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NEW CONSUMER STUDY SHOWS INSURERS PRICE-GOUGING DOCTORS WITHOUT BASIS

NEW YORK — Americans for Insurance Reform (AIR), a coalition of over 100 consumer and public interest groups representing more than 50 million people, announced today the release of a comprehensive study of medical malpractice based on new insurance data through 2002. The study finds that the years 2001 and 2002 saw no sudden upsurge in medical malpractice insurer payouts or costs to justify the abrupt rate hikes that many doctors have experienced over the last two years. In fact, payouts per doctor (in constant dollars) dropped from 2001 to 2002. (The entire study is available at www.insurance-reform.org).

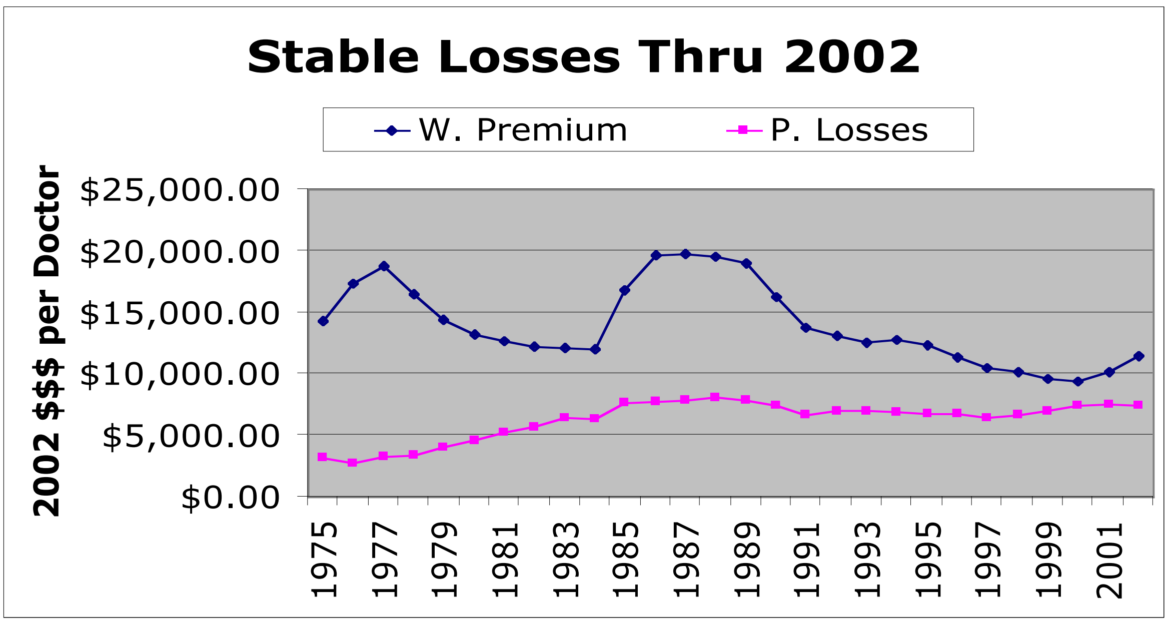
According to AIR co-founder and spokesperson Joanne Doroshow, Executive Director of the Center for Justice & Democracy, "this study completely refutes the insurance industry's explanation for skyrocketing medical malpractice rates and undermines industry claims that a medical malpractice 'crisis' for insurers exists. Medical malpractice insurance premiums rose much faster in 2002 than was justified by insurance payouts, which actually dropped. The insurance industry is engaged in a pricing scheme designed to gouge doctors and the rest of the American people based on a premise that lacks any basis in fact."

AIR also found that over the last 30 years, medical malpractice payouts have largely tracked the rate of medical inflation and have been essentially flat since the mid-1980s. What's more, 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. 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, with the insurance industry's market investments down, 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. For the next year or two, insurers will reap huge profits on the high premiums the doctors are now enduring."

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 supposed 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.

The key "smoking gun" chart follows.



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: "**W. Premium" or "Direct premiums written"** is the amount of money that insurers collected in premiums from doctors during that year. **"P. Losses" or "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.

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