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New York OKs medical malpractice rate increase

Despite ending moratorium, most insurers avoid the state

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Zack Phillips (mailto:zphillips@BusinessInsurance.com)

NEW YORK—The New York State Insurance Department has ended a two-year moratorium on medical malpractice rate increases, but observers say more changes are needed to lure insurers to the state.

Effective July 1, medical malpractice rates in the state increased an average of 5%, which underwriters say is sorely needed after two years of rate freezes and rising claims costs.

“This rate will help hold the line on costs for physicians while giving the insurance companies the resources to pay claims as they come due,” Superintendent James J. Wrynn said last week in a statement.

Mr. Wrynn said he approved a 5% rate increase for Medical Liability Mutual Insurance Co., which has about 60% of the New York market; Physicians' Reciprocal Insurers, which has about 30% of the market; and two smaller, specialty insurers, Hospitals Insurance Co. and Academic Health Professionals Insurance Assn.

Meanwhile, the department established an average rate increase of 9.9% for Medical Malpractice Insurance Pool, the state-run residual market for the most difficult medical malpractice risks, which has about 300 doctors, the department said in the statement.

Market observers have said most medical malpractice insurers do not write business in New York state in part because of the perception that the department does not allow them to charge adequate rates. Another deterrent is the pool, which is funded

with contributions from the few licensed medical malpractice insurers in the state and has a deficit of nearly \$500 million.

This year, Mr. Wrynn said he was working to attract more underwriters to New York with two initiatives. One would shore up the pool's deficit through a one-time, pass-through assessment on all property/casualty insurers in the state. The other would establish an independent, nonpolitical rate servicing organization to advise the department on rates.

Department officials said both initiatives require legislation and are on hold pending a new session of the General Assembly and support among state lawmakers.

Herbert E. Goodfriend, a senior vp at Gill & Roeser Holdings Inc. in New York, said he doubted the rate increase would bring more commercial medical malpractice underwriters to New York. He also said the industry will continue to push for change in the state's medical malpractice landscape.

“It's a prudent step toward keeping the proverbial wolf from the door,” Mr. Goodfriend said of the rate increase. “How long it will last is another question.”

Howard Mills, New York-based director and chief adviser of Deloitte & Touche USA L.L.P.'s insurance industry group, said when he was New York superintendent four years ago, the department awarded rate increases between 5% and 7%. He said any serious attempt at luring more medical malpractice insurers to New York must include tort reform measures.

“The writers of medical malpractice view New York with great suspicions because historically it's been difficult to get (adequate) rate,” Mr. Mills said. “Hopefully he gave the medical malpractice (under)writers enough with 5% to keep them writing in New York state.”

Mr. Wrynn said the department would continue “working toward a long-term solution.”

“In the short term, this (5%) increase will relieve the pressures on both doctors and insurers,” Mr. Wrynn said. “But long term, the system is still in crisis and needs to be reformed.”

The department does not set rates for captives and risk retention groups.
