



For Immediate Release
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Insurance Rate Hike Set Aside as California Consumer Group Presses for Hearings;

Nation's Strongest Insurance Law Is Working, Say Experts

In the most direct evidence yet that California's strong insurance regulatory law is resulting in lower premiums, a 15.6 percent rate hike request made by California's second-largest medical malpractice insurer has been put on hold. The action comes as Americans for Insurance Reform (AIR) member, California-based Foundation for Taxpayer and Consumer Rights (FTCR), was granted a public hearing on the request made by SCPIE Holdings and its related subsidiaries.

Under Proposition 103, California's insurance reform law that passed by voter initiative in 1988, the insurance department must hold public hearings on any rate hike if requested by the public. "If other states had the kind of stringent rate regulation required by Prop. 103, there would be no medical malpractice 'crisis' in America today," said Harvey Rosenfield, FTCR President.

According to AIR spokesperson J. Robert Hunter, "Just as the Prop. 103 miracle has dropped auto rates from among the highest in the nation to below average, medical malpractice rates are also being controlled by this powerful combination of maximizing both competition and regulation (rather than falling for the industry's faulty either/or hype)." Hunter, an actuary, is Director of Insurance for the Consumer Federation of America, former Texas Insurance Commissioner and former Federal Insurance Administrator under Presidents Carter and Ford.

Passed by California voters in 1988 despite a record \$80 million campaign against it, Proposition 103 gives state regulators and the public powerful tools to investigate and limit the insurance

industry's rates and practices. Studies have shown that premiums in California only began to drop after the passage of Proposition 103.

SCPIE's application for the 15.6 percent rate increase, which it is required to file with the California Department of Insurance (CDI) under Proposition 103, is the third rate hike requested in three years and the fifth in seven years. FTCCR reviewed the application with national experts and requested a hearing under the Prop. 103 provision that allows members of the public to challenge rate increases. Under that law, the CDI must grant a hearing for a challenge to any increase above 15% for commercial lines of insurance (7.5% for personal).

FTCCR's senior consumer advocate Doug Heller said, "This should be a wake-up call to the nation's doctors, who have accepted the insurers' propaganda and joined with these companies in an assault of their own patients' rights. It is certainly strange that doctors in California have never challenged a malpractice rate increase - leaving it to a consumer group to protect them against the rapacious insurance industry. Doctors should examine the insurance industry and its propaganda more carefully before backing the industry's attack on patients' rights. To not do so is moral malpractice."

Said Daniel Zohar of the Zohar Law Firm in Los Angeles, a private firm assisting the FTCCR with its rate challenges, "For too long, lawsuits have been improperly blamed for the rise in insurance costs, while the insurance companies quietly requested their own rate hikes, hoping no one would notice. Prop. 103 allows us to shine a spotlight on the entire industry, and we intend to continue our efforts to expose this hypocrisy. The insurance industry increases premiums on doctors, limits payments to injured patients and walks away with the profit. By forcing insurers to open their books, doctors will find that their real battle is with the insurance companies, not the legal system."

For more information, see: <http://www.consumerwatchdog.org> and <http://insurance-reform.org>.