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NEW AMERICANS FOR INSURANCE REFORM STUDY REFUTES INSURANCE INDUSTRY'S EXPLANATION FOR RISING MEDICAL MALPRACTICE RATES

NEW YORK — Americans for Insurance Reform (AIR), a coalition of nearly 100 consumer and public interest groups representing more than 50 million people, announced today the release of a comprehensive study of medical malpractice. The study refutes the insurance industry's explanation for rising medical malpractice rates and undermines industry claims that a medical malpractice "crisis" for insurers exists (the entire study is available at www.insurance-reform.org).

The AIR study makes two specific findings: First, over the last 30 years, medical malpractice payouts have directly tracked the rate of medical inflation; and second, over the same period, insurance premium rates have not tracked payouts at all (*e.g.* jury verdicts, settlements, etc.), but instead directly follow the ups and downs of the economy.

One of the study's major findings shows that the amount of money that medical malpractice insurers have paid out, including all jury awards and settlements, directly reflects the rates of medical inflation. The study finds that there has been no explosion in medical malpractice payouts at any time during the last 30 years, as payments in constant dollars have been extremely stable and virtually flat since the mid-1980s.

The second major finding of the study is that for the last 30 years, insurance premiums increased and decreased in direct relationship to the state of the economy, and not in response to insurance policy payouts. When the economy is strong and the insurance industry's market investments are gaining, medical malpractice rates decrease. On the other hand, when the economy is weak, as it has been since the second half of 2000, the insurance industry's market investments losing, while medical malpractice insurance rates increase.

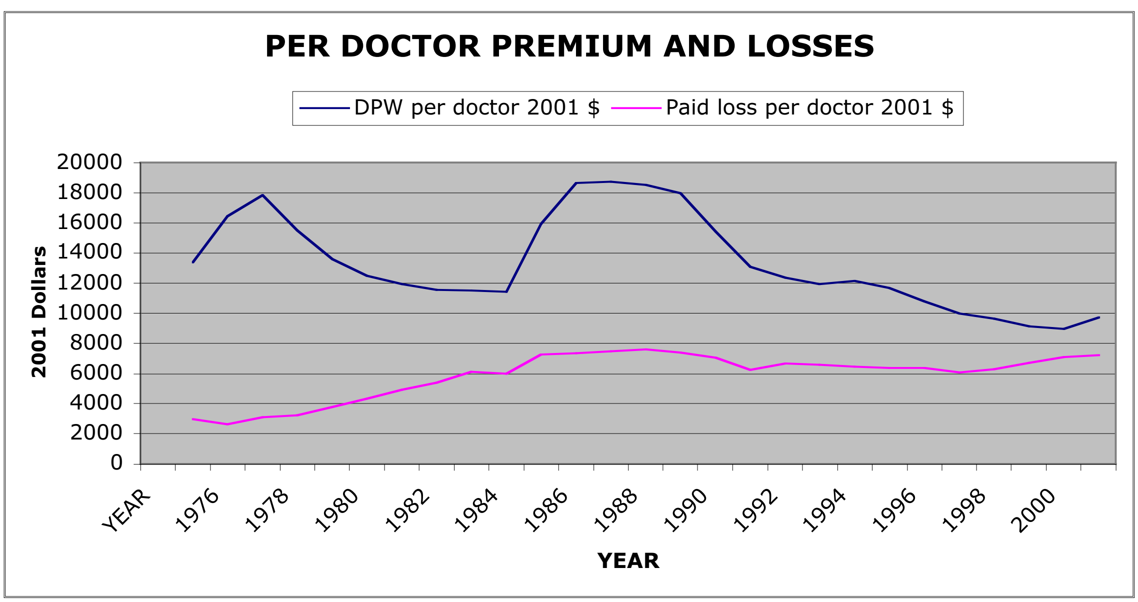
These findings suggest that the real reason medical malpractice insurance rates fluctuate is market forces – not, as the insurance industry claims, because of a sudden massive increase in medical malpractice jury awards.

"These data together constitute a 'smoking gun,' which should, once and for all end the debate about the cause of these periodic medical malpractice crises," said the author of the study, J. Robert Hunter, Director of Insurance for the Consumer Federation of America, former Texas Insurance Commissioner and AIR co-founder. "Insurers, whose own investment actions have created a 'crisis' in insurance affordability and availability, are blaming others for their own mismanagement by manufacturing a crisis for policyholders that simply should not exist. By increasing rates, insurers are forcing hospitals, doctors, and ultimately patients, to suffer for their poor business and investment decisions."

The findings of AIR's study come at a crucial time, as the nation's insurance companies are in the process of advancing a legislative agenda to limit liability for doctors, hospitals, HMOs, nursing homes and drug companies that cause injury. Insurance companies are blaming high rates on the increase in claims by patients, rising verdicts and exploding tort system costs when in reality, it is the insurance industry's efforts to make up for their economy-driven, market-based investment losses that are the cause.

Joanne Doroshow, Executive Director of the Center for Justice & Democracy and AIR co-founder, said "For far too long, the insurance industry has been engaged in a pricing scheme designed to gouge the American people based on a premise that lacks any basis in fact. Moreover, the insurance industry has been lobbying Congress for changes in the law designed to limit a consumer's legal rights by publicly putting out wrong and misleading information. There needs to be a serious investigation into the kinds of shenanigans the insurance industry has been engaging in when it comes to medical malpractice."

The full study can be found at http://insurance-reform.org The key "smoking gun" chart is below.



Sources:
A.M. Best and Co. special data compilation for AIR, reporting data for as many years as separately available; U.S. Bureau of the Census, 1975 (2001 Estimated); Inflation Index: Bureau of Labor Statistics, 1975 (1985 estimated).

Definitions: "DPW" or **"Direct Premiums Written"** is the amount of money that insurers collected in premiums from doctors during that year. **"Paid losses"** is what insurers actually paid out that year to people who were injured —all claims, jury awards and settlements —plus what insurance companies pay their own lawyers to fight claims.

Americans for Insurance Reform is a coalition of nearly 100 consumer groups from around the country that is attempting to strengthen state oversight of insurance industry practices.

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