



Date: December 19, 2018

Contact: David Corum, CPCU
484-831-9046
Corum@TheInstitutes.org

Florida Among the Least-Affordable States for Auto Insurance Due to High Claim Frequency, High Attorney Involvement, and Other Cost Drivers

MALVERN, Pa., December 19, 2018—Florida ranks second on a list of least-affordable states for auto insurance, according to a new study from the Insurance Research Council (IRC). Florida's affordability index was 2.44 percent from 2011 to 2015, compared with 1.59 countrywide and second only to Louisiana. The affordability index is the ratio of average expenditures on auto insurance to median household income. Key drivers of the state's high insurance costs include the high frequency of auto injury claims and high rates of medical utilization, attorney involvement, and litigation.

In 2017, Florida's personal injury protection (PIP) claim frequency was 1.89 claims per 100 insured vehicles, nearly 50 percent higher than the countrywide average. Moreover, Florida's ratio of bodily injury liability (BI) claim frequency to property damage (PD) claim frequency—a measure of injury claim rates that controls for differences in the frequency of auto accidents—was higher than both the national average and any other no-fault state, suggesting that Florida's verbal no-fault threshold has not been effective at reducing the number of tort liability claims.

Florida auto injury claimants are more likely to report expensive diagnostic procedures. The percentage of Florida PIP claimants receiving magnetic resonance image (MRI) in 2017 was 37 percent in Florida, double the percentage in other states. In addition, Florida's legal environment contributes to less affordable auto insurance.. Among 2017 PIP claims, 53 percent of Florida claimants hired attorneys, compared with 35 percent of claimants in other states.

"The affordability of auto insurance in Florida continues to be a concern, despite efforts to reform the no-fault system," said Elizabeth Sprinkel, CPCU, senior vice president of the IRC.

“Since 2012, we’ve seen very little long-term improvement in PIP costs and increased costs in the BI system. An understanding of the all the cost drivers in the state’s unique environment will be needed to address the affordability of auto insurance for Florida’s consumers.”

The report, *Auto Insurance Affordability: Cost Drivers in Florida*, combines information from IRC closed-claim research and other sources and is part of IRC’s ongoing research into the factors driving the affordability of auto insurance. For more information on the study’s methodology and findings, contact David Corum at (484) 831-9046 or at IRC@TheInstitutes.org. Visit the IRC’s website, Insurance-Research.org, for information about purchasing a copy of the report.

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