

A new series of periodic updates to Congress on RAND's work in civil justice

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HOT TOPIC

How Well Did the Compensation System Perform After 9/11?

In the wake of the 9/11 attacks, a massive multi-pronged assistance and compensation system was put in place. While Congress limited the role of the tort system for individuals and businesses, the compensation system entailed the largest insurance payments for a single-loss event in U.S. history, unprecedented charitable contributions, and a massive government response, including the creation of the September 11th Victim Compensation Fund of 2001 (VCF).

This study comprehensively examines the entire compensation system, relying on a detailed analysis of the literature, data on the various benefits programs, and selected interviews with key stakeholders (such as members of the VCF and victim groups) in New York City and Washington, D.C.

The study quantified more than \$38 billion in benefits across three components of the compensation system, with nearly \$20 billion coming from the insurance industry, \$16 billion from government programs, and \$3 billion from charity.

The study also examined how benefits were distributed among seven victim groups: (1) civilians killed or seriously injured; (2) emergency responders killed or seriously injured; (3) businesses; (4) workers; (5) residents; (6) those suffering from emotional injuries; and (7) those suffering from environmental exposures.

Looking across the victim groups, 63 percent of the total quantified benefits (more than \$23 billion) went to businesses, and most of that money (\$17 billion) came from the insurance industry. More than \$8.5 billion (23 percent of the total) went to civilians killed or seriously injured (with most of it, nearly \$6 billion, coming from the government). The remaining 14 percent of benefits was spread across the other victim groups.

In assessing performance, the insurance industry was praised for its quick response and generous interpretation of policies, but some noted problems with business-interruption insurance.

The government response varied among agencies. The VCF, unemployment insurance, Medicare, and Social Security programs were perceived as having responded well, while the Federal Emergency Management Agency was criticized for being too slow and inflexible, for not better coordinating with charities, and for not addressing long-term emotional injuries from the attacks.

Charities were praised for responding quickly, distributing money quickly, and meeting unmet needs, but they were criticized for focusing too much on Lower Manhattan, for not coordinating among themselves and with government agencies, and for going beyond their traditional role.

The response to 9/11 was unique and did not establish a blueprint or set of enduring institutions for compensating victims of future large-scale terrorist attacks. Among the key issues that need to be addressed in the future are coordination between different payment sources; the appropriate roles of the government, insurance industry, charities, and the tort system; and the national security ramifications of various compensation approaches.

READ MORE: [Compensation for Losses from the 9/11 Terrorist Attacks](#)

RAND's New Center for Terrorism Risk Management Policy

Research from RAND's new Center will help Congress address appropriate compensation policies for the victims of terrorist attacks. Its first study was published last month.

SEE: [Issues and Options for Government Intervention in the Market for Terrorism Insurance](#)

New Kauffman-RAND Center for the Study of Small Business and Regulation

Most research on business regulation and litigation focuses on large businesses, even though small businesses represent more than 99 percent of all employers and 51 percent of all private-sector workers. This new RAND Center, supported with funding from the Ewing Marion Kauffman Foundation, will provide research that examines the impact of regulation and litigation on small businesses and entrepreneurship and will identify approaches to achieving policy goals that do not have unintended negative consequences for small businesses.

READ: [press release announcing new center](#)

FORTHCOMING STUDIES

- A forthcoming study of class actions will be the first to document trends and outcomes in mass litigation against the insurance industry. Working with a database collected through industry surveys, researchers will identify what the claims in these cases are about, where they are being brought, and how the cases are resolved.
- A related study will examine the interplay of class action litigation and insurance industry regulation, identify the appropriate roles of each, and discuss who is bearing the costs of suits that duplicate regulatory enforcement.

The **RAND Institute for Civil Justice** provides objective research on civil justice issues. ICJ studies can be found at <http://www.rand.org/icj>.

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