

CAYMAN ISLANDS.  
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# THE SCIENCE AND ART OF RESERVING A MEDICAL MALPRACTICE CLAIM

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# OVERVIEW OF AN ACTION-PACKED SESSION

**Welcome! We have an action-packed hour today!**

**We will spend the first half discussing and learning some of the considerations required for setting meaningful reserves.**

**We will spend part of the second half with all of you working to provide a reserve recommendation for a case.**

**We will take the last part of the hour to talk about the different reserve results you all reach.**

# IMPORTANCE OF RESERVING

We talk about reserving in captives in many different ways.

The actuaries need the reserving to be consistent and adequate;

The excess carriers base reporting triggers on the amount of indemnity reserves;

Auditors look at reserves for excess carriers;

Your Board of your captive program looks at the to be sure there is enough money in the program.

# IT SOUNDS PRETTY SIMPLE TO SAY:

**Reserves are important so we all know what needs to be paid out of the captive and what will need to be paid as cases mature over time.**

## IN REALITY:

**Reserving and more importantly – reserving a program well – is anything but simple.**

**When you combine the responsibility of setting reserves with an insurance line like Medical Malpractice, where there is the chance of lightning strike verdicts in most States**

**It can be a daunting task.**

# PART SCIENCE . PART ART

The setting of indemnity reserves is part science and part art.

**Indemnity Reserve = (Total Potential Damages) x  
(Anticipated % of Liability of insured)**

# SCIENCE PART – TOTAL INCURRED

These are objective factors about a case that can be determined and quantified in the case which affect the value of the case overall.

**Such as:**

Information about the Claimant (Age; married; children, etc.)

Medical Bills (past and future)

Lost Wages

Allegations made

Strength of the Plaintiff's expert

Are there other Defendants

Who benefits from any payments

Is there a lien

# SIMPLE RIGHT?

Well, that was the “Science” part of setting a reserve.

Now let’s look at the “Art” of Setting a Reserve



# ART PART – ANTICIPATED % OF LIABILITY

These are subjective factors about a case that can drive the value of a case up or down.

## Such as:

### Jurisdiction (Examples)

Tort reform? Caps?

Who is the judge assigned to the case?

Who is Plaintiff's counsel in the case?

### Case Specific Factors (Examples)

Is there negligence?

Are we the target defendant?

Are there potential evidentiary issues?

Is our Defendant likeable?

Is the Plaintiff Sympathetic

Is there an ~~ack~~ Factor+to the case?

### Captive Specific Considerations (Examples)

Reserve philosophies (reserve PCEs?)

Defense philosophy . early resolution v. defend to trial

# WORKSHOP PORTION

**Now let's Put These Together and set a reserve!**

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