YOU & the LAW

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Study concludes: Insurance industry promotes 'crises' to manipulate rates

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Have you noticed that every few years there's a new insurance "crisis" in the news? The "crisis" might involve skyrocketing malpractice insurance rates for doctors, unavailability of homeowner policies because of storms and floods, or problems with auto insurance because of "too many lawsuits."

Insurance is a major national concern because so many American households purchase at least one insurance product, ranging from auto liability to health insurance. The federal government estimated that the average family spent more than $5,000 on personal insurance and pensions in 2010. In some cases, purchasing certain types of insurance isn't an option — it's legally required.

A recent study concluded that the insurance industry manufactures periodic "crises" in order to justify massive rate increases, which insurance companies need to implement as a result of their own mismanagement. The study by Americans for Insurance Reform blames much of the problem on lack of regulation of the insurance industry. The report, titled *Repeat Offenders: How the Insurance Industry Manufactures Crises and Harms America,* points out that the insurance industry is exempt from anti-trust laws that other industries are required to follow.

The study found that the insurance business often runs in cycles that involve "hard" and "soft" markets. During a soft market, rates tend to be stable and reasonable, while a hard market often results in skyrocketing insurance prices.

The study says the insurance industry attempts to divert attention from the high premiums and other consumer problems that accompany hard markets by inventing distractions. One of the favorite distractions has been to blame high premiums and lack of available coverage on consumers whom they claim file too many lawsuits.

Joanne Doroshow, who co-authored the study with J. Robert Hunter, said the legal system is not responsible for the wild swings in insurance pricing. "Insurance executives get away with pointing their fingers everywhere but at their own actions," Doroshow said. "This country has had enough of the insurance industry blame game and the endless cycle and the periodic crises that accompany it."

According to the study, a new insurance "crisis" started developing in 2011 and will continue unless laws are changed to make the industry accountable. The study says insurance industry practices could be reformed by requiring insurers to disclose more meaningful information to state authorities, by strengthening state regulatory authority over the industry and by repealing the federal anti-trust exemption that protects insurance companies.

Americans for Insurance Reform is a project of the Center for Justice and Democracy at the New York Law School. The full study can be viewed at *www.centerjd.org/issue.*

A payday loan can leave you deeply in debt

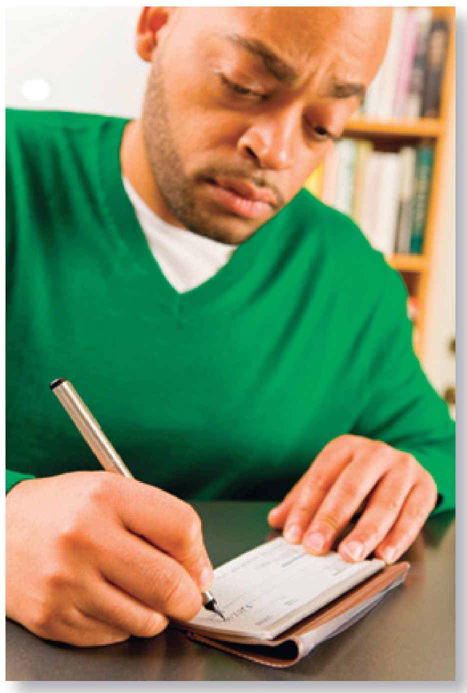
Most people who use a payday loan do so because they desperately need the cash, but would you borrow that way if you knew the interest and fees you end up paying could jump to 390 percent if you roll over the loan for a year?

Typically, a payday loan is for a modest amount, maybe $100. For a $100 payday loan, the borrower writes a check for $115 payable to the lender who cashes it in two weeks. The $15 is the fee the lender charges for its service.

However, consumer protection organizations complain that many borrowers roll over their loans numerous times, paying an additional $15 each time. If a $100 payday loan is rolled over for a year (26 times), the cost of borrowing that $100 jumps to an astronomical $390 — plus repayment of the original $100.

Under the federal Truth in Lending Act, payday loans are treated like other types of credit: Lenders must disclose the cost of the loan in writing. So why do people make what seems to be such a bad deal? Unfortunately, many Americans live paycheck to paycheck, so an unexpected expense like an emergency auto repair can leave them short of cash prior to the next pay period. Also, such loans can be quick and convenient for the borrower, with payday loan offices often located in areas where banks or other lending businesses are in short supply.

The Community Financial Services Association of America, which says it represents about half of the payday loan companies, takes issue with some of the criticism leveled at their industry. CFSA says on its website that its "members abide by responsible industry practices that ensure customers understand the cost and risk of short-term payday advances to facilitate the best financial decisions."



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CFSA says more than 19 million American households "count a payday loan among their choice of short-term credit products."

The Federal Bureau of Consumer Protection issued an alert concerning payday loans, urging consumers to consider alternate lenders such as:

- a credit union or small loan company
- a bank that offers short-term loans for small amounts at competitive rates
- a local community-based organization that makes small business loans to individuals

Most states have laws that regulate interest rates that can be charged, and military personnel have special protections against high fees or rates.

For more advice on borrowing or contact information for your state's consumer protection agency, visit the website of Federal Citizen Information Center of the General Services Administration, *www.consumeraction.gov.*

Free fraud advice available at OnGuardOnline.gov

The Internet, while offering many advantages, is not without its problems. That became particularly obvious earlier this year when the federal government's special website created to help consumers watch out for fraud schemes was hacked.

That website, *OnGuardOnline.gov,* was temporarily taken down following the break in.

Despite the hacking, *OnGuard Online.gov* remains a good source of information for consumers. It covers numerous issues that can occur on the Internet and offers advice on how to remedy possible problems. Among the many subjects the website covers are:

- kids' online safety
- malware, spam and phishing
- online dating scams
- tax-related identification theft
- online tracking
- online shopping
- mobile apps
- cyberbullying
- cookies

OnGuardOnline.gov provides information and advice in such user-friendly formats as games, videos, articles and publications.

Are personal ID protection services worth the money?

Identification theft is a real problem in today's world in which everyone and every business seems to be connected electronically. But how much is the average consumer really at risk of having his or her identity stolen?

The Federal Trade Commission estimates that as many as 9 million Americans have their identities stolen each year. When many of us hear "identity theft," we think of someone opening charge accounts and credit cards and fraudulently spending thousands of dollars of our money by misusing our good credit. Horror stories abound of victims who've spent months or years trying to untangle damage done by a thief who bought cars and luxury items through false use of their identities.

However, the term identity theft is often used to describe something as simple as unauthorized use of a credit card, and it doesn't always mean that a victim's entire credit portfolio was taken over. In fact, federal data indicates that about 80 percent of what's called ID theft involves fraudulent charges on an existing account.

The fact is that in most cases your monetary exposure due to someone stealing and charging items on your credit card is limited by law to $50.

All the hype about ID theft has spawned the proliferation of businesses that offer consumers "ID theft protection" or "ID theft insurance." Some of these businesses are banks that sell ID theft protection as a sideline, while others are stand-alone companies that advertise heavily. ID theft protection and/or insurance has grown to become a multi-billion-dollar business in the United States.

But are such policies or services, which can cost about $200 annually, really worth it?

Stay alert for things like:

- ✓ charges on your accounts that you can't explain;
- ✓ inaccurate information on your credit reports;
- ✓ failing to receive bills or other mail;
- ✓ receiving credit cards for which you didn't apply;
- ✓ being denied credit or being offered less favorable credit terms, like a high interest rate, for no apparent reason; and
- ✓ getting calls or letters from debt collectors or businesses about merchandise or services you didn't buy.

You can perform many of the services these companies offer for yourself. However, watching for signs of ID theft requires a modest amount of effort, a little savvy and perseverance.

The FTC advises that the best way to detect ID theft is to monitor your accounts and bank statements each month, and to check your credit report on a regular basis.

TV tip-overs — a growing danger to children

Just about every American home has at least one television. While few of us think of them as potential hazards to children, they can be dangerous if not properly secured on a sturdy stand of an appropriate size.

Anyone who's had to move a TV — especially an older model — knows that it can be heavy. The big, newer flat-screen televisions can also be hefty and can tip over if not secured with straps or placed on a sturdy stand.

According to an 18-year study conducted by the Center for Injury Research and Policy of the Research Institute and Nationwide Children's Hospital, an average of 14,700 injuries per year occur from furniture tip-overs. That study found that children sustained three-quarters of the injuries, and televisions accounted for almost half of the tip-overs.

The study also observed that the number of injuries to children from furniture tip-overs is increasing.

In one year alone, the U.S. Consumer Product Safety Commission received reports of 134 tip-over-related deaths. Typically, injuries and deaths occur when children climb onto, fall against or pull themselves up on a television stand and other furniture.

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The federal consumer agency offers these safety tips:

- placing TVs on a sturdy, low-rise base and avoiding flimsy shelves,
- pushing the TV as far back as possible,
- placing electrical cords out of a child's reach and teaching kids not to play with them, and
- keeping remote controls and other attractive items off the TV stand so kids won't be tempted to grab for them.

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