CENTER FOR JUSTICE & DEMOCRACY

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**CONTACT:** Amber Hard, 847-400-7696
Laurie Beacham 212-267-2801
J. Robert Hunter, 703-528-0062

## NEW REPORT CONFIRMS: MEDICAL MALPRACTICE INSURANCE "CRISIS" IS OVER

Madison — The Center for Justice and Democracy released a new study by Americans for Insurance Reform today confirming the wholesale collapse of medical malpractice insurance rates nationwide. The AIR study also shows that this phenomenon is occurring whether or not states enacted restrictions on patients' legal rights, such as "caps" on compensation. The medical malpractice insurance "crisis" is over, according to the study.

AIR's study is based on the most recent Council of Insurance Agents and Brokers survey of market conditions, showing that the average rate hike for doctors over the past six months has been ***0 percent.*** This is following similar results for the last quarter of 2004, which saw rates rising only 3 percent at the end of that year. By comparison, rates jumped 63 percent during the same quarter of 2002. See chart below.

### MEDICAL MALPRACTICE INSURANCE AVERAGE RATE HIKES PER QUARTER

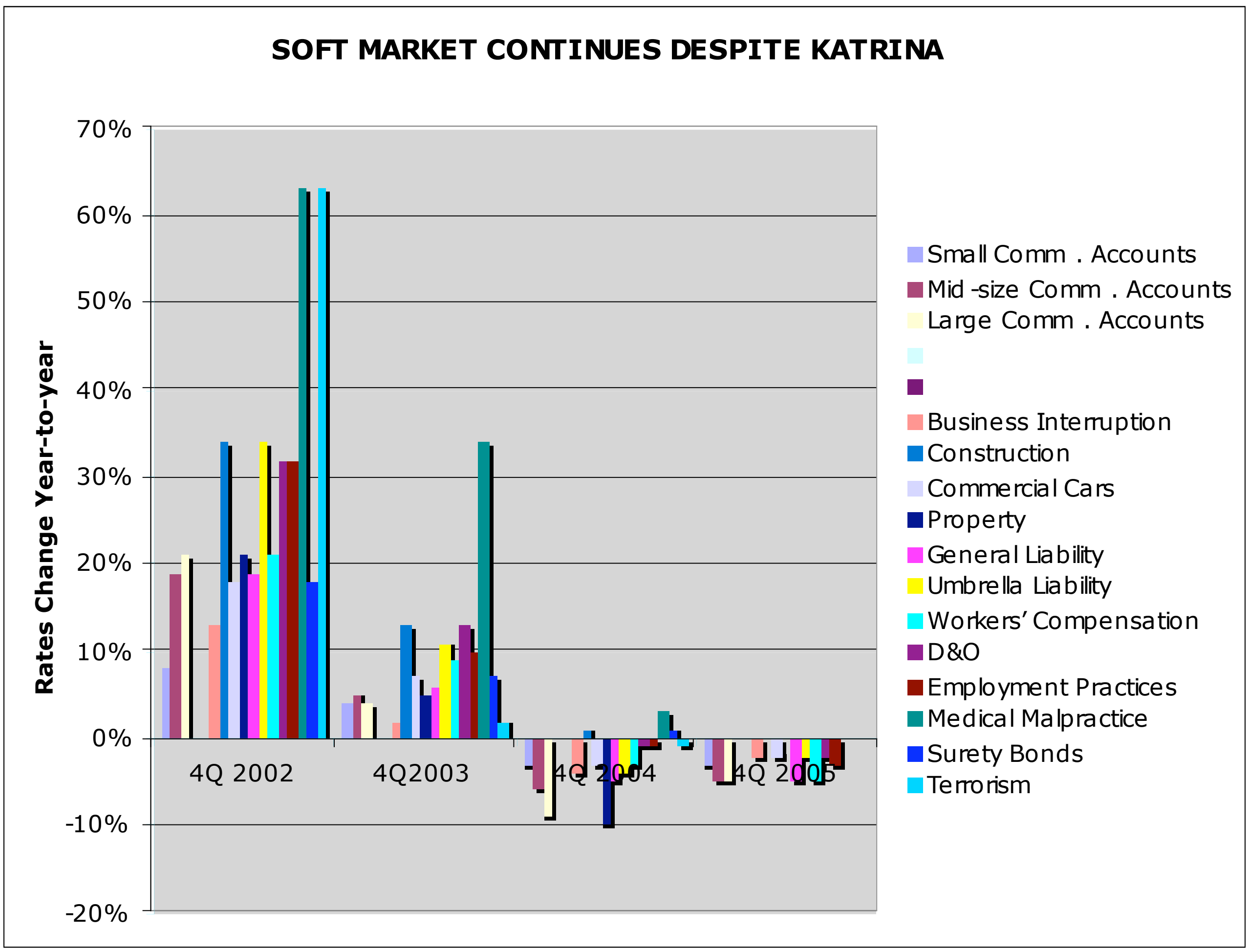
| **3Q 2002** | **4Q 2002** | 1Q 2003 | 2Q 2003 | 3Q 2003 | 4Q 2003 | 1Q 2004 | 2Q 2004 | 3Q 2004 | 4Q 2004 | 1Q 2005 | 2Q 2005 | **3Q 2005** | **4Q 2005** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | |
| **61%** | **63%** | 54% | 48% | 28% | 34% | 19% | 9% | 6% | 3% | 2% | 2% | **0%** | **0%** |

According to Amber Hard, Staff Director of the Center for Justice & Democracy in Illinois, "Consumer rights organizations have long maintained that the 'crisis' of skyrocketing insurance rates for doctors and other policyholders would end when the insurance investment cycle stabilized, and that this would occur whether or not so-called tort 'reform' laws were enacted. Insurance industry data now unmistakably confirms this prediction."

"We are now witnessing the wholesale collapse of insurance rates, including medical malpractice rates," said J. Robert Hunter, AIR spokesperson, Director of Insurance for the Consumer Federation of America, former Federal Insurance Administrator and Texas Insurance Commissioner. "The end of the 'hard market' of sharp rate increases, less competition and cutbacks in coverage has occurred and a 'soft market' is now fully in place."

A "hard" insurance market is characterized by higher rates, less competition and limited coverage. This is the result of the cyclical nature of the insurance business. Prior to the "hard market" of the last few years, the last such "hard market" occurred in the mid-1980s. But like today, the insurance cycle turned after a few years and prices began to fall. This had nothing to do with tort law restrictions enacted in particular states, but rather to modulations in the insurance cycle everywhere.

"The hard phase of the insurance cycle clobbers American businesses and professions every ten to fifteen years," said Hunter. "Although these hard markets last only about two to three years, they can no longer be tolerated. State regulators must enforce the rating laws in order to end the boom and bust swing from illegal overpricing, such as the rates some policyholders have been asked to pay today, to illegal and inadequate underpricing, which will be seen when the market softens too much later in the cycle. Fortunately, the hard market price jump is behind us and we are now entering the softer market so legislators have a decade or so to grapple with how best to do this before the next hard market hits the nation. And there is now clearly no need to rush into quick legislative fixes, such as legal limits on patients' rights."




*Source: Council of Insurance Agents and Brokers*
*Commercial Property-Casualty Market Survey*
*By Quarter as indicated*
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