Gallagher

Healthcare Market Report

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Hospital Professional Liability Insurance – Market Outlook

Loss severity will continue to be the primary force shaping hospital professional liability terms for healthcare systems over the coming years. While claim frequency has generally stabilized or declined, the severity of outcomes has increased materially. This disconnect between frequency and severity has fundamentally altered the risk profile for insurers serving hospitals and large healthcare systems.

As a result, insurers active in this segment are being forced to adopt more disciplined and restrictive underwriting approaches in order to remain sustainable. These measures increasingly include reduced limit capacity, higher attachment points, increased pricing and tighter control over aggregate exposures. Pressure on client retention levels is expected, particularly where loss experience, venue or exposure growth challenges insurer profitability assumptions.

At the same time, the plaintiff's bar has become increasingly aggressive, often pursuing record-setting verdicts. The continued rise in nuclear verdicts has contributed to a more adversarial environment. In response, healthcare organizations should adopt more disciplined and proactive defense strategies that focus not only on protecting financial outcomes but also on safeguarding reputation, provider morale and public trust.

Many hospital professional liability insurers have now implemented new minimum underwriting thresholds designed to prioritize long-term profitability over premium growth. In several cases, this has resulted in the contraction of books of business. For healthcare systems, this translates into heightened pressure on deductible and self-insured retention levels, especially for risks viewed as long tail or venue exposed.

Insurer concerns around deteriorating loss ratios appear well founded. These outcomes are materially influencing capital allocation decisions and underwriting results, which are widely expected to trail already challenged prior years.

Rising loss severity is being driven by multiple structural factors. The growing complexity of medical care, coupled with higher patient acuity, increases the likelihood that adverse events result in catastrophic outcomes such as permanent impairment or death. Birth injuries and obstetrics-related claims remain the most significant single loss drivers, while allegations of sexual misconduct and abuse which often triggers uncapped damages and reputational exposure have increased meaningfully in recent years.

In addition, expanding compensatory awards and broader interpretations of non economic damages have materially elevated claim values, particularly in states without caps or in states where caps have recently increased or been invalidated. Ongoing legislative changes, evolving judicial interpretations, and plaintiff-friendly venues have made pricing severity risk more difficult and less predictable for insurers.

Hospitals should anticipate continued insurer focus on exposure growth, venue risk and loss development, with premiums increasingly reflecting not just historical experience but prospective severity assumptions. While there is cautious optimism that market conditions could stabilize over the next few years, that outcome is largely contingent on a moderation in the current trajectory of loss severity.

Physicians Medical Professional Liability

The physicians' medical professional liability (MPL) market remains challenging as we move through 2026, driven primarily by continued escalation in claim severity rather than claim frequency. While overall claim volume has stabilized, the cost of individual claims continues to rise, influencing pricing, underwriting discipline and capacity deployment.

Nationally, average paid claim severity now exceeds $470,000, nearly double early 2000s levels. Certain jurisdictions — notably Illinois, New York, Iowa and Georgia — remain meaningfully higher, with average claims often exceeding $650,000. High-severity verdicts above $10 million have returned to pre pandemic levels following court reopenings, with no sustained post-COVID moderation in jury behavior.[1]

Although the MPL industry has not consistently produced underwriting profits over the past decade, financial stability has improved modestly. Rate increases implemented since 2017, favorable reserve development and stronger investment income have bolstered carrier balance sheets, supporting a generally stable but cautious market outlook. Insurer sentiment remains mixed, with some carriers maintaining pricing discipline and others continuing to push for additional rate and structural adjustments in higher-risk venues.

Key drivers of today's environment include the geographic expansion of high-severity claims, ongoing social inflation and the growing influence of third-party litigation financing, which has enabled more prolonged and costly litigation strategies.

Overall, capacity remains available for well-managed physician organizations, though underwriting remains selective. Early renewal planning, thoughtful limit and retention strategies, and strong risk management continue to be critical in navigating the 2026 MPL landscape.

Sexual Abuse and Molestation

Sexual abuse and molestation liability coverage remains costly and is becoming less feasible for buyers to obtain, even those without any claim history. Historic claims with multiple victims, shifting jury sentiments, and the continued erosion of statutes of limitations for child and adult survivors contribute to rising defense and resolution costs, which is impacting the availability of the coverage across the market.

Amid this landscape, some carriers are continuing to evaluate their appetite for abuse risk in traditional package policies, implementing abuse-specific sublimits and selectively shifting retro dates. At the same time, the market is experiencing growth in monoline coverage for sexual abuse and molestation, with a handful of new market entrants within the last year.

Buyers should expect increasing underwriting scrutiny around prevention and response processes and the surrounding organizational culture. Trends to watch include the integration of third-party validation as a supplement to underwriting efforts. With many carriers offering value-added risk management resources to support the development and implementation of safeguarding frameworks, buyers may begin to see questions around the utilization of any previously available resources. To strengthen existing frameworks, buyers can prioritize leadership engagement, team education on professional boundaries, patient resources to set expectations and expanded systems of accountability.

Cyber and Technology

The cyber insurance market in 2026 remains competitive for certain healthcare organizations, though certain dynamics are shifting. Premium rates are firming on primary layers, making it critical for clients to maintain strong cybersecurity and privacy controls to mitigate risks and satisfy ever-increasing underwriting scrutiny.

Coverage innovation is advancing, particularly in areas related to artificial intelligence (AI). As regulations around AI in healthcare evolve, insurers are offering coverage that includes support for compliance with emerging laws and standards. This includes coverage for legal costs associated with non-compliance. However, carriers are increasingly concerned about litigation tied to website tracking practices, especially within the healthcare sector. Underwriters are closely examining website tracking technologies and may introduce exclusions if organizations lack adequate controls.

Some carriers with significant market share are driving premium increases and, in certain cases, walking away from long-term clients. This shift is largely due to deteriorating loss ratios driven by rising claims costs, particularly in areas such as business interruption, contingent business interruption and litigation settlements. Despite these challenges and more stringent underwriting requirements, carriers are still pursuing healthcare opportunities for organizations with optimal cybersecurity controls — though not as aggressively as they were in early to mid-2025.

Key areas of exposure for healthcare organizations in 2026 include ransomware attacks, IT supply chain vulnerabilities, new security regulations specific to the healthcare industry and data breach class actions. Given the multifaceted risks healthcare organizations face, many buyers are opting to purchase additional coverage limits when possible.

Executive Lines

The 2026 Executive Lines market for healthcare-related organizations is shifting into a more challenging market, although the majority of recent renewals have remained fairly stable, with premiums averaging close to flat. The slight firming of the market is most evident at the primary carrier level, particularly for larger health systems where competition among primary insurance carriers remains limited.

For Managed Care, capacity in the current insurance marketplace has increased, and carriers are eager to write new business and expand their presence in the managed care sector. Pricing has slightly moderated as compared to recent hard markets. Carriers are more willing to provide competitive terms if underwriting criteria are strong. However, underwriters continue to add restrictive terms, especially for complex risks (e.g., antitrust, etc.). We expect to see more competition drive better pricing outcomes in 2026. Insurers are generally offering flat to modest rate increases for both E&O and D&O for managed care organizations.

Primary carriers that have historically dominated the healthcare executive lines market are now often reducing capacity and lowering available limits for antitrust claims or excluding antitrust all together. This underwriting shift has necessitated a more aggressive approach to marketing primary renewal layers, ensuring our clients have access to all viable alternatives. Several carriers that have traditionally focused on writing excess executive lines coverage are now competing for primary layers.

In 2025, there was a heightened focus on antitrust violations, both on the federal and state levels. While the general regulatory environment across the country may be more docile than in past years, healthcare has continued to be highly scrutinized for antitrust violations. The Department of Justice (DOJ) has launched investigations into industries suspected of violating federal antitrust laws, further emphasizing the need for robust compliance measures and robust antitrust coverage.

Excess capacity remains abundant, with competition among excess carriers leading to premium reductions in mid- to high excess layers. While larger organizations continue to face more challenging renewals, smaller organizations in more favorable jurisdictions may experience slight premium relief.

Coverage for smaller healthcare organizations remains broad, with favorable terms and conditions. However, larger organizations may encounter increased retention levels and reduced antitrust capacity. Regulatory changes and reimbursement rates are expected to further influence market trends.

Human Services

The human services segment (including behavioral health, IDD services, social services and community-based care) continues to see elevated demand driven by workforce shortages, higher acuity populations, and expanded access to care, particularly in outpatient and home- and community-based settings. Claims activity remains concentrated in professional liability (abuse/molestation, failure to supervise and treatment-related allegations), with increasing severity tied to social inflation, nuclear verdicts, and more aggressive plaintiff strategies; employment practices and workplace violence incidents are also trending upward, reflecting staffing strain and turnover. Property and auto exposures persist for providers with residential and transport components, though liability lines are the primary pressure point. Insurer appetite is generally cautious and selective — capacity is available but increasingly disciplined, with tighter underwriting around controls (staffing ratios, background checks, incident reporting, training), higher retentions and continued rate pressure, particularly for distressed accounts or those with adverse loss history. Compared to prior years, the market has stabilized somewhat with new entrants adding pockets of capacity, but underwriting scrutiny remains elevated and carriers are quick to differentiate between best-in-class operators and higher-risk organizations.

Correctional Health

The correctional health medical malpractice insurance market remains challenging and highly nuanced, characterized by rigorous underwriting discipline and acute claim sensitivity continue to shape capacity and pricing. Carriers maintain a cautious stance due to elevated loss volatility associated with healthcare delivery in correctional settings, heightened regulatory scrutiny and increasing public focus on care quality. While competition exists for well-managed programs with strong clinical oversight, effective utilization management and defensible care protocols, underwriters are applying more granular scrutiny to staffing models, access-to-care standards, use of mid-level providers and vendor oversight. Accounts with adverse histories, consent decrees, or inconsistent documentation are facing higher self-insured retentions, tighter terms and ongoing pricing pressure. Claim severity remains the primary concern, with high-exposure cases often tied to delayed or denied care, intake and chronic care deficiencies, medication errors and failures in mental health treatment, suicide prevention and withdrawal management. Constitutional claims under the deliberate indifference standard is expanding discovery, extending resolution timelines and increasing defense costs. At the same time, workforce shortages and reliance on temporary clinicians are elevating risk, particularly where training, supervision and continuity of care are inconsistent, prompting carriers to prioritize not only loss history but also the strength of risk management frameworks, quality assurance programs and leadership engagement as key differentiators in a constrained market.

Sources:

[1] National Practitioner Data Bank (NPDB) Public Use Data File

American Medical Association, 2025 physician liability research

U.S. Chamber Institute for Legal Reform, Nuclear Verdicts: An Update on Trends, Causes, and Solutions (2024)

TransRe social inflation and nuclear verdict research