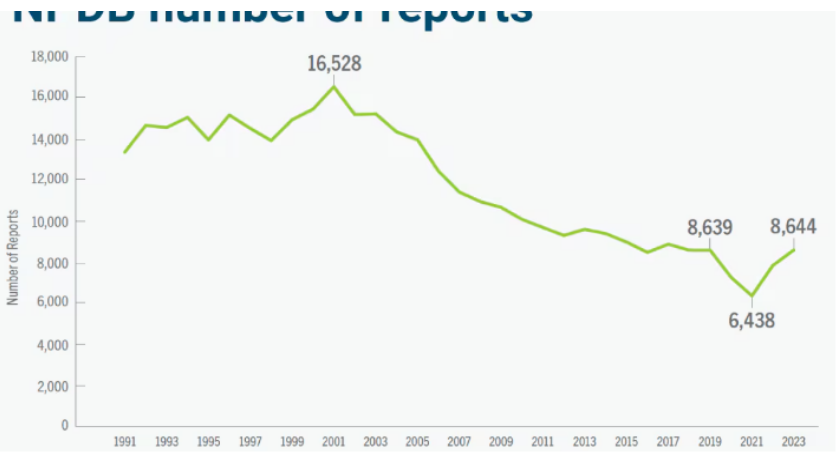
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The decline in 2020 and 2021 was attributed to a slowdown in litigation due to the pandemic. However, the calendar year ratio for factors from 12 to 60 months post-pandemic is "significantly" higher than the pandemic years.

The report attributed this to a catch-up on the backlog created by the pandemic due to the slowdown in litigation and the increasing economic inflation.

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