Tort Reform . . . How Will We Know Whether It "Worked"?

A Summary of Research Results

1987
The Institute for Civil Justice

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How soon can we expect changes?

Changes in the law rarely take effect overnight. The full effect of a reform might not be felt until its meaning has been clarified; procedures to put it into operation have been developed; and attorneys, claims adjustors, and others involved in the dispute process have had enough time to learn what the change in law might mean for them and modify their behavior accordingly. To understand how those involved in dispute resolution behave during the implementation of a reform, we need to probe their expectations and perceptions. An appropriate strategy for doing this is to conduct case studies of their behavior both while the law is uncertain and after the law is settled but its effects are unknown.

Have tort reforms affected the outcomes of disputes?

In the area of dispute outcomes, the central policy issues are the effects of reform on aggregate outcomes: frequency of claims, percentage of claims closed with payment, and the average size of paid claims; disposition and filing patterns; and the costs of litigation to plaintiffs, defendants, and the public. To isolate the effects of different tort rules and changes in these rules, studies must compare outcomes across states, over time, or both. Thus the data required include information on aggregate outcomes of disputes, by state and year, and the relevant characteristics of each state's legal environment. Statistical methods must be used to take account of factors other than the legal environment that can influence outcomes.

Who won? Who lost? How much?

Any reform that changes the outcomes of claims immediately raises questions regarding the adequacy and equity of compensation. To answer them, we need to know how the reform affected the outcomes of individual claims—probability of recovery, the amount recovered, and net recovery for claimants with different characteristics and injuries. Statistical analysis can define the link between legal rules and individual claim outcomes, while taking into account other characteristics of the claims and the claimants that can also influence outcomes. Like the analysis of aggregate outcomes, studies of recovery patterns must compare the outcomes of individual claims across states, over time, or both, to tease out the effect of changes in the legal environment.

Did reform affect economic behavior or injuries?

Whether or not changes to the tort system affect cost or equity, they can affect the characteristics, prices, and kinds of goods and services available to society, and the frequency and severity of injuries. However, it is not clear how to study these effects. The relationship between tort rules and economic activity is currently not well understood; nor do we know much about the distribution and causes of various types of injuries. Before tackling the question of tort reform impact in this area, we need to conduct more basic research.

WHAT CAN WE DO NOW?

Appropriately assessing the effects of tort reform means putting new data collection systems in place. However, in designing such systems, more is not necessarily better. The cost of data collection increases with scope. Those involved in the design process will have to weigh the benefits of increased accuracy against the costs of collecting and analyzing the information. Promising sources of data include the insurance industry, lawyers, and the courts. But each of these sources poses special problems and imposes special costs that must be included in the cost-benefit tradeoff.

Assessing the Effects of Tort Reforms may be obtained from The RAND Corporation's Publications Department, 1700 Main Street, P.O. Box 2138, Santa Monica, California 90406-2138 by sending in the attached order form.

Besides its published research findings, the ICJ issues CIVIL JUSTICE ROUNDTABLE, a monthly newsletter that provides brief updates on current ICJ research and reactions to it and acts as a forum for the exchange of opinions among policymakers, practitioners, and researchers concerned with problems of the civil justice system.

The newsletter is available on request from the Institute.