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**MAJOR NEW REPORT SHOWS MEDICAL MALPRACTICE
CLAIMS COSTS DO NOT JUSTIFY PREMIUMS**

**SECOND STUDY RELEASED THIS MONTH CONFIRMING THAT
DOCTORS ARE BEING PRICE-GOUGED**

NEW YORK -- A new report released today by Americans for Insurance Reform, *Measured Costs*, finds that insurance companies have been raising doctors' premiums even though expenses related to claims have risen slowly, near medical inflation. The release of this report comes on the heels of the another study co-released this month by a coalition of national consumer organizations, *Falling Claims and Rising Premiums in the Medical Malpractice Insurance Industry*, that reaches similar conclusions. That study, reported in the July 7, 2005, edition of the *New York Times*, sparked two state attorneys general and a state insurance commissioner to explicitly challenge the insurance industry's excessive rate hikes for doctors.

Both studies support the conclusion that the reasons for the dramatic premium increases for doctors cannot be found in any sort of lawsuit "explosion" but must be found elsewhere – the business and accounting practices of the insurance industry. The "tort reform" remedy pushed by the insurance and medical lobbies is failing to do anything to help doctors with their insurance problems.

AIR's report, *Measured Costs*, is by actuary J. Robert Hunter, Director of Insurance for the Consumer Federation of America (CFA), former Commissioner of Insurance for the State of Texas, and former Federal Insurance Administrator under Presidents Carter and Ford. Hunter is also a co-founder of AIR.

According to Hunter, "The change in medical malpractice loss costs over the last 10 years shows the same pattern as paid losses, year after year rising near the level of medical inflation. There is no justification for the sudden spike in rates that American physicians have endured, other than the lack of competition that occurs during the insurance industry's periodic hard market episodes."

Joanne Doroshow, Executive Director of the Center for Justice & Democracy and AIR co-founder, said, "For years, insurance companies have argued that our civil justice system is responsible for unaffordable liability insurance for doctors. They have convinced lawmakers around the country to enact legislation that makes it nearly impossible for many seriously injured

patients to hold the health care industry financially responsible in court by promising such laws would bring down insurance rates.”

“This study has, once again, definitively exposed the campaign to restrict patients’ rights for what it is – an insidious public relations scam that has had terrible consequences for many innocent people, while doing nothing to improve the affordability or availability of liability insurance for doctors,” Doroshov added.

Measured Costs examines Insurance Services Office (ISO) data in every state plus the District of Columbia, over a 10-year (1995 through 2004) period for the Physicians’, Surgeons’ and Dentists’ (PS&D) Professional Liability line of insurance.

The report’s key findings are:

- Nationally, both the 10-year average annual increase in medical malpractice loss costs, and the 5-year average annual increase, which reflects virtually the entire length of the hard market of skyrocketing rates (sometimes rate increases of 100 percent or more), are *only 4.8 percent and 4.3 percent, respectively*. That means loss costs have generally moved up slowly; if rates suddenly jumped, there is a cause for this other than the legal system or loss costs generally.
- So-called “tort reforms” have not affected loss costs. Over the last five years, while insurance companies dramatically raised doctors’ premiums during the “hard market,” those insurers’ loss costs rose slowly across the country. Between 2000 and 2004, states with fewer limits on tort law saw an average annual increase in medical malpractice loss costs of 3.8 percent, while those with more limits saw a slightly larger average increase of 4.8 percent.

The report concludes, “the data do not support any conclusion that the legal system, jury verdicts or payouts have driven large insurance rate hikes for doctors. Had the industry hiked rates in a consistent fashion over time, based on its losses, rates for doctors would have increased only on average 4.3 percent annually over the last five years, instead of 100 percent or more for some doctors.”

The full study can be found at: <http://insurance-reform.org>.

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Americans for Insurance Reform is a coalition of over 100 consumer groups from around the country that is attempting to strengthen state oversight of insurance industry practices. AIR is not connected to any trial lawyer or business group.