
New Yorkers for Lawsuit Reform

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Contact:

Mark Kriss

(518) 527-1148

NEW INDEPENDENT STUDY FINDS THAT NEW YORK'S LEGAL SYSTEM IS AMONG THE WORST IN THE NATION; CALLS FOR MEANINGFUL LAWSUIT REFORM TO HELP REDUCE STATE DEFICIT, LOWER TAXES AND DECREASE COSTS OF HEALTH CARE AND INSURANCE

(ALBANY) A new study of New York's legal system conducted by Pacific Research Institute (PRI), a nationally known research firm, has concluded that New York's legal system is the third worst in the country and is costing taxpayers millions of dollars through higher taxes and increased costs for goods, insurance and health care. Savings derived from reforming the system would go a long way towards reducing New York's multi-billion dollar budget deficit. The study was conducted on behalf of New Yorkers for Lawsuit Reform, a statewide coalition of business, health care and consumer groups.

"New York now faces a perfect storm of high tort costs, high tort-litigation risks, clogged courthouses, and nearly no tort reforms to balance a lopsided civil justice system," said the report's author, Dr. Lawrence J. McQuillan.

The study found that, compared to all other states, New York's legal system is "at the bottom of the barrel in various measures of state tort performance. It has the second highest direct tort losses, the fourth worst relative tort losses, the fourth worst relative tort litigation risks, the third worst tort system overall, and the third worst tort rules and reforms on the books."

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“This study shows the enormous costs that every New York business and citizen carries because the state’s legal system is so weighted in favor of the trial attorneys,” said Kenneth Adams, president & CEO of The Business Council of New York State, Inc. “Real reform of the legal system could lower the cost of government, spur construction activity, lower health care costs and make New York more attractive as a place to do business.”

Small businesses, responsible for most of the employment and job creation in our economy, are also being burdened by our legal system. “The costs that small businesses must pay in higher health insurance premiums, taxes and liability costs as a result of this broken system are choking off the lifeblood of New York’s entrepreneurial economy and driving up New York’s already second highest in the nation cost of doing business,” said Michael Elmendorf, state director of the National Federation of Independent Business (NFIB).

"New York State is facing its gravest fiscal crisis in generations," said Kathryn Wylde, President & CEO of the Partnership for New York City." At the same time our economy is challenged by the highest effective unemployment rate since the Great Depression. This study shows that systemic reform of our tort system would result in significant savings for both government and the private sector. We urge the Governor and State Legislature to seriously consider these reforms as a means of restoring New York's long-term financial stability and improving our reputation as a place to do business."

In 2006 alone, New York State, with a population of 19.5 million, had more than \$16 billion in direct tort costs (the second most in the country). Only California, with a population of 37 million and tort costs of \$19.8 billion, had costs exceeding New York’s. Those costs were borne by consumers, taxpayers and businesses.

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"New York is the only state in the nation that holds contractors completely responsible for any fall-related injury at a work site, even if the worker is wholly at fault," said New York State Builders Association Executive Vice President Philip LaRocque. "This increased risk has raised the cost of general liability insurance between 300%-600%, reduced coverage, driven carriers out of the state, and driven many builders out of business."

The PRI study also looked at the close connection between New York's legal system and health care costs. Recent studies have found that "defensive medicine" practices – conducting tests, procedures, etc. to attempt to avoid the potential of future legal claims -- add five to nine percent to hospital costs. Lawsuit reform that would eliminate defensive medicine could reduce health care costs in New York State by more than \$14 billion per year.

The study also found that meaningful lawsuit reform in New York State would:

- create new jobs (a minimum of 86,000 jobs for a typical reform);
- increase output (\$17 billion) and lower prices;
- expand the tax base and increase tax revenues (more than \$1.04 billion each year);
- boost productivity and personal incomes (more than \$2,600 per year);
- attract new customers, employees, entrepreneurs, investors and taxpayers (more than 395,000 people each year);
- lower health care costs (\$14.2 billion per year);
- increase the number of doctors (by 12 percent) and improve access to health care and save lives (more than 360 people each year);
- increase stock market returns (more than \$720 billion nationally); and
- cut insurance premiums (by 16 percent) and liability losses (by nearly 50 percent).

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“This report clearly proves that now is the time for New York’s elected officials to sit down and look at how they can make a difference for businesses and taxpayers. The fiscal crisis facing our state and the economic hardships that we are all facing demand that they put aside the millions of dollars in political donations made by trial attorneys and, instead, focus on helping New Yorkers save billions of dollars through meaningful reform to our legal system,” said Mark Kriss, executive director of New Yorkers for Lawsuit Reform. “The Legislature and Governor Paterson are talking about reducing the deficit. Here’s the recipe...and it comes at no cost.”

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