



**For Immediate Release**  
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## **Americans for Insurance Reform Launched To Fight Insurance Industry Mismanagement and Price-Gouging**

### **Broad Coalition Demands Immediate Freeze on Insurance Rates**

In its first official act as a major new force to fight back against insurance industry mismanagement and abuse of consumers, Americans for Insurance Reform (AIR), a new coalition of over 60 consumer and public interest groups representing more than 50 million people, has asked insurance commissioners in all 50 states to end insurance industry price-gouging by instituting major new industry regulatory reforms.

“The action comes as both the U.S. Senate and the Nevada legislature are each set to vote on horribly misguided and cruel legislation that targets the wrong culprit – injured patients – rather than insurance companies in an effort to lower insurance rates for certain doctors,” said AIR spokesperson Joanne Doroshow.

AIR has sent letters to each insurance commissioner stating, “We are appalled that insurers — whose own actions have created a ‘crisis’ in insurance affordability and availability for everyone from doctors and trauma centers to homeowners and motorists — are blaming others for their own mismanagement.”

The letter states, “In view of the excessive rate increases, price-gouging and tight underwriting that have hit certain lines of insurance this year, including the homeowners and medical malpractice lines, and recent reports about the questionable business and accounting practices of some insurers ... Americans for Insurance Reform believes it is imperative that insurance regulators take immediate steps to impose a new regime of corporate responsibility and accountability on this industry whose business practices are wreaking havoc on the American economy.”

The letter documents the fact that the current large rate hikes and strict underwriting restrictions are due to the insurance companies’ economic cycle, which results from pricing errors of insurance companies. Similar crises occurred in the mid-1970s and the mid-1980s. In each of these three so-called “hard markets,” insurers blamed others for their own mismanagement and proceeded to abuse consumers with excessive rates and legislative proposals intended to restrict consumers’ legal rights.

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Americans for Insurance Reform is a coalition of state and national groups including the Consumer Federation of America, the National Women’s Health Network, U.S. PIRG, USAction, the Center for Justice & Democracy, and state organizations from 24 states including Florida, Texas, New York, California, New Jersey, West Virginia and Ohio.

AIR’s letter asks state insurance commissioners to undertake 14 specific investigations, audits and reforms, including:

- An immediate freeze on medical malpractice and homeowner rates;
- A full investigation of the high profitability of the insurance industry during much of the 1990s, and the extent to which today’s rate increases are an attempt to recoup money that insurers lost in the stock market or in other poorly-performing assets;
- Annual audits to determine whether companies are engaging in questionable accounting practices and whether their business and investment practices present unacceptable financial risks for insurance consumers and shareholders;
- Regulation of the excessive prices being charged by insurers at this time; and
- Communication to state legislators that the solution to prevent shock rate increases such as those we are now experiencing is insurance reform, not restrictions on people’s right to be compensated fully for their claims.

“The American consumer is paying for the mismanagement of the insurers through sharply higher rates and tightened underwriting rules and limits on coverage,” says AIR in its letter. “Meanwhile, insurance executives are pointing their fingers everywhere but at their own actions. Consumers have had enough of the insurance industry blame game and the endless cycle and the periodic crises that accompany it. Remedies that do not specifically address the insurance industry’s mismanagement will fail to stop these wild price gyrations in the future, leaving America’s insurance consumers at risk every 10 to 15 years.

A full copy of the letter can be found at <http://www.insurance-reform.org>

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