

## Why do your insurance rates go up?

The insurance industry likes to blame rate hikes on rising lawsuits, aggressive lawyers and a public that is too eager to sue. They use these arguments in an effort to get Congress and state legislatures to pass laws that make it harder for injured persons to collect for their losses. But, are lawsuits the real cause of insurance rate increases?



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Insurers may say that they need to raise rates because of the high cost of claims they are paying out. But a look at where an insurance company's money comes from and where it goes tells a different story.

When you buy an automobile liability policy, a homeowners policy or a commercial policy to protect your business, some of your premiums are set aside in reserves to pay claims that may be filed in the future. The rest goes to pay for the insurance company's salaries and expenses, as well as advertising, agent commissions, and sponsoring sports arenas and special events.

If the premiums the insurer collects are more than the expenses and

claims paid, the company has an underwriting gain or profit. If claims and expenses are greater than premiums collected for the year, there is an underwriting loss. But insurance companies have another important source of income.

The money insurers set aside to pay future claims is known as surplus. The funds held as surplus are invested in stocks, bonds, mortgages and real estate. Those investments generate significant additional income. Insurers can have an underwriting loss and come out ahead because of investment income.

For example, the National Association of Insurance Commissioners 2018 report shows that property

and casualty insurers had an underwriting gain of \$3 billion, meaning these insurers collected \$3 billion more in premiums than they paid in salaries, expenses, commissions and claims. Investment income of over \$53 billion was significantly higher, resulting in \$57.9 billion in total net income for 2018.

For the first half of 2019, property and casualty insurers

held \$802.2 billion in surplus, a new record high. Earnings on this surplus is the source of most of their \$57.9 billion in income for 2018.

But all that good news for insurance companies doesn't mean you can expect your rates to go down. And it doesn't mean that the insurance industry won't try to pass laws that take away your right to be compensated when you are injured in a car wreck or by medical negligence.

Insurance pricing runs in cycles. When insurance rates are stable, that is called a "soft market." When rates shoot up, it's called a "hard market."

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# How to protect your finances in emergencies, disasters

A weather emergency or natural disaster can force you to evacuate, and these events can destroy or severely damage your home and possessions. Recovering from the financial losses after a disaster is easier if you can easily access your important records and personal information.

## To prepare for a natural disaster:

- Do a household inventory of your possessions. Document that with photos or a video. This can help if you need to prove your loss on an insurance claim.
- Safeguard important documents online or on a USB flash drive that you can take with you.
- Buy a lockable, fireproof file box to store important household documents, emergency contacts, copies of your current prescriptions, insurance information and other important financial and family records. Keep it where you can grab it if you must evacuate in a hurry.
- Rent a safety deposit box to store copies of the documents in your fireproof file box.
- Check your insurance coverage. Will your home, health and other policies cover temporary



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shelter, replacement clothing and furniture, or other items you need following a disaster?

## Getting it back together after the emergency:

- Report lost or stolen credit, ATM or debit cards as soon as possible. Call 1-800-555-1212 for the card issuer's number if you don't have it.
- Contact your employer to let them know how to reach you,

and to be sure you can get any paychecks you are due. Ask if your health insurance coverage will continue while you are away from work.

- Contact Social Security, the Veterans Benefits Administration, your retirement plan, or the social services office if you receive any of these benefits. Let them know how to reach you and find out how you can continue to access your benefits by check, direct deposit or a payment card until you are resettled.
- Contact your bank, creditors, landlord and utility company. Ask if they will work with you to defer payments, extend repayment plans, waive late fees or postpone collection efforts.
- Check your credit report for possible fraud or mistakes on your account or for help identifying creditors. For a free report, call 1-877-322-8228.
- If you need to replace vital records, such as birth or death certificates, military records. Medicare or Social Security cards, [www.usa.gov/replace-vital-documents](http://www.usa.gov/replace-vital-documents) has information about how to contact the appropriate state or federal agency.

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During a soft market, insurance companies compete for your business. They want more premium dollars so they have more money to invest because investments are earning a good rate of return.

Insurance rates become competitive and may even be lower than the rate of inflation.

Insurance companies may even be willing to negotiate some terms in order to keep your business. During a hard market, insurers raise rates and may become choosier

about whether they want your business. If the value of investments held as surplus goes down, insurers write fewer policies and rates go up.

The value of investments held as surplus and the income from those investments affects whether a market is soft or hard. In other words, interest rates, the economy and the stock market drive whether insurers are motivated to lower or raise rates.

What does tort law and tort reform have to do with your insurance rates? Studies have shown that tort

law limits enacted during an "insurance liability crisis" failed to lower insurance rates. In fact, states that did not enact "tort reform" or caps on damages saw a greater drop in premium rates than states that took away the rights of the injured.

Despite several catastrophic natural disasters, insurance rates have been stable. But eventually, the industry will be hungry to raise rates. When you hear the argument that lawsuits are the problem, remember the \$57.9 billion in investment income and the record \$802 billion surplus.

# Is that medical discount plan really health insurance?

A health-care plan usually covers a broad range of services by paying you or your doctor for a portion of the cost of your medical bills. Many people who have a high deductible policy look for ways to cover more of their medical expenses. One option that can seem appealing is to enroll in a medical discount plan.

Medical discount plans promise deep discounts on medical products and services. Usually you pay a monthly fee to get these discounts from a list of providers. But beware:

The promised discounts may save

you no money at all once you add in the cost to enroll in the program and the monthly premiums.

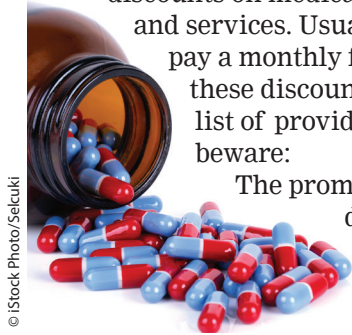
Before signing up for a medical discount plan, call your doctor's office to see if it participates in the plan. You should also check with your state insurance commissioner's office to see if the plan is authorized for sale in your state. You can also find out about any complaints or scam alerts about the company.

The National Association of Insurance Commissioners emphasizes that these are not health insurance plans and do not give you the same benefits or protections as a licensed health insurance plan. If you have a serious medical

problem or emergency that requires doctor visits or hospitalization, you will have to cover most or all of those costs unless you have health insurance.

NAIC recommends that you don't allow yourself to be rushed into a decision. Pressure to sign up before you miss out on a "special deal" should make you reconsider.

It also urges caution when speaking to unfamiliar callers. Sales pitches for medical discount plans can come from identity thieves hoping to get you to give out personal and financial information. You can check them out by contacting your state insurance department or your local Better Business Bureau.



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## Your rights when your luggage is lost, damaged or delayed

Most airline passengers arrive at their destination with their luggage intact and on time. When that doesn't happen, the law requires the airlines to compensate you under certain conditions.

### Damaged bags

The airline is responsible for repairing or reimbursing you for damage to your bag or its contents if the damage occurred while the bag was under the airline's control. It is not responsible for damage to the bag before you checked it or if improper packing caused the damage.

### Delayed bags

The airline is responsible for locating your bag if it does not arrive at your destination. Airlines have systems to track bags.

If your baggage is delayed, file a claim as soon as possible and stay in close communication with the airline until your bag is located. The airline must compensate you

for reasonable, actual incidental expenses you can prove you incurred as a result of the delay in delivering your bag.

### Lost bags

A bag is usually considered lost when the airline cannot locate it between five and 14 days after the flight. Once your bag is declared lost, the airline must compensate you for the depreciated value of your bag and its contents and refund any fees you paid the airline to transport the lost bag.

### Assistive devices

Airlines are required to compensate you for the loss of such items as crutches, walkers, braces, wheelchairs, breathing equipment, other medical devices and

medications necessary to assist you with a disability.

### Limits on liability

For flights within the United States, federal regulations set an upper limit of \$3,500 on what the airline must pay you for a lost, damaged or delayed bag. There are no upper limits on the airline's obligation to reimburse you if they damage or destroy your assistive device. Different limits apply to international flights.

For more on your rights when you fly, go to [www.transportation.gov/airconsumer/fly-rights](http://www.transportation.gov/airconsumer/fly-rights).



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### *Sudden hearing loss explained; what to do if you experience it*

Sudden deafness is a common term for any hearing loss that comes on quickly, affects only one ear and is not clearly related to a loud noise or explosion at close range, such as a gunshot or exploding firecracker.

Along with a noticeable loss of hearing, you may also experience dizziness, loud ringing in the ear and pressure in the ear.

Officially called sudden sensorineural hearing loss, SSNHL happens more often to adults in their late 40s or early 50s. In most cases the cause is unknown, and about half of those who experience sudden deafness recover their hearing in one to two weeks. In the meantime, it can be frightening.

What to do? See your health-care provider if noticeable sudden hearing loss occurs within a three-day period. After ruling out common physical causes such as ear wax blocking the ear canal, fluid in the ear or a punctured

eardrum, your doctor may recommend a hearing test. A medical exam will also check for medical causes such as stroke, head trauma or autoimmune disease.

Your health-care provider may prescribe steroids to speed the healing process. In cases of profound hearing loss, more aggressive treatment may be necessary. If your hearing doesn't improve within three months, you may need to see an audiologist to be fitted for a hearing aid.



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