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Consumer Group Says Evidence Mounting That Skyrocketing Insurance Rates Not Tied To Jury Verdicts

Reforming Insurance Industry Only Way To Solve "Crisis"

New York -- Americans for Insurance Reform (AIR), a coalition of 100 consumer groups from the United States and Australia, announced today that a significant amount of new evidence is developing that capping jury awards will have no impact on skyrocketing insurance rates for doctors, homeowners and others who are being price-gouged.

The reason, says the group, is that the U.S. legal system is not driving rate increases, which are occurring in states and other countries that already severely cap damages awards. Rather, the cyclical nature of U.S. and global insurance industry underwriting is responsible, where companies seek to make up for declining investments by raising rates, even though payouts remain steady. *See* AIR's recent report, *Stable Losses/Unstable Rates*, found at: http://insurance-reform.org.

Within the last several months, the following information has come to light illustrating how insurers are deceiving U.S. lawmakers and other opinion leaders by blaming juries and lawsuits for their own mismanaged business practices, and are seeking to impose California's restrictive patients' rights law (which severely caps damages) on the entire country:

- Missouri has a nearly identical law to California's, yet rates there are skyrocketing. The *St. Louis Post-Dispatch* wrote in an October 11, 2002 editorial, "Last year, fewer malpractice claims were filed against Missouri doctors than in 2000. That was about half as many as the number filed in 1987…[P]ain and suffering awards, which Missouri caps at $540,000, averaged only about $84,000.… Yet malpractice insurance premiums are going through the roof here.… The only cure, they say, is for patients to give up some of their rights. Time for a second opinion." In fact, the only real difference between the two states is that California has a strong insurance reform law to control excessive insurance rates, enacted by voter initiative in 1988 and containing many insurance reforms advocated by AIR.

- The *Medical Liability Monitor* reports that surgeons in Michigan, Missouri and Utah, and ob-gyns in Michigan, Massachusetts and Maryland are paying *higher* annual premiums than the national average, yet each of these states cap damages for patients. In Australia, where juries are extremely rare and have been abolished in some states, "obstetrics and gynecology have been especially hard hit by the insurance industry crisis." *The Australian*, October 8, 2002. In some Canadian provinces, where a $250,000 cap on pain and suffering awards was imposed on the country 20 years ago and where the universal health care system pays for medical expenses, doctors are paying higher rates as well. *Medical Post*, November 13, 2001.

- This past summer, Nevada enacted a $350,000 cap on non-economic damages to solve its insurance "crisis." Within weeks of the law's enactment, major insurance companies announced that they would not reduce insurance rates for the foreseeable future. Doctors now say the problem there has gotten even worse.

- Insurers continue to complain about losing money due to lawsuits, but insurer profits are soaring. For example, American International Group, the nation's largest seller of property-casualty insurance for businesses, just announced that due to 42% jump in premiums this past quarter (and an extraordinary 60% increase in the U.S.), its last quarter profits were $1.84 billion, up from $326 million a year earlier. "It's a field day for A.I.G., and we're going to play on the field," the company's chairman, Maurice R. Greenberg told *Reuters.*

- An October 29, 2002, *National Underwriter Online* article reports that Standard & Poors Rating Service in London, recognizing problems created by "historic highs and lows of cyclical underwriting," is calling for the industry to changes its underwriting practices, precisely the reform advocated by consumer groups and AIR. S&P's Christian Dinesen says, "A less cyclical insurance market would be revolutionary for the industry, with such fundamental change promising a more stable underwriting environment." (Notably, no mention is made of U.S. jury awards.)

- In a strong effort to control the current "crisis" for homeowners and others who cannot get insurance at all, the Maryland Insurance Administration has notified all insurers that if they have an applicable rate on file and they then refuse to write new business for homeowners and other personal lines, they are in violation of Maryland's insurance law and will be subject to sanctions. This is the sort of action that will produce positive results for policyholders because it addresses the real problem – insurance industry practices – not the excuse insurers use to cover their pricing errors.

For more information, contact Americans for Insurance Reform, http://insurance-reform.org.

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