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High Cost of No-Fault Claims Puts New York Among the Least-Affordable States for Auto Insurance

MALVERN, Pa., September 2, 2020—New York ranks as the fourth-least-affordable state in the country for auto insurance, according to a study from the Insurance Research Council (IRC). New York's affordability index was 2.21 percent from 2013 through 2016, compared with 1.58 percent countrywide. The affordability index is the ratio of average expenditures on auto insurance to median household income, and only Louisiana, Florida and Michigan experienced higher relative insurance costs than New York. Key drivers of the state's elevated auto insurance costs include the high cost of personal injury protection (PIP) claims, high rates of medical utilization, and the high level of litigiousness of the system.

With mandated PIP coverage of \$50,000, New York's no-fault auto insurance system is one of the most generous in the country. The average PIP claim was 35 percent larger than the countrywide average in 2017. Moreover, costs have been growing much faster in New York, where the average cost of PIP claims increased 8 percent annualized from 2012 to 2017, compared with 2 percent countrywide. Several types of medical providers and procedures were more heavily utilized in New York. For example, New York PIP claimants were more than four times as likely as those in other states to visit alternative medical providers, such as acupuncturists or massage therapists.

Another major cost driver in New York's auto insurance system is attorney involvement and litigation. In 2017, nearly half of PIP claimants in New York hired attorneys, compared with 38 percent among claimants in other states. In addition, one in four PIP claims involved a lawsuit, nearly three times the rate in other states.

"The affordability of auto insurance continues to be an issue in New York," said David Corum, CPCU, vice president of the IRC. "PIP claim costs are increasing much faster than inflation. The state's auto insurance consumers are paying the price for the high level of medical utilization and a very litigious no-fault system."

The report, *Auto Insurance Affordability: Cost Drivers in New York*, 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 by email at IRC@TheInstitutes.org.

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