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Cost of Auto Injury Claims Continues to Outpace Inflation; Attorney Involvement Increases

MALVERN, Pa.— A new study from the Insurance Research Council (IRC) shows that claimed economic losses for bodily injury liability (BI) insurance claims increased 10 percent annualized from 2012 to 2017, substantially above the medical inflation rate of 3 percent over the same period. Claimed economic losses include reported expenses for medical care, lost wages and other out-of-pocket expenditures. In 2017, medical expenses accounted for 79 percent of all claimed economic losses. Meanwhile, insurer payments for BI claims grew 6 percent annualized, somewhat slower than the growth in claimed losses but still double the rate of medical inflation.

The study also highlighted the increased presence of attorneys in auto injury claims. In 2017, 52 percent of BI claimants hired attorneys, compared with 49 percent in 2007 and 50 percent in 2012. Among personal injury protection (PIP) claims, attorney involvement rose to 39 percent in 2017, up from 32 percent in 2007 and 36 percent in 2012. Attorney involvement was associated with higher utilization rates for chiropractic treatment, physical therapy and expensive diagnostic procedures such as MRIs and CTs, even when comparing claimants with similar injuries.

“By documenting trends in injuries, treatment and attorney involvement, this study provides significant insight into what drives the cost of auto injury insurance,” said Elizabeth Sprinkel, CPCU, senior vice president of the IRC. “Of particular concern is the increased rate of attorney involvement, which is associated with higher costs to the system with little demonstrated benefit to consumers on average.”

The report, *Countrywide Patterns in Auto Injury Insurance Claims: 2018 Edition*, summarizes findings from a collection of information from more than 80,000 claims closed with payment in

2017 under the five principal private passenger auto injury coverages. The study continues decades of IRC research on auto insurance claims, documenting trends in injuries, medical treatment, attorney involvement and claim settlement. Participating insurers represented 50 percent of the United States private passenger market. 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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