Insurance Research Council

# News Release

The Institutes™

Proven Knowledge. Powerful Results.

Date: July 29, 2010

Contact: David Corum, CPCU
(484) 831-9046
corum@cpcuiia.org

**Majority of Public Thinks Legislation to Allow Policyholders to Sue Their Own Insurance Companies is Not a Good Idea**

**MALVERN, Pa. —** New public opinion survey findings from the Insurance Research Council (IRC) indicate that a majority of Americans believe that adopting new laws allowing people to sue their own auto insurance company for punitive damages, in addition to receiving benefits for their insured claim losses, is not a good idea. Twenty-six percent of those surveyed said that allowing such lawsuits was a poor idea, and 31 percent said it was only a fair idea.

A first-party bad-faith lawsuit is one where a person sues their own insurance company because they believe the company acted in "bad faith" in the settlement of their claim. Only a few states allow individuals to sue their own insurance company in this manner, although several states have recently debated, and rejected, legislation authorizing first-party bad-faith lawsuits.

The survey also asked whether respondents would be willing to pay more for insurance in order to allow first-party bad-faith lawsuits. (Allowing first-party bad-faith lawsuits increases claim costs and, ultimately, the cost of insurance coverage.) Forty-seven percent said they were "not at all willing" to pay more and 24 percent said they were "not very willing" to pay more. Even among those who thought that allowing first-party bad-faith lawsuits was a good or an excellent idea, one-half (51 percent) said they were unwilling to pay more for insurance in order to allow the lawsuits.

"These findings indicate a substantial lack of public support for legislation that would generate more lawsuits and higher costs for insurance consumers," said Elizabeth Sprinkel, Senior Vice President of the IRC.

The report, *Public Attitude Monitor 2010: First-Party Bad-Faith Legislation*, is based on telephone interviews with 1,614 adults countrywide conducted December 15, 2009, through January 6, 2010, by Harris Interactive on behalf of the IRC. For more detailed information on the study's methodology and findings, contact David Corum by phone at (484) 831-9046 or by email at corum@cpcuiia.org. Copies of the study are available at $65, for an electronic version, or $80 each, for a printed copy. Visit IRC's Web site at www.ircweb.org for more information.

###

**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. The Institutes' 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.

**Figure 1**
**Opinions of First-Party Bad-Faith Lawsuits**

*Percentage saying that allowing first-party bad-faith lawsuits is…*

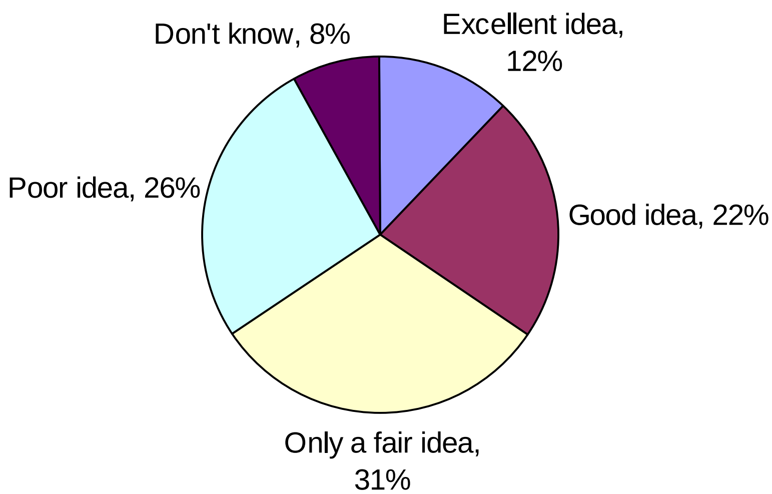


**Figure 2**
**Willingness to Pay More for First-Party Bad-Faith Lawsuits**

*Percentage saying they are willing or unwilling to pay more for insurance to allow first-party bad-faith lawsuits*