

Insurance companies: New lawsuit bill won't reduce premiums

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COLUMBUS, Ohio - Businesses sued over workplace injuries, defective products or car crashes have long hoped a bill limiting personal injury lawsuits might help lower their insurance premiums.

Insurance companies say they may have to keep waiting, even though Gov. Bob Taft signed the bill into law Thursday.

"We base our rates and premiums on our loss history and future predictions," said Brian Maze, a spokesman for State Farm Insurance. "Even though the pen may go to the paper tomorrow, I don't think this battle is done."

The bill caps pain-and-suffering awards at between \$350,000 and \$500,000 for less severe injuries but does not limit verdicts for the most severely injured Ohioans, such as those who lose a limb.

Several insurance companies contacted by The Associated Press said Wednesday that the rate-setting process considers many factors over several years and it's too soon to tell if the bill will reduce their costs.

"To say that one particular bill will have a direct or immediate impact on our overall pricing strategy just wouldn't be an accurate statement," said Todd Morgano, a Progressive spokesman.

Allstate, Cincinnati Insurance and Grange echoed similar sentiments.

Taft, a Republican, said passage of the bill sends an important message to companies.

"They want a stable, predictable business climate where they can't be put out of business by one or two lawsuits, and that's what we've accomplished," he said Wednesday.

The bill took almost two years to pass, including more than a year of House hearings by Rep. Scott Oelslager, a Stark County Republican skeptical of any widespread problems with jury verdicts or frivolous lawsuits.

He cited studies of court systems around Ohio that found no evidence of a pattern of rising damage awards. Lawmakers eventually approved a less restrictive bill in December than the Senate first passed in 2003.

That includes a restriction on the amount of money car crash victims can collect if they weren't wearing a seat-belt. Current law doesn't allow juries to consider the failure to wear a seat-belt as a defense in auto accident lawsuits.

"That will certainly lessen claims payments right off the bat," said David Roark, general counsel with Grange Insurance.

Insurance companies have to be careful about how they react to the legislation since it's likely to be challenged as unconstitutional. Opponents say it unfairly restricts Ohioans' right to a jury trial.

If insurance companies had dropped their rates after the bill passed that was found unconstitutional in 1999, "they would have lost their shirts," said Dan Kelso, president of the Ohio Insurance Institute.

Business groups say they understand it will take time before premiums could come down.

"The insurance community was very upfront that the rating cycle happens over a period of time," said Ty Pine, of the National Federation of Independent Business of Ohio.

Nevertheless, the bill "will certainly give a business owner immediate relief from the fear of an out-of-control jury award," he said.

Premiums will NOT decline when liability caps (a.k.a. "tort reform" measures) are passed.