

Just imagine how insurers would behave if we weren't here.

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New Report Shows Malpractice Insurers Price-Gouging Doctors and Driving Up Cost of Care

The American Association for Justice (AAJ) today released a report revealing the medical malpractice insurance industry has been price-gouging doctors through excessive premiums and needlessly contributing to the growing cost of healthcare.

Written by former Missouri Insurance Commissioner Jay Angoff, the study is based on recent annual reports from the top 15 medical malpractice insurers as rated by A.M. Best. The report shows that these insurers artificially raised doctors' premiums and misled the public about the nature of malpractice claims – asserting that a so-called “malpractice crisis” exists. The report puts the lie to that claim.

According to the study:

- The medical malpractice insurers saw losses and projected losses plummet by 48% over the period 2003-2006.

- These incurred losses have declined every year for the past five years.
- These insurers' 2006 surplus is 43% greater than their surplus in 2003 – five times the state-minimum surplus for insurer stability.
- Only three of the 15 leading insurers issued dividends to doctors in 2006.

“Medical malpractice insurance companies have been price-gouging doctors, padding their pockets with excessive premiums and driving up the cost of healthcare,” said Jon Haber, AAJ Chief Executive Officer. “Cynically, these same insurance companies have been blaming high premiums on a so-called ‘malpractice crisis’ that doesn’t exist. We have an insurance crisis, not a medical malpractice crisis.”

The new report also demonstrates the difference between two types of losses in the insurance industry – incurred losses and paid losses. The industry evaluates its performance based on incurred losses (which

include projections of future payments) and not paid losses (which are actual claims payments). This report takes into account both paid and incurred losses, and shows that although both have decreased, malpractice rates for doctors continue to increase. “No matter how you look at it, doctors and patients are getting ripped off by the insurance industry,” said Haber.

AAJ calls for a thorough and immediate review of the insurance industry’s unscrupulous price-gouging and its effect on Americans’ access to a safe, affordable healthcare system.

For a copy of the report “No Basis for High Insurance Rates: An Analysis of the 15 Largest Medical Malpractice Insurers 2006 Financial Statements”, visit www.justice.org/pressroom/angoff