

June 23, 2005

Editor  
Charleston Gazette  
P.O. Box 2993  
Charleston, WV 25330-2993

Dear Editor:

We respectfully disagree with your June 22 editorial (“Schnookered again-West Virginia made bad trade”) criticizing the state’s recently passed ban on third-party bad faith lawsuits.

Your assertion that the decreasing premium rates in a few other states is proof that West Virginia rates would have occurred without Governor Manchin’s reforms is incorrect.

The editorial indicates that policyholders “in most other states didn’t have to give up legal rights to get lower premiums.” What you fail to understand is that only five other states allow consumers to file third-party bad faith lawsuits. These lawsuits have cost the state’s consumers millions of dollars in higher annual premiums. Consumers paid more, not because of legitimate claim expenses, but because insurers were considered an “open checkbook.”

Your editorial also indicates that consumers are likely to be shortchanged in their insurance settlements if they cannot sue. How can this be? Governor Manchin’s reforms did nothing to eliminate the existing Unfair Trade Practice laws. The new law still allows claimants to bring an administrative action against insurance for bad faith and to be compensated if the insurer acted in bad faith. The only difference is that consumers must now file their complaints with the Insurance Commissioner rather than in Circuit Court. The bad faith reform law does not even become effective until next month. How can the law be considered a failure before it has even had time to work?

Your position regarding wholesale premium reductions in neighboring states is not relevant to West Virginia. West Virginia Fast Track data, based on the experience of over half of the insured autos in the state, indicates that liability loss costs have increased over the past three years and that, on average, there should be very little or no rate change for 2005. The editorial, however, says that the average rate went down 5.4 percent. Clearly this decrease was due to the repeal of bad faith.

Governor Manchin, as well as the Legislature, recognized that third-party bad faith lawsuits clog the system with meritless claims, and cost consumers money, which is why they chose to reform the system for the betterment of individuals and businesses alike.

Thank you,

Jill Bentz  
President  
West Virginia Insurance Federation

*The West Virginia Insurance Federation is the state trade association for property and casualty insurance companies doing business in the state.*