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## **Study Estimates Florida Third-Party Bad-Faith Costs at \$7.6 Billion for 12-Year Period (2006-2017)**

**MALVERN, Pa.**— A new report from the Insurance Research Council (IRC) estimates that Florida's third-party bad-faith legal environment added an average of \$106 in claim costs to every insured vehicle in the state in 2017, and resulted in a total of \$7.6 billion in additional claim costs over the past 12 years. A majority of the additional claims costs can be attributed to rapid growth in the frequency of bodily injury (BI) liability claims, prompted by Florida's legal rules and standards for resolving allegations of bad-faith.

The report, *Third-Party Bad Faith in Florida's Automobile Insurance System, 2018 Update*, compares key BI liability claim trends in Florida to trends in three other large no-fault states—New York, New Jersey, and Pennsylvania. The three comparison states rely primarily on administrative approaches to investigating and resolving allegations of bad-faith on the part of auto insurance companies, and experienced relatively stable BI claim trends over the study period. The estimate of the effect of Florida's third-party bad-faith environment on BI claim frequency and costs is based on the assumption that claim trends in Florida would have followed similar trends if Florida had also relied on an administrative approach to investigating and resolving allegations of bad faith.

"The virtually unrestricted ability to file a third-party bad-faith lawsuit against an insurance company continues to pose a serious threat to Florida's auto insurance system," said Elizabeth A. Sprinkel, CPCU, senior vice president of the IRC. "The possibility of winning large bad-faith settlements and court judgments creates powerful incentives for potential claimants and their attorneys to file auto liability insurance claims that otherwise would not be filed."

A contributing factor in Florida's growing problem with third-party bad-faith lawsuits is the apparent failure of the no-fault system's tort threshold to limit access to reimbursement under the liability portion of most auto insurance policies. In other no-fault states, bodily injury liability claim frequency is relatively low because the system is designed to limit the number of liability claims that are filed. In exchange for limited access to liability-based compensation, claimants are provided ready access to no-fault reimbursement for lost wages and medical costs. Florida's tort threshold, however, appears to have little or no effect on liability claim frequency. In 2017, Florida's bodily injury claim frequency rate (1.06 BI claims per 100 insured vehicles) was higher than the claim frequency rate in 24 tort system states (states without no-fault coverage) and was significantly higher than the liability claim frequency rate countrywide (0.81 claims per 100 insured vehicles).

For more detailed information on the study's methodology and findings, call David Corum at 484-831-9046 or email [IRC@TheInstitutes.org](mailto:IRC@TheInstitutes.org). For information about obtaining a copy of the study, please visit the IRC's website, [www.Insurance-Research.org](http://www.Insurance-Research.org).

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