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NEWS RELEASE

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Insurance Industry Exposed:
***New York Times* Sets Record Straight on Root of Malpractice Insurance Increases**

The *New York Times* published a definitive article this week debunking the myth that malpractice lawsuits are to blame for excessive medical malpractice insurance rates for doctors (Behind Those Medical Malpractice Rates, 2/22/05).

Insurance companies have long attempted to blame litigation by victims of medical malpractice for the “skyrocketing” of doctors’ insurance rates— which have in some cases doubled and tripled over the last three years. But the *Times* refutes that theory, reporting, “the more important factors appear to be the declining investment earnings of insurance companies and the changing nature of competition in the industry.”

Noting the price competition throughout the industry in the 1990s, with rates staying artificially low as companies competed for premium dollars to invest, the *Times* reported, “[b]y the late 1990's, some insurers discovered that they had dropped prices well below the cost of paying claims. Several went out of business. One of the biggest insurers, the St. Paul Companies, now Travelers St. Paul Companies, stopped offering medical malpractice coverage. The surviving companies ‘had to raise prices or go out of business,’ Mr. Smarr said.” Mr. Smarr is with the Physicians Insurance Association of America, which has in other forums tried to blame lawsuits for the rise in insurance rates, most recently in February 17, 2005 testimony before the U.S. House Small Business Committee.

Moreover, reported the *Times*, “[s]ome researchers are skeptical that caps ultimately reduce costs for doctors. Mr. [Martin] Weiss of Weiss Ratings [a financial rating service] and researchers at Dartmouth College, who separately studied data on premiums and payouts for medical mistakes in the 1990’s and early 2000’s, said they were unable to find a meaningful link between claims payments by insurers and the prices they charged doctors.” As the *Times* notes:

For all the worry over higher medical expenses, legal costs do not seem to be at the root of the recent increase in malpractice insurance premiums. Government and industry data show only a modest rise in malpractice claims over the last decade. And last year, the trend in payments for malpractice claims against doctors and other medical professionals turned sharply downward, falling 8.9 percent, to a nationwide total of \$4.6 billion, according to data compiled by the Health and Human Services Department.

This is not the first time a major newspaper has exposed how mismanagement within the insurance industry has been the root cause of huge medical malpractice rate hikes for doctors in recent years. In June of 2002 the Wall Street Journal detailed the ways in which market fluctuations and rampant “price slashing” throughout the 1990’s forced insurers to raise their medical malpractice rates beginning in 2002. (Insurers’ Price Wars Contributed To Doctors Facing Soaring Costs, 6/24/02).

“Enough is enough,” said Geoff Boehm, Legal Director of the Center for Justice & Democracy. “The *New York Times* has finally laid bare the falsehoods that have driven the movement to limit compensation to patients injured by medical malpractice. It is time for the insurance industry to stop blaming the legal system for their ‘junk’ business and accounting practices and allow states to better regulate this industry.”

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