

# **The Effects of Tort Reform on Medical Malpractice Insurers' Ultimate Losses**

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## **Abstract:**

Whereas the literature evaluating the effect of tort reforms has focused on the impact of reforms on insurers' reported incurred losses, this article examines the ultimate effects of reforms using the developed losses from a comprehensive sample of insurers writing medical malpractice insurance from 1984 to 2003. Noneconomic damages caps are particularly influential in reducing medical malpractice losses and increasing insurer profitability. The long-run effects of these reforms are greater than insurers' expected effects; for example, 5- and 7-year developed loss ratios are below the initially reported incurred loss ratios for those years following the enactment of noneconomic damages caps. Analyses of reported losses consequently understate the ultimate effects of tort reforms. The quantile regressions show that reforms have the greatest effects for the firms that are at the high end of the loss distribution

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