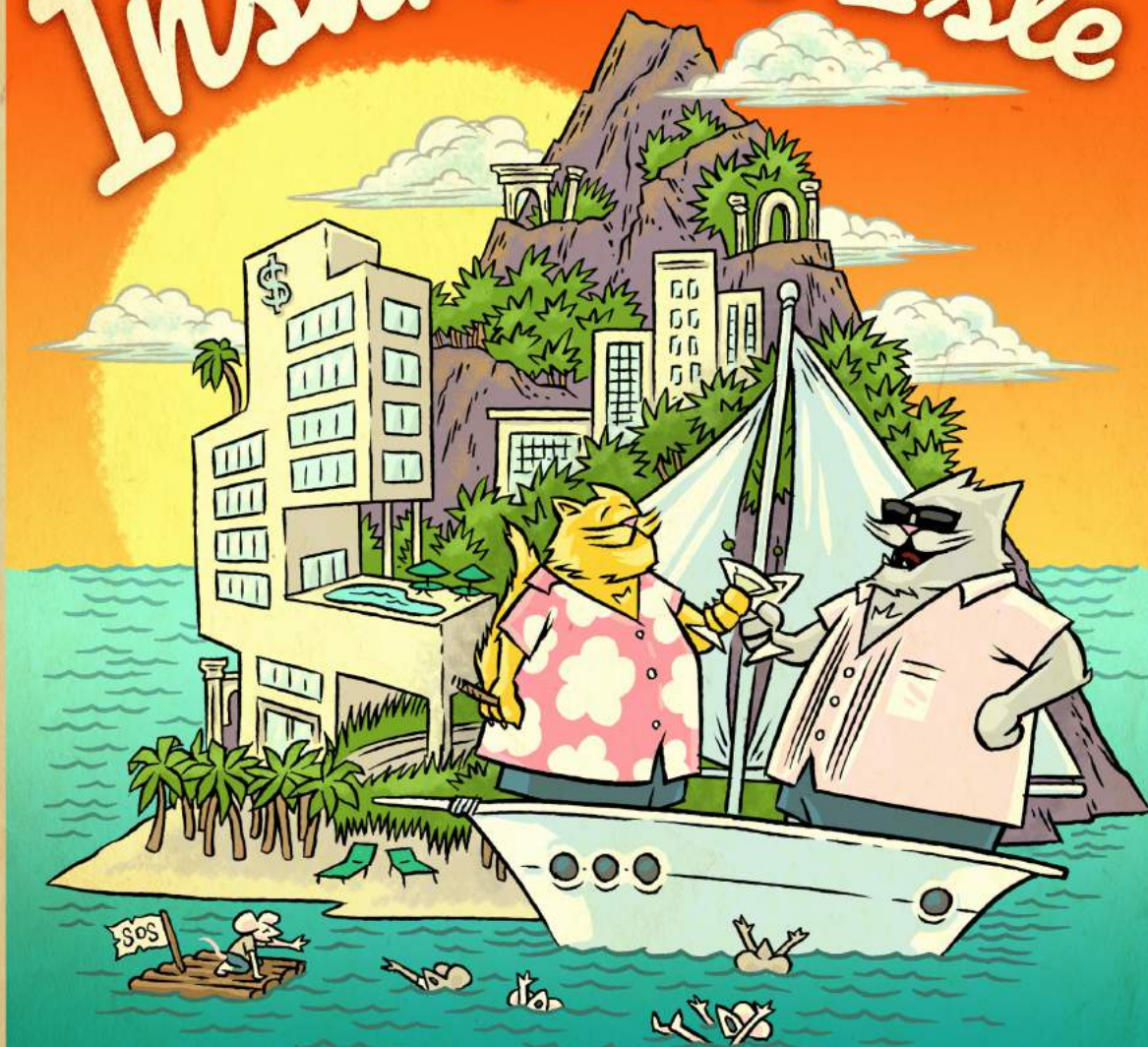


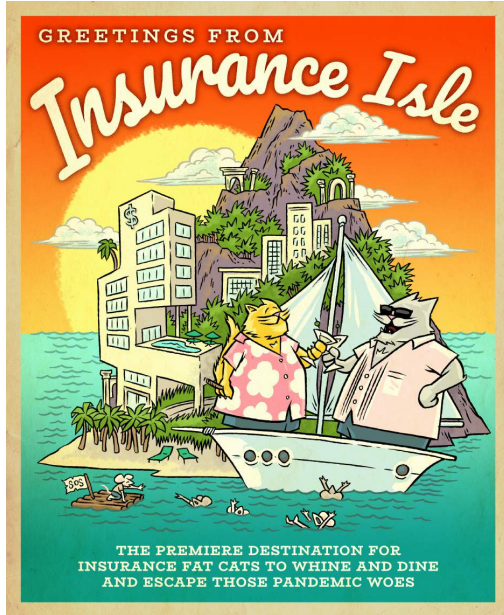
GREETINGS FROM

Insurance Isle



THE PREMIERE DESTINATION FOR
INSURANCE FAT CATS TO WHINE AND DINE
AND ESCAPE THOSE PANDEMIC WOES

Welcome to Insurance Isle!



Are you an Insurance Industry Fat Cat?

Has the COVID-19 pandemic gotten you down, with too many stories about sick people and collapsing businesses, when your billion-dollar industry has received no sympathy at all?

Are you looking for a colony of grievance-filled Insurance Industry Fat Cats who share your pain and are in desperate need of a mood booster?

Then Insurance Isle is for you!

Find out more in this new illustrated brochure!

You'll learn why Insurance Isle is the perfect destination to spend your newly-acquired and ever-increasing wealth. We promise you'll find a safe place to meet like-minded Fat Cats who share your affinity for PR spin and alternative facts. That's our pledge to you.

Space is limited so reserve your spot today. The phones are open!

(Fine print conditions and hidden insurance terms apply, of course.)



Relax at Profit Beach



We know that watching your profits double during the COVID-19 pandemic has been the perfect salve during these stressful times. To maintain your blissful stupor, we'll help you hide the fact that these profits have come at the expense of your own struggling policyholders, whose claims you won't pay and whose premiums you keep raising for no reason. (For more, turn to page 10.)

Hoard Your Money at Pirate's Cove



As any feral cat knows, hoarding food can be important. Same with hoarding money. At Insurance Isle, our adage is, "It's a pandemic – hoard all the money you can!" Take advantage of the fact that jury trials are backlogged for years. Stop paying all those claims. Keep low-balling settlement offers to the sick and injured. Fight small businesses in court. We'll make sure no one touches your money. Just swim on over! (For more, turn to page 11.)

Shop At Our Exclusive “Spin Boulevard”



No Insurance Fat Cat should feel like a loser, especially while shopping! You deserve better when your insurance lawyers lose cases because they can't defend horrible misconduct (or maybe they're just bad lawyers). We will help you feel better by sending you on a shopping spree to stores you'll love, and make sure all you see are catchy alternative fact slogans that you can yowl around town, which are sure to uplift even the grumpiest Fat Cat. (For more, turn to page 11.)

Chill Out While Our PR Experts Do the Work

We know you need help convincing your customers that you deserve more wealth at their expense. Put your paws up while we do the hard work for you! Our team of PR experts are standing by ready to assist.

(And believe me, our PR consultants are *good*. Ever hear the words “social inflation?” That was their idea!)

Here are a few “problems” they’ve concocted as part of their brilliant “social inflation” campaign. So many options to choose from! See below for some suggestions. Just pick one that works best for you. In no time, you’ll be blaming everyone but you for your decision to price-gouge your customers. (And don’t worry. We’ll keep all your secrets.)



Large verdicts against giant reckless corporations. (Does anyone really need to know that you’ve been complaining about large verdicts *for decades* and that you rarely ever pay them? We say, no!)

The #MeToo movement. (Most nonunion workers are subject to forced arbitration clauses and class action bans, which keep victims completely out of court. Nobody needs to know.)

Child sexual abuse cases. (With our expert help, no one will ever know that most states block access to the courts for survivors, and even when legitimate claims go forward, the insurance industry often will not cover them.)

Litigation finance companies. (Actual experts say that litigation finance firms screen out meritless cases – sorta the opposite of what you’ve been saying. We’ll just keep that between us.)

Verdicts for catastrophically-injured people hurt in big-rig truck crashes. (Don’t worry, we won’t tell anyone that these crashes are horrific, yet federal law only requires \$750,000 insurance coverage for trucks, a minimum that hasn’t been increased in decades so most victims are undercompensated.)



The 2008 financial crisis, now causing jurors to treat corporations unfairly. (We will make sure to never to remind people that this crisis occurred over a decade ago.)

Millennials on juries suddenly rendering unfair verdicts. (No need to remind anyone at all that millennials have been serving on juries since 1999.)

Cases brought by defrauded shareholders against public companies. (The downward trend of these cases, followed by their recent precipitous drop, will be our big secret.)

Juries numb to money because of celebrity and athlete salaries. (Neither jury data nor paid loss data show such a trend, but we promise, no one’s paying attention to data.)

(For more, turn to pages 12-15.)

Take Our Special Driving Lesson



As part of our guest lecture series, we're honored to present our Auto Insurance Industry Fat Cat friends, who have graciously offered to show how they worked the pandemic for maximum greed, er, bliss. With people home, there was a huge decline in driving, car accidents, and insurance claims. Yet companies generally collected the same premiums. As a result, companies pocketed hundreds of millions – or in some cases over a billion – dollars more than they made the year before, paying dividends to shareholders instead of refunding premiums! We can all take lessons. (For more, turn to page 15.)

Spend Hours at Whiner's Wharf



We understand your need to gripe, but we know playing the pandemic victim while the nation struggles may not be the smartest move. You need a safe place to go! That's why we set up Whiner's Warf, where you can go and complain without limits to friends who really "get" you. Go ahead. Say the quiet part out loud!

You won't find a more supportive and receptive group of friends to share your tragic experiences. (For more, turn to page 16.)

Sources

Relax at Profit Beach

U.S. property/casualty (P/C) insurers made substantial profits in 2020, accumulated record-breaking surplus (increasing to \$914 billion), paid “far less” in pandemic-related claims than they once insisted they’d be paying, and are still hitting struggling policyholders with huge rate hikes. Leslie Scism, [“AIG’s Profit Rises on Premium Growth, Investment Gains,”](#) *Wall Street Journal*, May 6, 2021; Fitch Ratings, [“U.S. P/C Insurers Report 2020 Underwriting Profits Despite Costs of COVID-19: Fitch,”](#) *Insurance Journal*, April 12, 2021 (“pricing continues to increase at a level unseen since 2003”).

Across the board, companies reported large profits, extending into 2021. Angela Childers, [“Liberty Mutual reports sharply higher profit despite cat losses,”](#) *Business Insurance*, May 6, 2021; Leslie Scism, [“AIG’s Profit Rises on Premium Growth, Investment Gains,”](#) *Wall Street Journal*, May 6, 2021; Claire Wilkinson, [“Travelers reports 22% Q1 profit gain despite cat losses,”](#) *Business Insurance*, April 20, 2021; Leslie Scism and Allison Prang, [“Travelers More Than Doubles Quarterly Income,”](#) *Wall Street Journal*, October 20, 2020 (“Property-casualty insurer Travelers Cos. more than doubled its net income in the third quarter, benefiting from auto policyholders driving fewer miles and increased premium rates.”)

This profit was made, in part, off the backs of small businesses owners whose “business interruption” insurance claims were largely rejected by insurers. [“Moody’s Says COVID-19 Impact on P&C Insurance Sector Was ‘Moderate,’”](#) *Claims Journal*, May 24, 2021 (“Businesses have filed about 1,700 business-interruption claims because of COVID-19 shutdowns, but those cases are largely being decided in favor of insurers, Moody’s said”); Noor Zainab Hussain and Suzanne Barlyn, [“Travelers Insurance Profit Soared in Q4 on Fewer Claims, Investment Gains,”](#) *Insurance Journal*, January 21, 2021.

Large premium increases, which began before the pandemic, grew through 2020, and are continuing, have greatly contributed to industry profits. Gavin Souter, [“Property/casualty insurance prices keep rising,”](#) *Business Insurance*, April 6, 2021,; Matthew Lerner, [“Global prices rise 22% in Q4: Marsh,”](#) *Business Insurance*, February 4, 2021, (“Global commercial insurance prices rose 22% in the fourth quarter of 2020, the largest year-over-year increase in the Marsh Global Insurance Market Index since its inception in 2012”); Claire Wilkinson, [“Chubb’s Q4 profit doubles,”](#) February 3, 2021, *Business Insurance*, (“We had ... excellent financial results, headlined by rapid premium revenue growth and margin improvement — a trend we are

confident will continue”); Leslie Scism and Allison Prang “[Travelers Profit Increases 50%, Fueled by Car-Insurance Unit](#),” *Wall Street Journal*, January 21, 2021.

Hoard Your Money at Pirate’s Cove

With courtrooms shut down for most of 2020, civil jury trials nearly or completely disappeared. Civil cases in many places are now extremely backlogged and with many cases unlikely to be heard for years. See, for example, Benjamin Gideon, “[Maine Voices: To delay resuming civil trials is to delay justice](#),” *Portland Press Herald*, April 30, 2021.

Early into the pandemic, insurance lawyers and consultants began discussing ways companies could “capitalize” on the pandemic, which meant taking advantage of the case backlog to force sick and injured people to accept lowball settlement offers. Susanne Sclafane, “[COVID-19 Court Delays May Turn the Social Inflation Tide](#),” *Carrier Management*, May 29, 2020.

Indeed, this is exactly what happened. Brittany Kriegstein and Noah Goldberg, “[With no trials because of COVID-19, victims are left waiting to settle their civil lawsuit cases](#),” *New York Daily News*, February 21, 2021; Ronald D. White, “[What happens when COVID shuts civil courts?](#)” *Los Angeles Times*, September 11, 2020.

California and consumer groups tried to stop these practices but not much could be done. Consumer Federation of America, [Letter to Commercial Insurance Executives](#), June 4, 2020; [California Notice: Some Insurers Exploiting COVID-19 Court Closures](#), *A.M. Best*, May 20, 2020.

Notably, when it comes to one type of claim – business interruption – companies have refused even low-ball settlement offers. Instead, insurers have aggressively fought small businesses and paid out very little. “[Moody’s Says COVID-19 Impact on P&C Insurance Sector Was ‘Moderate](#),” *Claims Journal*, May 24, 2021 (“Businesses have filed about 1,700 business-interruption claims because of COVID-19 shutdowns, but those cases are largely being decided in favor of insurers, Moody’s said”); Noor Zainab Hussain and Suzanne Barlyn, “[Travelers Insurance Profit Soared in Q4 on Fewer Claims, Investment Gains](#),” *Insurance Journal*, January 21, 2021.

Shop At Our Exclusive “Spin Boulevard”

For decades, the insurance industry has created crises in insurance affordability and availability, while falsely blaming juries and victims for the industry’s own mismanaged underwriting cycle. J. Robert Hunter, Joanne Doroshov and Douglas Heller, [How the Cash Rich Insurance Industry Fakes Crises and Invents Social Inflation](#) (March 2020).

While insurance representatives are notorious for attacking victims and lawyers, perhaps less well-known is how insulting they can be to jurors, such as dubbing jury verdicts “fraudulent” when an insurer’s client/wrongdoer doesn’t win. A.M. Best webinar, “The Impact of Social Inflation on Insurance Claims,” November 10, 2020.

Chill Out While Our PR Experts Do the Work

In 2019, as the insurance cycle predictably turned after 13 years of low rates, the industry apparently needed a public relations term to help make the case that it was suffering losses and needed to raise rates – even though the industry was (and continues to) massively prosper. J. Robert Hunter, Joanne Doroshow and Douglas Heller, [How the Cash Rich Insurance Industry Fakes Crises and Invents Social Inflation](#) (March 2020).

The new PR term, rarely used by anyone outside the insurance industry, is called “social inflation.” It was created with “no scientific evidence behind it” and “no sound scientific basis for it.” Dr. Bill Kanasky, Senior Vice President of Litigation Psychology, Courtroom Sciences, speaking during A.M. Best webinar, “The Impact of Social Inflation on Insurance Claims,” November 10, 2020.

“Social inflation” is a vague catch-all term that refers to anything the industry does not like about jurors, the sick and injured, plaintiff attorneys, etc. It is grounded in factual inaccuracies. J. Robert Hunter, Joanne Doroshow and Douglas Heller, [How the Cash Rich Insurance Industry Fakes Crises and Invents Social Inflation](#) (March 2020).

As if to demonstrate its meaninglessness, the term continued to be used by industry spokespeople during the pandemic even though the civil justice system had ground to a halt, many states passed laws to immunize wrongdoers from liability, and the industry was not paying claims. A.M. Best webinar, “The Impact of Social Inflation on Insurance Claims,” November 20, 2020. See sources for above sections “Relax at Profit Beach” and “Hoard Your Money at Pirate’s Cove”; Erica James and Raymond Krncevic, [“States Take the Lead With Business Covid-19 Immunity Statutes,” Bloomberg Law](#), October 23, 2020.

“Social inflation” is used to refer to any of the following things, and more. J. Robert Hunter, Joanne Doroshow and Douglas Heller, [How the Cash Rich Insurance Industry Fakes Crises and Invents Social Inflation](#) (March 2020).

Large verdicts against giant reckless corporations.

For decades, insurance companies have complained about jury verdicts when they lose cases. This is nothing new. But as experts observe, there are compelling reasons why juries decide as they do. And neither jury nor data paid loss data show any new jury

trends. J. Robert Hunter, Joanne Doroshov and Douglas Heller, [How the Cash Rich Insurance Industry Fakes Crises and Invents Social Inflation](#) (March 2020); James H. Gordon and Michael E. Bonner, Ansa Assuncao LLP, [“The Self-Fulfilling Prophecy of Social Inflation,”](#) *Lexology*, February 5, 2020; Center for Justice & Democracy, [Tort Litigation – By The Numbers](#) (2016).

And importantly, verdicts do not reflect the greatly-reduced sums that insurers actually pay out to claimants, if anything. Jury verdict data do not reflect reductions by remittitur, verdicts overturned on appeal, or settlements reached later at reduced sums. As one researcher put it, “[J]ury verdicts that attract popular attention are not at all representative and often are slashed dramatically by judicial oversight or through other means,” “the larger the verdict, the more likely and larger the haircut,” and generally injured people are undercompensated. David A. Hyman and Charles Silver, [“Five Myths of Medical Malpractice,”](#) 143 *CHEST* 222 (January 2013).

Employment cases prompted by the #MeToo movement.

Fewer and fewer sexual harassment cases can get into court with any kind of claim. That’s because well over half of nonunion private-sector workers are now subject to forced arbitration clauses and class action bans, which rig the process in the employer’s favor by keeping victims completely out of court. By 2024, it is estimated that more than 80 percent of the private-sector nonunion workforce will be bound by these clauses. Economic Policy Institute, [Unchecked corporate power: Forced arbitration, the enforcement crisis, and how workers are fighting back](#), May 20, 2019; Economic Policy Institute, [The Growing Use of Mandatory Arbitration](#), April 6, 2018.

Child sexual abuse cases.

While a few states have opened the courthouse to these claims, most states still have extremely restrictive laws that block access to the courts for most survivors. But even when legitimate claims are allowed to go forward, the insurance industry often will not cover them. Marci A. Hamilton, [“Insurance Carriers Hold a Key to Prevent Child Sex Abuse,”](#) *Verdict*, April 25, 2019; Center for Justice & Democracy, [“State Tort Limits In Sexual Assault Cases; Caps and Statutes of Limitations,”](#) February 14, 2019.

Litigation finance companies.

While arguing that third party litigation funding “fuels frivolous litigation,” empirical research shows the exact opposite to be true (*i.e.*, these companies screen out meritless cases). Even business attorneys have written that “linking litigation funding to social inflation exposes the specious nature of the social inflation theory itself.” James H.

Gordon and Michael E. Bonner, Ansa Assuncao LLP, "[The Self-Fulfilling Prophecy of Social Inflation](#)," *Lexology*, February 5, 2020; Ronen Avraham and Anthony Sebok, "[An Empirical Investigation of Third Party Consumer Litigant Funding](#)," 104 *Cornell L. Rev.* 1133 (2019).

Verdicts for catastrophically-injured people hurt in big-rig truck crashes.

Of the nearly 5,000 people killed in large truck crashes each year, 82 percent of those victims are *not* large-truck occupants but rather motorists forced to share the road with massive 80,000-pound trucks. Crashes are often caused by trucks speeding or truck driver fatigue. Truck underride crashes, where the car slides under the truck, are a huge problem. In other words, truck crashes can cause catastrophic damage. Richard Lardner, "[Administration moves to ease drive-time rules for truckers](#)," *Associated Press*, July 1, 2019; Federal Motor Carrier Safety Administration, [Large Truck and Bus Crash Facts 2017](#) (May 2019); U.S. Government Accountability Office, [Truck Underride Guards: Improved Data Collection, Inspections, and Research Needed](#) (March 2019).

Yet federal law only requires \$750,000 insurance coverage for trucks, a minimum that hasn't been increased in decades, which means that many victims are undercompensated. National Highway Transportation Safety Administration, [2018 Fatal Motor Vehicle Crashes: Overview](#) (October 2019); Rob Low, "[Trucking company involved in I-70 crash only carries \\$750,000 of liability insurance](#)," *Fox 31 Denver*, April 30, 2019.

The 2008 financial crisis, now causing jurors to treat corporations unfairly.

While alleging that a crisis that occurred over a decade ago is causing today's jurors to treat corporations unfairly, neither jury nor data paid loss data show any such trend. J. Robert Hunter, Joanne Doroshow and Douglas Heller, [How the Cash Rich Insurance Industry Fakes Crises and Invents Social Inflation](#) (March 2020); Center for Justice & Democracy, [Tort Litigation – By The Numbers](#) (2016).

Millennials on juries suddenly rendering unfair verdicts.

Millennials have been serving on juries since 1999, including during the entire soft market that spanned the years 2006 through 2019, which was characterized by stable insurance rates. This was not an issue until the industry needed to justify rate hikes in 2019. J. Robert Hunter, Joanne Doroshow and Douglas Heller, [How the Cash Rich Insurance Industry Fakes Crises and Invents Social Inflation](#) (March 2020).

Cases brought by defrauded shareholders against public companies.

Before the pandemic began, the frequency of these cases had been flat for the prior three years, and in 2019, the average settlement value dropped to the lowest in a decade. Since the start of the pandemic, class action securities filings dropped 22%. Judy Greenwald, "[New class action securities cases down 22% in 2020](#)," *Business Insurance*, February 3, 2021; NERA Economic Consulting press release "[Trends in 2019 Securities Class Actions](#)," January 21, 2020.

Juries numb to money because of celebrity and athlete salaries.

Neither jury nor data paid loss data show any such trend. J. Robert Hunter, Joanne Doroshow and Douglas Heller, [How the Cash Rich Insurance Industry Fakes Crises and Invents Social Inflation](#) (March 2020); Center for Justice & Democracy, [Tort Litigation – By The Numbers](#) (2016).

Take Our Special Driving Lesson

Auto insurance companies made a windfall from COVID-19.

Early into the pandemic, consumer groups (specifically the Consumer Federation of America and the Center for Economic Justice) began pressing auto insurance carriers for premium refunds as people stopped driving. While some companies responded with some premium relief, they did so only for a short time. As a result, as both groups recently put it, "The staggering drop in accidents this year resulted in a dramatic drop in claims paid by insurers, handing companies massive windfall profits even after accounting for the woefully inadequate premium relief provided in the spring." Consumer Federation of America press release, "[Auto Insurance Refunds Needed as New Data Show Crashes Remain Well Below Normal Due to Pandemic; 23% Fewer Accidents in September and October](#)," December 22, 2020; Leslie Scism and Allison Prang, "[Travelers More Than Doubles Quarterly Income](#)," *Wall Street Journal*, October 20, 2020 ("Property-casualty insurer Travelers Cos. more than doubled its net income in the third quarter, benefiting from auto policyholders driving fewer miles and increased premium rates.")

Instead of refunding money to policyholders, companies – touting the pandemic's impact in financial reports – rewarded shareholders with dividends.

"Progressive reported over \$3.3 billion in net income between April and September (Q2 and Q3), which is \$1.5 billion, or 82%, more than it earned during the same period last year. On December 4, Progressive announced a \$4.50 per share annual dividend for its

shareholders (~\$2.6 billion), which is nearly double the 2019 annual dividend. GEICO's pre-tax earnings tripled during the second and third quarters of 2020 to \$2.34 billion compared with \$769 million in 2019. The third quarter earnings are up 83% from \$835 million in earnings for the third quarter of 2019. Allstate reported auto insurance underwriting income for the combined two quarters of \$1.87 billion, more than a billion dollars better than 2019." Consumer Federation of America press release, "[Auto Insurance Refunds Needed as New Data Show Crashes Remain Well Below Normal Due to Pandemic; 23% Fewer Accidents in September and October](#)," December 22, 2020.

Spend Hours at Whiner's Wharf

Stock Market and Tax Windfall

Thanks in part to the strong stock market, the property/casualty insurance industry has accumulated an astounding record-breaking surplus totaling \$914 billion. Fitch Ratings, "[U.S. P/C Insurers Report 2020 Underwriting Profits Despite Costs of COVID-19: Fitch](#)," *Insurance Journal*, April 12, 2021.

The 2017 corporate tax cut, which reduced the corporate tax rate to 21 percent from 35 percent, created a profit bonanza for the insurance industry. Consumer Federation of America, "[CFA Reiterates Need for Rate Relief for Consumers in Wake of Large Corporate Tax Cut](#)," February 8, 2018; Lyle Adriano, "[Has Donald Trump just given Berkshire a \\$37 billion boost?](#)" *Insurance Business America*, January 10, 2018.

Congressional Bailouts

Following 9/11, insurance industry representatives showed their patriotism by walking into the White House and demanding a federal bailout. What they received was an unnecessary federal "backstop" that has taxpayers covering most terrorism-related losses after insurers pay a relatively small amount. This law has been reauthorized four times and now protects insurers through 2027. Terrorism Risk Protection Act, 116 Stat. 2322; Center for Justice & Democracy, [The Money Vultures](#) (January 2003).

As the nation faced another crisis – this time a pandemic – insurers followed the same playbook. Fearing they might have to pay small businesses for their business interruption losses, they began lobbying Congress for bailout legislation based on the terrorism model. Given how well they've been doing fighting businesses in court, however, a new bailout law seems unlikely. "[Moody's Says COVID-19 Impact on P&C Insurance Sector Was 'Moderate'](#)," *Claims Journal*, May 24, 2021 ("Businesses have filed about 1,700 business-interruption claims because of COVID-19 shutdowns, but those

cases are largely being decided in favor of insurers, Moody's said"); Kimberly Adams, "[Businesses, insurers want federal backstop to interruption insurance](#)," *Marketplace*, September 11, 2020.

Consumer groups

Thanks to the small number of non-profit consumer groups and handful of advocates who have done Herculean work trying to hold the huge, wealthy, and powerful insurance industry accountable throughout the pandemic and beyond. A special shout out to the [Consumer Federation of America](#) and the [Center for Economic Justice](#), whose work is cited throughout this report.

Insurance Isle

Written by Joanne Doroshow, Executive Director, Center for Justice & Democracy.

For more information, including sources and backup, see *How the Cash Rich Insurance Industry Fakes Crises and Invents Social Inflation* (March 2020), <https://centerjd.org/content/study-how-cash-rich-insurance-industry-fakes-crises-and-invents-social-inflation>

Illustrations (and great editorial assistance) by Jason Stout, Austin, Texas.

For questions, contact:

Center for Justice & Democracy at New York Law School
185 West Broadway
New York, NY 10013

center@centerjd.org

<http://centerjd.org>

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