

A recent article which appeared in Consumer Digest by Bob Hunter.

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A new study charges that the nation's insurance industry has dramatically increased profits and surplus in recent years, in part by systematically overcharging for insurance and shifting costs to consumers and taxpayers.

The study by the Consumer Federation of America and other consumer groups provides extensive data demonstrating that property/casualty insurance companies are paying out lower claims in relationship to the premiums they charge consumers than at any time in decades.

The combined ratio, the relationship of all paid claims and expenses to the premiums that insurers collect, appears to be the lowest on record in 50 years. This indicates the highest profit levels in recent history.

"Profits and a solid insurance industry are a good thing but unjustified profits and excessive capitalization harm consumers," said J. Robert Hunter, the Director of Insurance for the Consumer Federation of America (CFA) and author of the study.

"We saw record profits in 2004 and 2005 despite significant hurricane activity. Profits in 2006 rose to unprecedented heights, with pre-tax profits likely to increase by over \$30 billion for property/casualty insurers, a jump from the previous record of more than \$100 for every man woman and child in America. Meanwhile, the amount that insurers paid in claims and expenses as a percentage of the premium collected in 2006 plummeted to a 50-year low," he said.

"Unfortunately, a major reason why insurers have reported record high profits and low losses in recent years is that they have been methodically overcharging consumers, cutting back on coverage, underpaying claims, and getting taxpayers to pick up some of the tab for higher risks," said Hunter.

CFA charges that many insurers are sharply increasing premiums for homeowners and commercial insurance and reducing or eliminating coverage for tens of thousands of Americans in coastal areas of the country. Insurers are also urging Congress to continue taxpayer subsidies for terrorism losses and to create a federal catastrophe insurance program that could also involve taxpayer support.

Using a number of common measures of financial health, the study finds that balance sheets for property/casualty insurers are in better condition overall than at almost any time in recent history.

