



Center for Justice & Democracy
80 Broad St., 17th Floor
New York, NY 10004
Tel: 212.267.2801
Fax: 212.764.4298
centerjd@centerjd.org
<http://centerjd.org>

MYTHBUSTER

WHERE'S THE CRISIS? WITH AN OUT-OF-CONTROL INSURANCE INDUSTRY, THAT'S WHERE.

All insurance industry sectors are now enjoying astronomical profits on the backs of policyholders.

- In 2003, major property/casualty insurers' profits were up *89 percent* from 2002.¹
- In the first nine months of 2003, the property/casualty industry made *\$23 billion* in profits. That's *\$12.2 billion more* than they made during same period in 2002.²
- In the first nine months of 2003, life and health insurer profits jumped *437 percent*, "the best third-quarter increase in a decade."³
- Insurance industry's "return on equity in 2004 is likely to soar above double digits for the first time since 1997."⁴

While profits are soaring, some insurers have started to lower rates for policyholders; others are still refusing to do so, especially for doctors.

- "One-third of all commercial property/casualty accounts experienced insurance premiums that either *held steady or dropped* during the last three months of 2003."⁵
- On the other hand, the "non-profit" doctor-owned ISMIE Mutual Insurance, the largest med-mal insurer in Illinois (a state that does not regulate insurance rates), is turning huge profits yet continues to hike premiums and executive salaries instead of lowering rates for its doctors.

¹ Judy Greenwald, "Results likely to remain strong," *Business Insurance*, Mar. 22, 2004.

² Weiss Ratings, "Property and Casualty Insurers' Profits Double In First Nine Months of 2003: Industry's Underwriting Loss Improves 76%," Mar. 8, 2004.

³ Weiss Ratings, "Life and Health Insurers' Profits Jump 437% During First Nine Months of 2003: Industry Records \$38 Billion Increase in Capital and Surplus," Mar. 29, 2004.

⁴ Insurance Information Institute, "Groundhog Forecast for 2004."

⁵ "Commercial Property/Casualty Rates in Fourth Quarter 2003 Suggest Price Competition is Returning to Insurance Market," Jan. 21, 2004.

- In 2003, the company turned a \$20 million profit and added \$31 million to its reserves.
- At the same time, rather than lower rates in light of soaring profits, it *raised* premiums 35 percent for its doctors (who own the company).
- At the same time, two senior executives received pay hikes of 12 to 18 percent, raising their annual salaries above \$600,000.⁶

Meanwhile, new data proves, once again, that jury verdicts and lawsuit filings are dropping in the United States.

OVERALL

- According to data released April 1, 2004, median jury awards in personal-injury cases “fell significantly,” dropping 30% in 2002 to \$30,000, from nearly \$43,000 in 2001.⁷
- The top 10 jury verdicts dropped to the lowest total amount since 1997, and the number one verdict was the lowest in a decade.⁸
- Personal injury case filings have dropped nine percent over the latest 10-year period studied.⁹

MEDICAL MALPRACTICE

- According to data released April 1, 2004, “Jury awards for medical-malpractice cases have *remained level* in the latest three years for which data are available.”¹⁰
- Medical malpractice case filings per capita have been steady for 10 years, showing a slight overall *decrease* between 1992 and 2001.¹¹

⁶ Bruce Jaspen, “Doctor insurer hit for premium, pay hikes,” *Chicago Tribune*, Mar. 26, 2004.

⁷ “Malpractice Awards Remain Flat,” *Wall Street Journal*, April 1, 2004. Jury Verdict Research is the source for this statistic, so it is likely the drop is even more significant as JVR data is highly inflated. See: <http://www.centerjd.org/press/release/020322.pdf>.

⁸ Bill Ibelle, “Top Ten Jury Verdicts Much Smaller In 2003,” *Lawyers Weekly USA*.

⁹ National Center for State Courts, *Examining the Work of State Courts, 2002: A National Perspective from the Court Statistics Project* (Brian J. Ostrom *et al.* eds., 2003).

¹⁰ “Malpractice Awards Remain Flat,” *Wall Street Journal*, April 1, 2004. See note 7.

¹¹ National Center for State Courts, *Examining the Work of State Courts, 2002: A National Perspective from the Court Statistics Project* (Brian J. Ostrom *et al.* eds., 2003).