



Date: December 28, 2011

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Auto Injury Claim Costs Rise as Declining Claim Frequency Trends Come to an End

MALVERN, PA— New findings from an Insurance Research Council (IRC) study of auto injury claim trends indicate that insurance claim costs countrywide have recently increased, reversing previous trends of declining or relatively stable costs. The report, *Trends in Auto Injury Claims, 2011 Edition*, documents important auto injury claim trends, both countrywide and by state, using private passenger auto claim data from national and state-level statistical reporting agencies.

Although injury claim severity (the average cost of injury claims) has been increasing steadily in the last several years, much of the increase has been offset by declining claim frequency, which produced relatively stable injury claim costs per insured vehicle. However, recent data indicate that claim frequency, on a countrywide basis, is no longer decreasing. In the case of personal injury protection (PIP) claims, the effect of rising claim severity has been magnified by a simultaneous increase in claim frequency. PIP claim costs per insured vehicle countrywide increased more than 18 percent from 2008 to 2010. For bodily injury (BI) liability claims, the effect of rising claim severity has been mitigated somewhat by stabilization, rather than an increase, in claim frequency. However, 2010 marks the first year since 1994 that BI claim frequency did not decline.

Much of the deterioration in PIP trends has been concentrated in three of the largest states with no-fault approaches to compensating auto injuries—Florida, Michigan, and New York. In Florida, the average PIP claim cost per insured vehicle in the state jumped 62 percent in just two years (2008-2010). PIP costs per vehicle in Michigan have been increasing rapidly for several years now—rising more than 120 percent over the last decade. The New York system has been on a roller coaster of rising and falling costs driven by a surge in suspected claim abuse in the New York City area.

“These are not encouraging findings for insurers or drivers,” said Elizabeth Sprinkel, senior vice president of The Institutes. “While we hope these findings represent temporary conditions, we can’t be sure that is the case and can’t afford to ignore the factors driving rising claim costs.”

For more detailed information on the study's methodology and findings, contact David Corum at (484) 831-9046, or by e-mail at irc@TheInstitutes.org. Copies of the study are available for \$300 for an electronic version or \$330 for a printed copy. Visit IRC's Web site, www.insurance-research.org, for more information. The IRC recently published an in-depth analysis of PIP claims in New York, *New York's No-Fault System: Final Report on Closed Auto Injury Claims*, which provides additional detailed information about recent trends and current conditions in New York's automobile insurance system. The study is available now from the IRC Web site. A similar study of Michigan's system will be published by IRC in early 2012.

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