



AMERICAN ACADEMY *of* ACTUARIES

NEWS RELEASE

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Contact:
Tracey Young, 202-785-7872

MEDICAL LIABILITY INSURANCE REVIEWED Academy Witness Outlines Underwriting Challenges

LANGHORNE, PA – A spokesman for the American Academy of Actuaries testified to members of the House Energy and Commerce Subcommittee on Oversight and Investigations that rising medical malpractice insurance costs have increased due to increased litigation, the sizes of claims, and higher defense costs. **James Hurley**, who chairs the Academy's Medical Malpractice Subcommittee, provided congressional testimony that illustrated the components and trends in medical malpractice insurance coverage.

“During the 1990s, the medical malpractice line experienced favorable operating results, and insurers competed aggressively. Recently, however, the cost of medical malpractice insurance has been rising,” Hurley said. As medical providers search for affordable malpractice insurance, and Americans want access to health care, carriers are seeking ways to avoid large losses and provide necessary coverage. At the same time, Congress is considering legislation to place caps on litigation. In some parts of the nation, various components have converged, collided, and are causing layers of problems in the health care system. Some states have enacted medical malpractice reforms.

Hurley explained that insurance company operations exist in two component parts – underwriting and investment. Companies anticipate losing money in their underwriting operations and offset the losses with their investments. However, he told lawmakers that investment no longer is sheltering the operating loss – as reflected in the operating results or ‘bottom line.’ Hurley said, **“For operating income, this represents a loss of 53 cents on each dollar of premium written in 2001.”** Medical malpractice insurers generate income from premiums and investments. While insurers have experienced a lower rate of return in recent years, they have not suffered investment losses. Insurers are not allowed to recoup investment losses by raising premiums.

A copy of **James Hurley's** testimony may be obtained by visiting the Academy website – **www.actuary.org**.

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