Kitchen and Bath Policies Are Good for Insurers, Consumers & Regulators

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The Key Takeaways

1. It is healthy for entrepreneurs to be "worriers" to keep a watchful eye for risks or perils.

2. Separate policies for kitchens and bath are used as examples, illustrating the advantages and benefits of the new system to insurers, consumers and regulators, ending in win-win-win.

3. Insurers may feel reluctant to switch to the new system after centuries of writing legacy "All-in-One" policies. We need compelling reasons to persuade them to change.

4. Writing separate policies to cover partitioned risks will first benefit insurers and then consumers: Insurers have reduced risk exposure, which will be translated into consumers' lower premium. This has been discussed previously with a focus on the exterior of the house – roof, walls, fence, garage, garden, and sheds. But "every day" perils often originate from within the house. This is why discussions about bathroom and kitchen make sense.

5. Covering kitchens and bathrooms separately sets up firewalls between policies, and reduces the chance that when someone is responsible for everything, nobody is responsible for anything, a situation we currently see in California and other states.

6. Separate policies introduce competition inside the home between teams or insurers, and we expect higher efficiency from the internal competitions. Separate policies also encourage innovations and prevention, eliminating blind spots of risks from inside out.

7. One area for prevention is to develop more Internet of Things to allow us to better detect the safety status of various parts in a home.

8. The current residual insurance FAIR Plan in California is actually a risk sharing plan similar to the Kitchen-Bath plan, except K-B (for kitchen-bath) plans are voluntary, win-win-win programs, while FAIR Plan is an involuntary, lose-lose-lose program.

9. FAIR Plan is still writing policies for clustered risks, where the entire home or even the entire community is treated as the same. This is the same model used by insurers in the voluntary market. K-B is covering partitioned risks.

10. In general, it is easier to estimate the replacement cost of an entire house compared to a specific part like a kitchen or bathroom, although this is not a big challenge as there are ways to handle it.

11. To provide a cushion for homeowner's losses, all insurers (or teams inside and between insurers) should follow the syndicated risk pool model in the FAIR Plan by apply a "household surcharge" in premium, and contribute when a part of home suffers, or causes, losses. This honors the fact they are protecting the same home for the same homeowner.

The title of this post is partially misleading. I want to discuss separate insurance policies for various home components, including the roof, floors, walls, pool, porch, garden, garage, and home office — kitchens and bathrooms are used as examples of how divided insurers' liabilities help a stable policy supply for consumers.

I've been advocating for *separate* insurance policies covering *partitioned* risks as foundational concepts for revolutionizing the P&C insurance. However, I realize that I haven't done a good job elaborating on why these concepts can create a win-win-win situation for insurers, consumers, and regulators. This post fills in this important piece of the puzzle.

I also realize my earlier focus was heavily on the *exterior* of the house – roof, walls, fence, garage, garden, and sheds. This is understandable, as catastrophes like wildfires or hurricanes typically cause damage from the outside in. However, *everyday* perils can also originate from within the house. This is why discussions about bath and kitchen safety are equally crucial.

Before getting into details, a few quick comments on entrepreneurship are in order.

1 Self-Doubting Is Healthy

People talk about how important ideation is to entrepreneurship, I want to add that ideation is not a one time deal. An "Aha" moment often brings a raw idea to mind, but developing that idea (ideation) requires refinement through multiple iterations to reach a more polished stage. Applying critical thinking to your own initial concept is key. This involves having some self-doubting and self-questioning to refine your ideas, and to address potential issues and weaknesses.

You don't see characters in movies (e.g., Vaccaro in the movie "Air") to have

much self-doubts at all. Instead, they always seem certain of their thoughts and actions. But that's just in movies. In real-life, it is perfectly healthy, and in fact crucial, to question yourself once in a while.

In entrepreneurship, it's sometimes a good thing to be a "worrier," someone who frets about potential issues that others might overlook. At times when some people become complacent, dreaming of a month-long Hawaiian vacation on the beautiful beach to forget about work, family troubles, or boss issues, the entrepreneur keeps a watchful eye.

Of course, you don't want to overdo it and worry about too many things too much that you forget about enjoying life itself. It's just that entrepreneurs understand the importance of staying vigilant.

Here's a real-life example: Every weekday, a team of roughly 20 children, led by two or three teachers or babysitters, walk up the hill by the UC Berkeley Soccer Field. They gather to sit or to play near the giant trees, which tower five stories high. This poses a safety hazard, particularly after heavy rain followed by strong winds. The large trees could fall and injure the children. I wish the teachers and the parents were mindful of this risk and taught the kids how to protect themselves against a falling tree.

2 Do We Have Compelling Reasons for New Policies?

In my case, the thing that has me worried is always this: Why would private insurers want to make the shift from writing century-old "All-in-One" policy to separate policies that nobody has written before?

Alternatively, how can we persuade insurers that proactively and voluntarily joining the insurance revolution aligns with their own best interests?

This is a meaningful question to ask because one thing good to keep in mind

is that private (and for profit) insurers are unlike public utility companies (e.g., P&G, EBMUD or East Bay Municipal Utility Development). Simply put, while insurers are regulated by rules and laws, nobody can force them to accept all policy applicants, or to renew all existing policies if they do not want to.

By the same token, nobody can force insurers to change their current practice and issue separate policies if they do not want to. We must offer reasons why the new policies are better than the legacy ones. Our reason, or reasons, must also be compelling to make them hard to reject.

3 Insurers Risk Exposure & Consumer Premium

My previous discussions on insurance revolution have rightly focused on reducing insurers' risk exposure, which obviously will benefit insurers by reducing their liability and dread.

However, I have only *indirectly* linked insurers' benefits to consumers' gains. Recall the example I used before: A whole homeowner policy in California can have an aggregate claim limit of more than $1 million, but the average cost for a roof replacement is only $25,000, less than 3% of the $1+ million. I then argue that the premium for the roof only policy will be lower than the premium of the All-in-One policy for the entire home.

Now, I want to point out that the link is *general* and *direct*: The lower your coverage limits are, the lower your premium will be — other things equal.

In response to my inquiry on coverage limits and premium, Google Gemini even offers a hypothetical example:

"Imagine two homeowners policies with identical coverage except for the dwelling coverage (or claim) limit (covers the structure of your home). Policy A has a $300,000 dwelling coverage limit, and Policy B has a $500,000 limit. In most

cases, Policy A will have a lower premium because the insurer's maximum payout for damage to the home is lower."

However, Gemini won't tell you in a single chat — unless you ask a follow-up question — that claim limit is just one factor impacting insurers' risk exposure. There are many other factors. For example, having a luxury home, living in a higher crime rate area, living in a wildfire prone region, or having a heavy loss claim in the past, these will all push up your premium — for the same reason that they increase the insurer's risk.

It is intuitively easy to understand that the claim limit for a roof will be lower than that for the entire house. Therefore, a roof insurers' risk exposure is much lower than that of the All-in-One insurer, which translates to lower premium.

This is how the insurance revolution will benefit both consumers and insurers: The less risk posed to an insurer, the lower premium it will charge the consumer. To the extent that regulators want to protect consumers and keep the insurance market stable, they reap benefit as well. This is where the win-win-win story comes from.

4 Clearer Responsibilities with Partitioned Risk

I will now show other benefits or advantages from writing separate policies, using kitchen and bathroom as examples.

Reducing insurers' risk exposure is just one advantage, the one that is clearly quantifiable. It may or may not be the biggest for insurers, or big enough to attract insurers to join the supply side revolution.

Due to centuries of writing legacy policies, insurers may have inertia and be hesitant to abandon All-in-One policies in favor of separate ones for segmented or partitioned risks. To incentivize a shift, insurers would likely need additional

benefits.

What are those attractions?

One of them is clearer responsibilities for liabilities. In an “All-in-One” policy, an insurer is responsible for all risks involved in a home. Unfortunately, when one is responsible for everything, resources spread too thin, and it becomes likely that nobody is responsible for anything!

This is not just a possibility, but a cold reality: We have already witnessed many homes and communities of homes with HOAs being rejected or denied insurance policies, and many more being refused for renewals.

Separated policies for partitioned risks will bring different stories. A kitchen policy or a bathroom policy provide perfect examples. As their names imply, one policy will only cover the kitchen, while another only for the bathroom. The two policies may come from the same insurer (e.g., State Farm), or the kitchen policy may be issued by *State Farm*, while the bathroom policy by *Allstate*.

It makes little difference between the two scenarios, because the loss liabilities will always be clearly separated in both cases. No one is responsible for everything anymore, even when the two policies are written by teams from within *State Farm*, there will be a “firewall” between policies.

It works like this: Say the Kitchen policy has a claim limit of $5,000, while the bathroom policy has a claim limit of $3,000. Now the homeowner has a guest falling on the kitchen floor and broke five ribs. The guest sued the homeowner for half a million, which is way above the claim limit of $5,000. However, the guest and the homeowner both understand that the kitchen insurer will stop at $5,000 and won’t pay another penny above that. In other words, there won’t be a truckload of money waiting to be unloaded in the court for the guest.

This holds the key to reducing insurers’ dread — even in a wildfire-prone region — because one insurer will only be responsible for one part of one home.

This is a limited liability, like an LLC (Limited Liability Company). Each insurer has a limit in claim payout.

Compare this scenario with the traditional one where one insurer is responsible for the entire home with a claim limit of more than $1 million: Which one is less risky? Which one will be more attractive to an insurer? And which one is more likely to have insurers committed for renewals? The answer should be obvious.

There is another nice thing about policies based on partitioned risks: different insurers — or different teams of the same insurer — will have the incentive to clearly demarcate responsibilities. For example, the team for the kitchen policy will have the motive to install surveillance cameras in the kitchen to make sure that the guest did fall in the kitchen before they pay the $5,000, because the last thing they want to do is paying for a fall in the bathroom or by the swimming pool. The same will happen to the bathroom team.

In the end, this promotes justice and fact (or evidence) based insurance.

5 Introducing Internal Competitions

Separate kitchen or bathroom policies also bring another advantage that insurers will like: Insurers (or teams of the same insurer) will compete to reduce the risk liability to the extent possible, such that no claim is made for their part of the home, or no loss to the entire home is initiated from them. Whether the kitchen and bathroom policies were written by two insurers or two teams of the same insurer, they will have the same competitive pressure.

This, by the way, is the beauty of the new system: It is driven more by internal competition or market forces, less by government agencies, regulators or even public pressure.

In the legacy system, competition is only between insurers or agents selling similar commodity policies, never inside a home, or inside an "All-in-One" policy.

In the new system, we will introduce competitions inside a home, with the smallest unit of competition being a team that is responsible for one part of the home. We expect this internal competition to raise efficiency for each insurer and the entire system.

6 Competition By Innovations & Prevention

Not only will competition enter a home, but the focus of the competition will be on innovation and prevention. This is so because innovation and prevention are where the endless potential is.

First, the number of perils will be much smaller than before for the entire house. Consider the kitchen first, where the major perils include fire, burn, cuts, slips and fall, food poison and carbon monoxide poisoning. The list may look long, but the variety is smaller than the perils faced by the entire house. Kitchens for example do not have a high chance to suffer from meteorite strike, sudden volcanic ash cloud, giant squid attack or monkey business. A kitchen policy team will have the focus and energy to work out new ways to prevent these perils.

Similarly, the bathroom perils may include slip and falls, burn by hot water, electrical hazards and mold, but do not have a big chance to be directly hit by a falling tree or vandalism, for example. A bathroom team can focus on finding solutions for these perils, which may include finding the best local plumber partners.

Focusing on fewer perils means fewer distractions and more resources on innovation and prevention for each peril. Let us keep in mind that specialty

generally brings expertise.

The other nice thing is to leave no peril "dead corner" or "blind spots" within the house. Insurance will cover perils specific to different parts of a home. Home improvement investment will be better reflected in separate policies. For example, loss-reducing efforts in remodeling a bathroom or a kitchen will be better reflected in a specific policy than the policy for the entire home.

Finally, a focus on loss prevention necessitates developing better methods or more advanced technologies to assess the safety (or risk) of a home's components, rather than relying solely on homeowner descriptions or the age of the parts.

For instance, imagine readily determining the strength of the foundation, the solidity of the walls, the stability of the roof, or the functionality of the plumbing system – all without dismantling anything or disturbing the ground. Such advancements would place the insurance industry on a more scientific footing.

Just like humans, homes age differently and two homes of identical age may stand at very different safety levels. Our job is to separate them apart based on real risk level, not on theoretical guesstimate.

7 The FAIR Plan vs Kitchen-Bath Plan

I wish more people would realize that the current residual insurance program, the so-called FAIR Plan or the last resort of insurance in California, is actually a risk sharing plan similar to the Super Ball insurance and also to the Kitchen-Bath plan we are talking about in this post.

But there is a crucial difference: Super Ball or K-B (for kitchen-bath) insurance plans are voluntary, win-win-win programs, while FAIR Plan is an involuntary, lose-lose-lose program. Here is why.

7.1 FAIR Plan as a Syndicated Risk Pool

Let us begin from how the FAIR Plan works. It is not government sponsored insurance, but rather an involuntary or state-mandated property insurance plan. Together, all licensed property and casualty insurers in the state of California are *required* to be members of the FAIR Plan. Each member insurance company participates in the FAIR Plan's "profits, losses and expenses... in direct proportion to its market share of business written in the state."

Gemini offers a good hypothetical example:

- Company A has 30% of the total property and casualty insurance market share in California (excluding FAIR Plan).
- Company B has 20% of the market share.
- Company C has the remaining 50% of the market share.

With the above scenario, Company A would be responsible for covering a larger share of the risks and costs associated with FAIR Plan policies compared to Company B, reflecting their larger market presence. Company C, with the biggest market share, would contribute the most financially and take on the most risk through the FAIR Plan.

Gemini explains the Benefits of Market Share Proportionality:

- Fair Burden Sharing: This system ensures a fairer distribution of the burden of insuring high-risk properties. Larger insurers, who benefit more from the overall insurance market, contribute more to the FAIR Plan, which helps maintain its stability.
- Incentive for Market Participation: By linking contributions to market share, the FAIR Plan discourages insurers from leaving the California market en-

tirely, as they would still be obligated to participate in the FAIR Plan even if they reduce their overall business in the state.

7.2 How “Difference in Condition” or DIC Policies Work

Dividing FAIR Plan responsibilities by market shares works fine, except one problem: FAIR Plan leaves many things to be desired, as it often only covers wildfire or fire in general, other perils like theft, wind, hail, or water damage are not included.

This is where DIC (difference in condition) policies come to a rescue. DIC is designed to *supplement* FAIR Plan by covering perils that are either excluded or have limited coverage. You’ll typically pay separate premiums for your FAIR Plan policy and your DIC policy.

With a “FAIR Plan + DIC” policy, if a wildfire destroys your home, the FAIR Plan would compensate you for the fire damage. But if a storm damages your roof, the DIC policy would cover the repair costs (depending on the specific coverage details).

7.3 The Triple Lose Problem

The FAIR Plan leads to lose-lose-lose for consumers, insurers and regulators alike. This is called the “triple lose” problem.

Let us begin from the consumers: “FAIR + DIC” lead to consumers’ lose because they must pay extra premium (for DIC policy) to match the same coverage typically seen in an ordinary voluntary market. Bear in mind that the FAIR Plan alone is more expensive than the regular or voluntary rate in the first place. Basically, you pay more and get less in a FAIR Plan.

Furthermore, consumers may also pay additional surcharges and restrictions

not found in the voluntary market. FAIR Plan often requires mandatory home inspections and repairs before coverage is provided.

This is like someone charging you $10 for milk but only giving you half a gallon — when normally you pay $5.99 for one gallon.

What about insurers? I asked Gemini and Perplexity a hypothetical question, "Would insurers like to stay in FAIR Plan if it were not mandatory?"

Both chatbots said "no!" As is usually the case, I like the summary of Gemini better. I reorganized the answer to make it shorter below:

- **Adverse selection** due to FAIR Plan attracting higher risk property owners.
- **Lower Premiums** due to FAIR Plan partially subsidizes its consumers to set premiums lower than what insurers normally would charge for similar coverage in high-risk areas. Therefore, its premium may not fully reflect the actual risk of insuring these properties. This is like a vendor selling half a gallon milk for $10 but telling consumers that he really should have charged for like $12 to break it even.
- **Limited Control** as in the FAIR Plan, insurers are obligated to insure properties that meet the FAIR Plan's eligibility criteria, regardless of their individual risk assessment.

Gemini also lists a few benefits for an insurer to participate in the FAIR Plan, including market access to high risk areas, public image of commitment to citizens' basic needs and collecting data to high risk consumers. It concludes however that the benefits are outweighed by drawbacks.

Perplexity adds an interesting fact, that FAIR Plans have historically operated at a loss. This seems to support the notion of FAIR Plan not charging a high enough premium to cover the real costs.

Finally, regulators are at a loss because forcing consumers to enter the residual market does not sound good. The FAIR Plan does not have a good reputation or public image, and people use the size of residual market as a sign of failure for state regulators. At a minimum, a large residual market is indicative of the low stability and affordability of the insurance market. In the worst scenario, even the residual market may face solvency problems due to too many applications flocking in constantly.

8 How the Kitchen-Bath Model Turns Things Around

Now, let us consider our own K-B model and compare that to the FAIR Plan. The first and biggest difference is when the work starts. FAIR Plan is created by underwriting rejections, while K-B model starts from more accurate, more efficient and more inclusive underwriting. The whole point is to encourage insurers to cover as many consumers *voluntarily* as possible, so that consumers do not flow into the involuntary residual market.

The second similarity is that K-B and FAIR Plan are both risk sharing, although it may not be so obvious for the FAIR Plan as the insurers are sitting behind the scene and there is just one user interface to the eyes of consumers.

With the K-B model, everything is clear from the very beginning: You are dealing with multiple insurers, not just one. In fact, the Risk Exchange platform, or better yet, the marketplace, worries that consumers do not know their risk sharing model and expect something different, like the legacy insurance model writing the "All-in-One" policies.

The largest difference between the two models is that FAIR Plan is still writing policies for clustered risks, where the entire home or even the entire community is treated as the same. This is the same model used by insurers in the voluntary

market. K-B is covering partitioned risks.

And of course, this is where other differences are derived. The DIC policies make it obvious that when all insurers are pushing away risky consumers, risks do not go away or disappear. Instead, those risky consumers all eventually end up in the residual market, where insurers then are forced by the regulators to pick the same consumers rejected by them earlier — except this time they share the risk with other insurers, and by then loses have already been made.

The K-B model does it differently: It divides risk from the very beginning among insurers based on voluntary participations. We do not wait for losses to occur because we are already on top of them. We do what the Super Ball insurers do: Dividing the mega event into different categories of risk, and/or into different properties, and then work together to cover everything that needs to be covered.

The only difference with the K-B model is to treat every home as a Super Ball and then follow the same steps the Super Ball insurers do.

The other difference is that we do not let insurers wait for "the elephant in the room" to grow bigger, pretending it is someone else's problem. Instead, we handle the elephant when it is still the size of a baby. We make sure it is everyone's problem from the very beginning. We won't give DIC policies a chance because everyone knows the major problem, or the biggest risk, is with the wildfire, which is the real "elephant." All other perils are marginal threats.

By the way, one important lesson we can learn from DIC policies is that we do not need to worry too much about no insurers picking up part(s) of a home to cover, because when the risk is shared, everyone wants to have a piece of pie.

The only difference is that DIC insurers wait for the main risk to be taken care of by someone else, and then jump on the bandwagon to pick up other trivial risks to cover. Of course, the so-called "someone else" is not really one person but everyone in the market.

Our secrete, to reiterate, is to divide a home into parts — or, if insurers and the consumer agree, we can divide risks into categories such that one insurer covers fire-related perils for the entire home, another for water-related damages and still another for theft or wind and storms — so that everyone is encouraged to cover a part of liabilities and everyone's risk is reduced.

9 Estimate Home Replacement Cost

Homes are emotional places, and some homeowners want their homes to be rebuilt the way it looked and felt before it was destroyed. Will separate policies add up to allow homeowners to receive sufficient claim compensation to rebuild their homes?

Estimating home replacement value for a particular part of the home can be easy, such as roof. Zesty.AI for example has recently been proved by CDI to offer digital roof assessment service for FAIR Plan. The same Zesty.AI can also provide what they call "location insight" for insurers, mostly using the aerial images from satellites that go down to property level rather than community level.

However, challenges remain *inside* home, like kitchens and baths, where aerial imaging is not easy.

A bigger challenge is in estimating the value (actual cash value or replacement cost value) of a part of a home, rather than the entire home. Part value will be useful in setting the claim limits in case a replacement cost value is desired.

Gemini lists several "common sense" ways to estimate kitchen or bath value, which can be applied to other parts. These focus on estimating the cost to rebuild a kitchen or bathroom with similar materials and functionality, factoring in demolition, disposal, plumbing, and electrical work.

One "rule of thumb" way is to get 10-15% of home value as resale value.

Talk to a real estate agent to get the value of recently sold similar houses in your area to see how updated kitchens and bathrooms affect the selling price. Finally, there are websites offering free kitchen and bathroom renovation calculators, considering factors like your zip code, project scope, and material selections to generate a value estimate.

In general, it is easier to estimate the replacement cost of an entire house compared to a specific part like a kitchen or bathroom. For example, houses within a specific neighborhood or development often follow standard construction practices and square footage ranges. There are established resources like tax records, appraisals, and industry averages for construction costs per square foot in a particular region.

Kitchens and bathrooms on the other hand can vary significantly in size, layout, and especially in the quality and level of finishes (cabinetry, countertops, appliances, fixtures). Custom elements further add to the variation, making it difficult to find directly comparable examples.

While resources exist for average kitchen and bathroom renovation costs, they are often based on ranges or project scopes (minor, major, upscale). Accurately estimating the replacement value requires considering the specific features and materials in your kitchen or bathroom.

One can measure square footage similar to the house, but those are less impactful on the overall cost. Inventory lists of cabinets, countertops, appliances, fixtures, including their quality level (custom, mid-range, budget-friendly) help more.

That said, it is certainly possible, if a bit more difficult, to estimate the value (replacement or actual cash) of home parts.

10 The Problem of Same Owner Effect

Dividing a home into its parts is not hard, estimating part value is a bit harder but still manageable. The real challenge comes from dealing with other humans in a liability insurance.

Consider our K-B model again and continue with our previous hypothetical example of a house guest fell in the kitchen and broke 5 ribs. The person sued the homeowner for half a million, and honestly, nobody can stop him from doing that because after all, he does not care where exactly he fell but only that his ribs were broken in YOUR house.

I can fully imagine that in the future, when K-B model becomes popular someday, one local newspaper will put up a report that reads, “Defying the new insurance model, a judge orders insurers to pay $2 million damage to a house guest!”

What can we say to such reports? Do they prove that the new insurance model is worthless? I don’t think so. First, the biggest value of the K-B model is to add value to all insurers, all consumers and all regulators alike, by reducing insurers’ dread. The job is mostly done, by the time more insurers stop quitting and leaving but start, or resume, writing policies, without passing another Prop 103 style law or forcing insurers to return by executive orders.

That value added cannot be taken away by a single lawsuit case.

Secondly, even though the report says the case is defying the new insurance model, it really isn’t. The separate policies on partitioned risks stay, regardless of what a judge says or does. In fact, in the old model, the single insurer under “All-in-One” policy would have to pay the loss of the plaintiff (i.e., the house guest who fell inside the home) — without the need for a judge, after an adjuster confirms the case.

In this case, the judge is actually responding to the (future) reality that there are multiple insurers for the same home. In his view, it does not matter whether

the guest fell in the kitchen or bathroom, since there is the same homeowner who owns them all, the owner is held responsible for the loss of the guest.

The logic is right, it is the homeowner who should be responsible for the loss of another human, as long as they own the entire home. The only problem is that insurers with divided liabilities won't pay a penny for someone else's liability. We seem to have a dilemma between common sense responsibility and the divided insurance liabilities.

The solution is that all insurers (or teams inside and between insurers) should follow the syndicated risk pool model as implemented in the FAIR Plan: They should honor the fact that they are protecting the same home for the same homeowner. Even though they have separate policies, they still share SOME responsibility. This should be an easy point to sell to both insurers and consumers because it is such an obvious fact.

The way it works is for each insurer (or each team) to apply a little "household surcharge" in premium from the consumers. When a loss occurs, each insurer (or each team) for bath, swimming pool, garage, fences, and sheds will contribute a bit to the claim — even though the guest fell in the kitchen, to help pay extra above and beyond the claim limit from the kitchen team. Similar to the FAIR Plan, the amount of "household contribution" should be proportional to the shares of premium paid to teams, such that the roof team may pay more than the fence team.

Finally, even with all the claims plus "household contribution," the money gathered is unlikely to match the $2 million court order. But that's another issue of social inflation, which is subject to reform by states.

In my view, the best model to follow for legal reforms is the insurance indemnity, meaning to compensate victims by making them back to where they were before the loss, with perhaps a little extra but not exceeding 50% of the compen-

sation. This will be effective in controlling the rising costs of insurance claims, particularly in liability lawsuits.

I have little doubt that the judges and juries meant well when they ordered huge amounts of penalty. However, those orders decrease predictability in claim costs for insurers, encourage more litigation or more lawsuits filed, benefit plaintiff attorneys, and worst of all, raise the insurance cost for all existing and future policyholders. There must be predetermined legal caps to guide juries and judges in their decisions.