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Auto Injury Claim Severity Pushes Insurance Claim Costs Higher

MALVERN, Pa.—According to a new study from the Insurance Research Council (IRC), auto injury claim costs per insured vehicle have continued to increase across the United States. Long-term reductions in highway injuries and fatalities because of improved vehicle safety, graduated licensing laws and other factors have not been enough to offset substantial increases in the cost of injury claims. The IRC report, *Trends in Auto Injury Claims, 2015 Edition*, documents long-term auto injury claim trends, countrywide and by state, using private passenger auto insurance claim data from national and state-level statistical reporting agencies.

From 2005 to 2013, the frequency of bodily injury (BI) liability claims countrywide fell 14.5 percent, from 0.94 paid claim per 100 insured vehicles to 0.81 paid claim. Over the same period, the average cost per paid BI liability claim increased 32.1 percent, from \$11,738 to \$15,506. Personal injury protection (PIP) claims (often referred to as no-fault claims) experienced a similar decline (15.6 percent) in frequency, from 1.49 to 1.25 paid claims per 100 insured vehicles, but an even greater increase (38.2 percent) in the average cost per claim, from \$5,802 to \$8,017.

From 2005 to 2013, all but four states (Florida, Kansas, Kentucky and Maryland) experienced a decline in BI claim frequency, and all but one state with PIP coverage (South Carolina) experienced a decline in PIP claim frequency. Meanwhile, claim severity (the average cost per paid claim) increased in most states. All but West Virginia experienced an increase in BI claim severity from 2005 to 2013, and all but Pennsylvania experienced an increase in PIP claim severity. In some states, increases in claim severity were extreme. For example, the average payment per paid PIP claim increased 72.2 percent in Michigan, from \$25,997 to \$44,756. Other jurisdictions with substantial increases in PIP claim severity are New York (40.2 percent), Washington (40.1 percent), Oregon (42.3 percent) and the District of Columbia (55.8 percent). Recent reports of an increase in traffic deaths may signal a change in the beneficial long-term trend of declining claim frequency. Such a development would exacerbate the cost trends described in the IRC report.

“The relentless increase in auto injury claim severity has prevented consumers from realizing the full financial benefits of enhanced vehicle and road safety,” said Elizabeth Sprinkel, senior vice president of the IRC.

“Documenting the specific drivers of cost in the states where cost growth is greatest will be a priority for the IRC in the years ahead.”

For more detailed information on the study's methodology and findings, contact David Corum at (484) 831-9046, or by e-mail at corum@TheInstitutes.org. To obtain a copy of the study, visit the IRC's website at www.insurance-research.org.

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