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Statement of the Center for Justice & Democracy in Response to October 26, 2005 Statement of the American Academy of Actuaries

The American Academy of Actuaries has now joined with medical malpractice insurance companies (see <http://centerjd.org/press/release/050928.htm>) in criticizing the findings in CJ&D's report, *Falling Claims and Rising Premiums in the Medical Malpractice Insurance Industry*, written by former Missouri Insurance Commissioner Jay Angoff. This study, which examined data from the carriers' own Annual Statements filed under oath with state insurance departments, found not only that malpractice claims payments have actually gone down in real terms over the last five years, but also that "losses" that medical malpractice insurers predict they will pay in the future – the basis for current rates hikes - are down as well.

The actuaries say that the public should rely on them and not our Report. But it is the actuaries who got us into this mess in the first place: the data in our Report demonstrate that the actuarial projections that insurers use to justify today's excessive malpractice rates are based on fantasy, not hard data.

The actuaries' unwillingness to acknowledge the extent to which their projections have proved to be overstated is troubling, and should trouble state regulators. We would therefore urge state regulators to do the following:

- ❖ Initiate a study to determine the extent to which actuarial projections have proved to be overstated for policy years on which complete data is currently available.
- ❖ Establish objective standards, similar to the Financial Accounting Standards Board (FASB) standards for accountants at the federal level, that actuaries must follow in calculating insurance rates.

While we welcome any thoughtful comment on our Report, the actuaries' knee-jerk refusal to take responsibility for the role they have played in enabling malpractice rates to reach their current excessive levels is unfortunate, and highlights the need for regulation of the currently unregulated actuarial profession.