

Testimony of

American Property Casualty Insurance Association (APCIA)

House Judiciary Committee

Senate Bill 538 Civil Actions - Noneconomic Damages - Personal Injury or Wrongful Death

March 27, 2024

Unfavorable

The American Property Casualty Insurance Association (APCIA) is the primary national trade organization representing nearly 67.1 percent of the Maryland property casualty insurance market. Senate Bill 538 would be a significant policy shift that would have a detrimental impact on Maryland civil defendants, residents, businesses and insurers due to increased claims, litigation, jury verdicts and settlements. APCIA appreciates the opportunity to provide written comments in opposition to Senate Bill 538.

Senate Bill 538 as amended will raise the current non-economic damages caps for personal injury cases, which currently exceeds \$935,000 to \$1,750,000, nearly a 90% overnight increase above the current cap. The figure chosen by the plaintiff's bar is arbitrary. In addition, SB 538 changes the current escalator from \$15,000 every year to \$20,000, another 33% increase. This will also significantly complicate the ability to settle lawsuits, since plaintiffs' lawyers will demand significantly higher amounts for immeasurable harm. The current law strikes a reasonable balance between unlimited subjective awards and the consistency and predictability that contribute to a stable civil justice system in Maryland.

The only people in favor of this legislation are plaintiff's attorneys but there are a multitude of varied business interests that are opposing this legislation. This would benefit the plaintiffs' lawyers because a cap increase produces the same nearly 90% increase in their attorneys' fees, which are based on a percentage of the damages recovered. This profound increase has no basis or rationale and will make Maryland an extreme outlier among states with caps.

Non-economic damages may far exceed the amount of economic damage awards because of intangible factors such as subjective values, beliefs, emotional sensitivities and differing perspectives, and courts and juries often struggle to calculate fair and rational non-economic damage award. The repeal of the non-economic damages cap only provides incentives for plaintiff's attorneys to file litigation, which will significantly increase the number of lawsuits going forward and increase **Maryland's already high tort tax of \$3,186 per household.**¹

The broad discretion given juries in awarding damages for noneconomic loss is the single greatest contributor to the inequities and inefficiencies of the tort liability system. It is a difficult issue to address objectively because of the emotions involved in cases of serious injury and because of the financial interests of plaintiffs' lawyers.

Pain and suffering awards are typically subject to imprecise and ineffective standards of review, such as whether the amount is so high that it "shocks the conscience." Increasing the available damages in this manner will almost

¹ *US Chamber of Commerce Institute for Legal Reform Tort Costs in America Empirical Analysis, November 2022.* For purposes of the study, tort costs are defined as the aggregate amount of judgments, settlements, and legal and administrative costs to adjudicate private claims and enforcement actions.

certainly result in an increase in claims and lawsuit filings, and will drive up the costs of defense, settlement and claims administration, including due to the increased need for experts now necessary to testify about pain and suffering on both sides given that caps would be dramatically increased. .

- Studies have shown that caps on non-economic damages caps lead to a significant reduction in the number of court cases filed.²
- Caps on non-economic damages have also been found to be especially effective in controlling tort liability costs.³
- Studies document that non-economic damages caps are linked to lower insurance premiums. For example, using state-specific data, the National Association of Insurance Commissioners (NAIC) found that premium rates were lower in states that regulated the amount of non-economic damages.⁴

There is no need to change Maryland's noneconomic damage caps. When Maryland enacted its statutory limit in 1986, it was the first state to adopt a limit generally applicable to personal injury cases. Now, nearly two thirds of states have statutory limits on noneconomic damages that apply to all personal injury cases, medical malpractice cases, or both.⁵ Eighteen states cap or disallow wrongful death non-economic damages. Maryland's current limits on personal injury noneconomic damages are among the highest amounts in the country.⁶

Maryland's current limits on noneconomic damages in personal injury and wrongful death cases contribute to a predictable and stable business and healthcare environment in Maryland. They are within the mainstream of how other states have treated non-economic damages and should not be altered. Repeal of the caps would disturb this careful balance that the legislature has set by exposing Maryland residents and businesses to unpredictable and potentially extraordinary liability. Eliminating the statutory limit on subjective non-economic damages will result in unpredictability and will place upwards pressure on insurance rates for Maryland consumers, businesses, and insurers as the amount of insured losses skyrockets.

The legislature's foresight in enacting a reasonable limit on noneconomic damages is an important, rational measure that continues to control outlier awards and provide predictability in Maryland's civil justice system today. A statutory limit only facilitates reasonable settlements and keeps insurance rates stable if its application is predictable and consistent.

² https://www.cbo.gov/sites/default/files/108th-congress-2003-2004/reports/report_2.pdf

³ https://www.insurance-research.org/sites/default/files/news_releases/IRCsocinfFINAL..pdf

⁴ NAIC, *Profitability by Line by State, various reports*

⁵ See e.g., Alaska Stat. § 09.55.549; Cal. Civ. Code § 3333.2; Colo. Rev. Stat. § 13-64-302; Ind. Code § 34-18-14-3; La. Rev. Stat. Ann. § 40:1299.42; Md. Cts. & Jud. Proc. Code § 3-2A-09; Mass. Gen. Laws ch. 231 § 60H; Mich. Comp. Laws Ann. § 600.1483; Miss. Code Ann. § 11-1-60(2)(a); Mont. Code Ann. § 25-9-411; Neb. Rev. Stat. § 44-2825; Nev. Rev. Stat. § 41A.035; N.M. Rev. Stat. § 41-5-6; N.C. Gen. Stat. § 90-21.19; N.D. Cent. Code § 32-42-02; Ohio Rev. Code Ann. § 2323.43; S.C. Code Ann. § 15-32-220; S.D. Codified Laws §21-3-11; Tex. Civ. Prac. & Rem. Code Ann. § 74.301; Utah Code § 78B-3-410; Va. Code Ann. § 8.01-581.15; W. Va. Code § 55-7B-8.

⁶ A few states limit noneconomic damages to \$250,000. Most states with caps have limits in \$350,000 to \$600,000 range. Maryland is one of only seven states that automatically adjust the limit on noneconomic damages on a regular basis to account for inflation. While some states adjust or lift the cap for catastrophic injuries or wrongful death, many are still at levels that are lower than Maryland's limit.

Finally, when an injury or death is caused by malicious conduct, a plaintiff can also recover punitive damages in Maryland. About half of the states limit punitive damages to an amount set by statute or a multiple of compensatory damages. A half dozen other states generally do not authorize punitive damage awards. In Maryland, punitive damages are available and uncapped. We ask that the House not move forward with this legislation.

However, if the cap on noneconomic damages needs to be adjusted at all, it should only be adjusted to reflect the true effect of inflation since its inception, which would be at a \$1,020,000, and under no circumstances exceeding \$1,100,000. For the reasons stated, an overnight increase to the cap of nearly 90% to \$1,750,000 as well as the overnight 33% increase to the annual escalator are excessive, unfounded, and should be rejected.

For all these reasons, APCIA respectfully requests an unfavorable report on Senate Bill 538.

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