

# Countrywide Patterns in Auto Injury Insurance Claims

2018 Edition

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## Executive Summary

Recent claim trends in the United States auto insurance market have made auto insurance more expensive. Through 2014, the cost of insurance had been relatively stable—despite the fact that the average auto claim had been getting more expensive—because the number of accidents and related claim frequency had been in decline. However, claim frequency began to increase in 2015, and claim severity continues to climb. These trends have translated into higher costs for consumers. The average household spent \$889 for auto insurance in 2015, up 9 percent from 2012.<sup>1</sup> Increases continued through 2017.<sup>2</sup> Against this backdrop of rising insurance costs, regulators and legislators are discussing concerns about the affordability and availability of auto insurance. In some states, they are debating changes to the auto insurance system itself.

The long-term decline in accident and claim frequency began to reverse in late 2014—as the economy recovered from the financial crisis of 2008, people began to drive more. From mid-2014 to mid-2016, the frequency of bodily injury (BI) liability claims rose 6 percent from 0.89 to 0.94 claims per 100 earned car years.<sup>3</sup> However, BI claim frequency began to move downward in late 2016 and into 2017 as the price of fuel increased.

In addition, average payments for auto insurance claims rose at a much faster rate than inflation did during this time. According to Fast Track data, the average insurance payment for a BI claim grew 24 percent from 2012 to 2017, and the average payment for a personal injury protection (PIP) claim grew 18 percent. In comparison, the overall consumer price index (CPI) increased 7 percent over the same period, while the CPI for medical care rose 14 percent.

Since it first began collecting data in 1977, the Insurance Research Council (IRC) has been conducting studies of closed auto injury claims to shed light on the factors underlying the increases in average claim severity. This report shows claimed economic losses and payments for the five principal private passenger auto injury coverages, as well as information on injuries, treatment, policy limits, and attorney involvement.

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<sup>1</sup> National Association of Insurance Commissioners, Auto Insurance Database Report 2014/2015 (Washington, DC: National Association of Insurance Commissioners, 2017), p. 26.

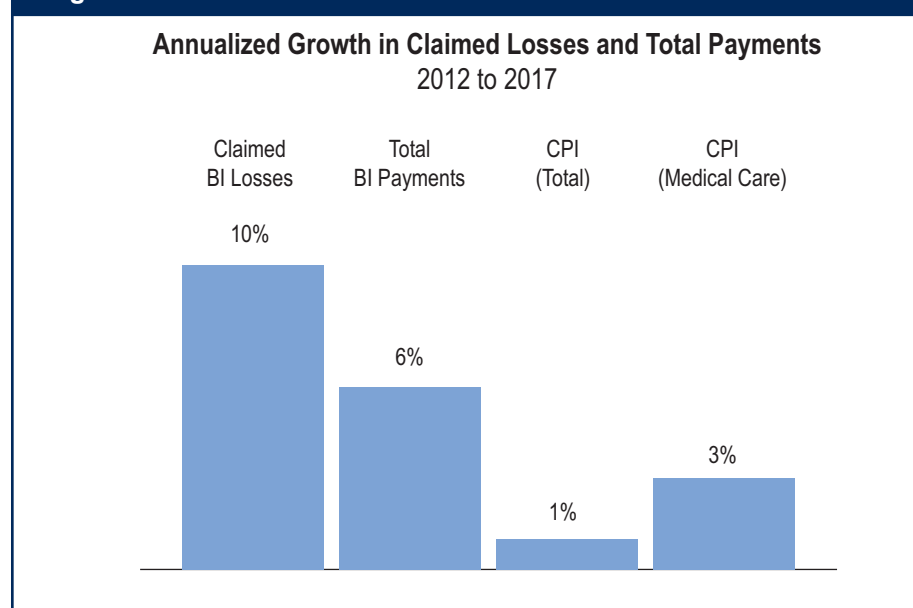
<sup>2</sup> A.M. Best, “Special Report: Personal Auto Showing Signs of Improvement,” (Oldwick, NJ: A.M. Best, January 2018), p. 5.

<sup>3</sup> Fast Track Monitoring System.

## Methodology

For this study, the IRC collected data on more than 85,000 claims closed with payment under the five principal private passenger coverages in the second quarter of 2017. Nine insurers, representing 50 percent of the U.S. private passenger market, participated in the study and provided the IRC with a two-week sample of claims. While past IRC claim studies required manual review of claim files, the 2017 data were collected primarily from insurers' existing digital records. As a result, the variables collected in 2017 were more limited than in past studies. The data call is included in an appendix to this report. Note that some results from past years were recalculated to avoid filters not available in the 2017 data call and so may differ slightly from those in previously published reports.

**Figure 1**



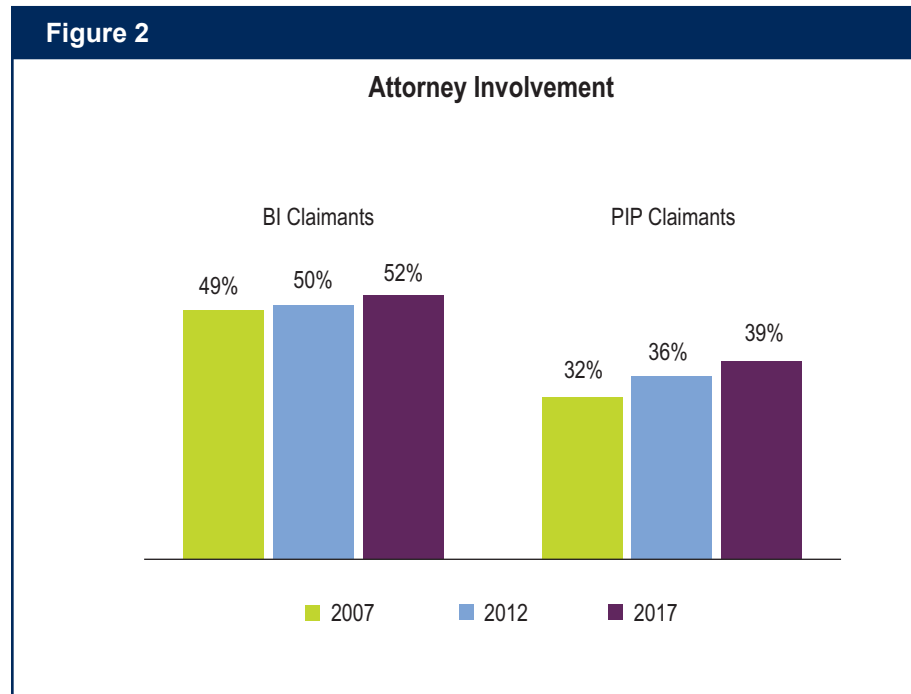
## Key Findings

- Average claimed losses continue to grow significantly under most coverages. Average claimed economic losses for BI claims rose to \$20,397 in 2017, an annualized increase of 10 percent per year from 2012. Growth in claimed losses was slower among first-party coverages over the same period: 3 percent for PIP claimants and 2 percent for medical payments (MP) claimants.
- Growth in total insurance payments was not as robust, but the average BI payment amount is still growing much faster than inflation. Total BI payments averaged \$15,037 in 2017, a 6 percent annualized increase

compared with just 1 percent annualized growth in the overall CPI and 3 percent growth in the CPI for medical care. Average PIP payments rose an annualized 2 percent to \$8,187 in 2017.

- One of the reasons that total payments are not growing as fast as claimed economic losses is policy limits. In 2017, 1 in 10 BI claimants had claimed economic losses that exceeded the per person coverage limit of the applicable policy; nearly half of those involved claimed losses of \$50,000 or higher.
- The prevalence of very severe injuries is stable as measured by hospital admissions and fatality rates. Three percent of BI claimants were admitted to the hospital in 2017, about the same as in 2007 and 2012. Fatalities remained rare at 1 percent of BI, PIP, MP, and uninsured motorist (UM) claims and 3 percent of underinsured motorist (UIM) claims.
- In 2017, chiropractors were the most common type of medical provider involved in claims. One-third of BI claimants received chiropractic treatment, as did 40 percent of PIP claimants. Other common providers were emergency room (ER) physicians (31 percent of BI claimants), general practitioners (28 percent), and diagnostic radiologists (27 percent). The usage rates for several types of providers varied significantly by state.
- The rate of attorney involvement is increasing for almost all coverages. More than half (52 percent) of BI claimants in 2017 hired attorneys, compared with 50 percent in 2012. Thirty-nine percent of PIP claimants hired attorneys in 2017, up from 36 percent in 2012. The rate among MP claimants rose from 26 percent to 30 percent. Only among UIM claimants did the rate of attorney involvement show a decrease from 2012, although it was nonetheless high at 80 percent.
- Claims with attorney involvement differ from other claims in several ways. Attorney-represented claimants were more likely than those without attorneys to receive chiropractic treatment, physical therapy, magnetic resonance imaging (MRIs), and computed tomography (CT) scans. This was true even when comparing claimants with similar injuries.
- Claims with attorney involvement also take longer to settle. The median amount of time between the date the injury was reported to the insurer and the date that final payment was made was 375 days for claims with attorneys, more than double the time for claimants without attorneys (168 days). Among PIP claimants, only 17 percent of those without attorneys waited more than one year to receive final payment; for those with attorneys, that figure was more than twice as high at 39 percent.

- The net reimbursement ratio, which measures the amount received by the claimants after accounting for claimed economic losses and legal fees (if applicable), is higher for claimants without attorneys. On average, claimants who did not hire attorneys received \$1.17 in payment for every dollar of economic loss (a net reimbursement ratio of 1.17). For claimants who needed to compensate attorneys from their settlement amount, the net reimbursement ratio was 0.78.

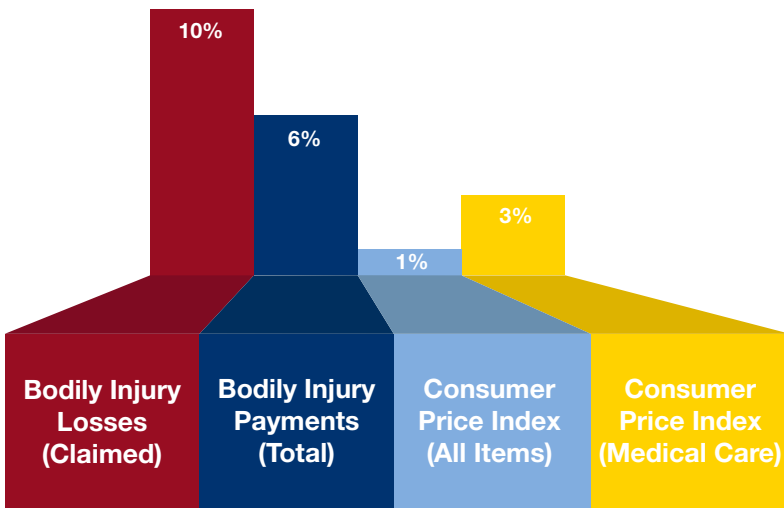


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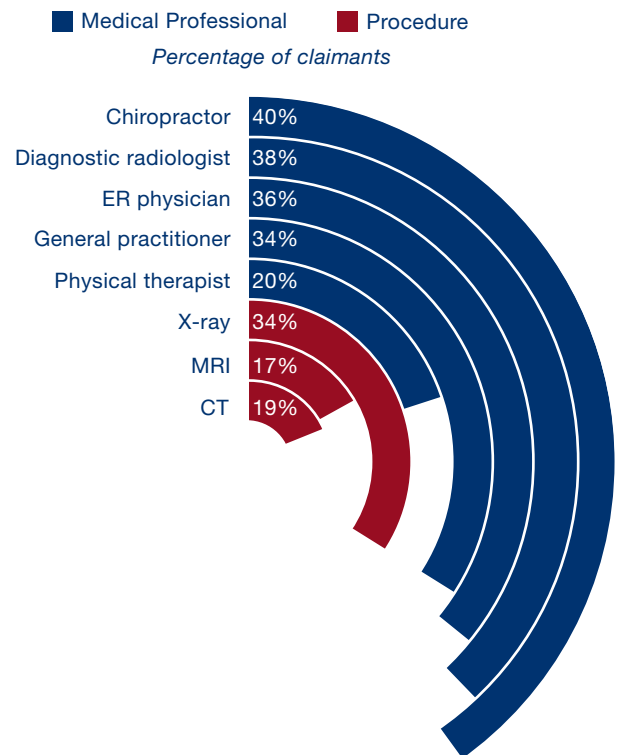
Based on a study of more than 80,000 auto injury claims closed with payment under the five principal private passenger coverages in 2017

## Claimed economic losses are growing much faster than inflation

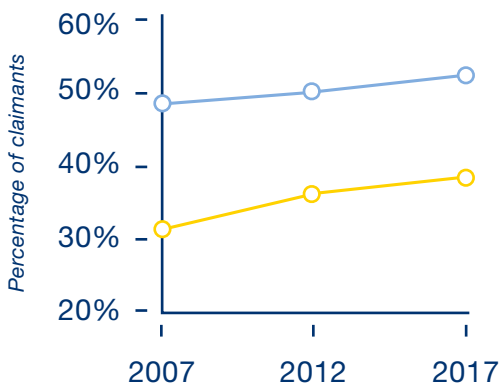


Annualized growth from 2012 to 2017

## Medical professionals and procedures sought among personal injury protection claimants



## Attorney involvement in claims continues to climb



■ Bodily injury claimants ■ Personal injury protection claimants

## Impact of attorney involvement

Claimants with attorneys wait longer for payment and receive less after paying expenses and legal fees.



**Without Attorney**  
168 days



**With Attorney**  
375 days

Number of days between report of injury to insurer and final payment