

Testimony of Laura Pierman
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MI House Insurance/ Bad Faith

Thank you for allowing me the opportunity to come before you and your committee.

My name is Laura Pierman and I am the Claim Facility Manager for the Michigan Claim Operations for Amerisure Mutual Insurance. I am responsible for all claim handling within the state of Michigan for Amerisure. Claims within my department pertain to Workers' Compensation, Commercial General Liability, Commercial Auto as well as Commercial Property. During my 20 year career at Amerisure, I have worked as both a claims adjuster as well as a claims supervisor.

It is my understanding that there has been a significant amount of testimony that relates to the excessive amount of wrongful denials by insurance carriers of legitimate claims presented to them by their policyholders. I have heard some of the stories that have been circulated in the last several days, and while I agree that the circumstances are very sad and in some cases tragic, I feel strongly that there is another side to this issue that I would like to share with you. I would like to share with you my inside view of the insurance industry's claim handling process.

It has been stated on numerous occasions this week that it is easier and cheaper for an insurance company to deny a legitimate claim than it is to pay it. For those of us on the front lines, handling claims on a regular basis, that statement is ridiculous and couldn't be further from the truth.

We know that when a claim is denied, we will have much more work ahead of us than we would have had if the claim was just paid. There are multiple parties that we regularly have to explain our reasons for denial—the policyholder, the agent, maybe an employer or another interested party, sometimes an attorney, a mediator, an arbitrator as well as a judge, as well as countless others who may get involved—including in some cases the insurance commissioner. We don't have nearly as many phone calls or explanations to give when a claim is paid. Denying a claim is not as simple as sending out a form letter and maybe answering one phone call from the policyholder. That is only the start of it. It is not easier to deny a claim.

Any adjuster will tell you that claims don't get less expensive over time. If anything they become more costly and expensive for the insurance carrier. As far as the statement that it is cheaper to deny a legitimate claim rather than pay what is owed is also just as absurd. There are fines already available that can be assessed by the Insurance Commission. There are also fines and penalties

associated with the law itself. In addition, if litigation develops, the carrier not only has to pay for the expenses and fees associated with retaining their own defense counsel but also runs the risk of interest on money owed, attorney costs and fees for plaintiffs counsel as well as exemplary damages being awarded by a jury.

There are many deterrents already available within the current environment that prevents and discourages unfair claim handling practices by insurance carriers. The insurance industry is already highly regulated. There are numerous regulations within the existing law that deals with unfair trade practices within the industry. Violations of these practices result in fines and penalties to the carrier. In addition, carriers are subject to hearings and sanctions levied by the insurance commissioner in the state. There is a formal complaint resolution process already in place in Michigan. This process allows consumers to make complaints about their carrier and how their claim has been handled. This process requires carriers to respond in writing to these complaints and also to supply documentation supporting their position that they are acting in compliance with the law.

There are complaints that occur in the claim handling process just as come in any service industry. Many times these disputes are the result of a policyholder not understanding their policy and the coverage that they purchased, not understanding what is allowed under the law, or not being realistic in the value of their claim. Disputes and complaints do occur. However, my point is that there are already processes in place to handle these disputes. Insurance carriers are penalized under the current process, if they unfairly deny claims.

My biggest concern is that if these bills pass, we run the risk of several things occurring. First, adjusters and carriers will be less likely to properly investigate and deny fraudulent or illegitimate claims due to their concern about these excessive penalties. As a result, more claims that should be legitimately denied will be paid. This will result in either higher rates being charges to consumers, or insurance carriers getting out of the state of Michigan which will again result in higher insurance rates but could also contribute to yet another growing and prosperous industry moving out of the state of Michigan. In the end, the state of Michigan and its consumers will suffer.

Finally, I have worked in the insurance industry since graduating from college. I am proud to be part of this industry. I am extremely proud of the claims handling I have given and continue to give on the claims assigned to me and my office. Statements that have been expressed this week by individuals who in the past have worked in the industry are offensive to those of us who take pride in our careers as claim professionals. Myself and those on my staff, have regularly received feedback from claimants and policyholders about how pleased they are with the claim handling they have received. In some cases, our policyholders will pay a higher premium due to the service they received in their time of need or

crisis. This type of good faith claim handling is provided every day by many individuals at many different carriers. We do it because it is the right thing to do and not out of the fear of penalties.

