



Date: February 20, 2014

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Analysis Finds Potential Effects from Affordable Care Act for Property-Casualty Insurers

MALVERN, Pa.—Feb. 20, 2014—The property-casualty insurance industry is likely to become the target of significant additional cost-shifting by hospitals, physicians, and other medical providers responding to incentives and requirements of the Patient Protection and Affordable Care Act (ACA), according to a new white paper available free of charge from the Insurance Research Council (IRC). In addition to the cost-shifting effects of the ACA, property-casualty insurers may potentially see an increase in claim fraud and an overall increase in claims as individuals look to the first-dollar coverage provided by property-casualty insurance coverage as an alternative to the higher deductibles and more substantial cost-sharing requirements found with many health insurance plans.

In the white paper, *The Affordable Care Act and Property-Casualty Insurance*, the IRC identifies several pathways by which the property-casualty industry could potentially be affected by the ACA. Due to the uncertainties in predicting how patients, claimants, and medical providers will respond to the ACA, no specific estimates are made of the cost implications for the industry. However, the likely direction and potential magnitude of several possible effects are discussed.

“There is growing interest in understanding how the Affordable Care Act will impact the property-casualty insurance industry,” said David Corum, IRC Vice President. “With this analysis, we hope to highlight the fact that property-casualty insurers are in a changed environment, where the medical providers with whom they engage and the claimants they serve are themselves confronted by major changes as a result of the ACA. By exploring how providers and potential claimants are affected by the ACA, we can begin to anticipate how the act will ultimately affect the property-casualty industry.”

The white paper is available as a free download from the IRC website at www.insurance-research.org.

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NOTE TO EDITORS: The Insurance Research Council is a division of the American Institute For Chartered Property Casualty Underwriters (The Institutes). The Institutes are the leader in delivering proven knowledge solutions that drive powerful business results for the risk management and property-casualty insurance industry. Institute knowledge solutions include the CPCU designation program; associate designation programs in areas such as claims, risk management, underwriting, and reinsurance; introductory and foundation programs; online courses; research; custom solutions; assessment tools; and continuing education (CE) courses for licensed insurance professionals and adjusters through its CEU.com business unit. The IRC provides timely and reliable research to all parties involved in public policy issues affecting insurance companies and their customers. The IRC does not lobby or advocate legislative positions. It is supported by leading property-casualty insurance organizations.

How the Patient Protection and Affordable Care Act is Expected to Affect Property-Casualty Insurance Claim Costs		
Possible Pathway for Affecting Property Casualty Claim Costs	Expected Direction of Cost Impact	Potential Magnitude of Cost Impact
Cost shifting to property-casualty insurance		<i>major</i>
Claim shifting to property-casualty insurance		<i>minor</i>
Less opportunistic fraud due to fewer uninsured		<i>minor</i>
More fraud due to the diversion of career criminals to property-casualty business		<i>moderate</i>
Lower future medical damages		?
Healthier populations	?	?
More appropriate utilization	?	?