

Date: February 13, 2008

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Claimed Medical Expenses for Auto Injury Claimants Far Outpace Inflation

MALVERN, Pa.— A new study by the Insurance Research Council (IRC) has found that medical expenses reported by auto injury claimants continue to rise faster than the rate of inflation. Average claimed economic losses (which include expenses for medical care, lost wages and other out-of-pocket expenditures) for bodily injury (BI) claimants grew 9 percent annualized, from \$5,520 in 2002 to \$8,522 in 2007. Among personal injury protection (PIP) claimants, claimed losses increased 8 percent annualized, from \$6,711 in 2002 to \$9,662 in 2007. In comparison, the annualized rate of overall inflation as measured by the Consumer Price Index (CPI) was only 3 percent over the same period; the CPI inflation rate for medical care was 4 percent.

The driving force behind these gains is growth in medical care expenses, which have continued to escalate despite the fact that injuries from auto accidents are becoming less serious on average. The study cites two factors as likely explanations for the faster growth in medical care expenses for auto injury claimants than that of medical care prices generally: more frequent use of more expensive treatment alternatives and increased unit cost for claimed treatment.

“Medical costs for auto injury claimants have clearly grown faster than medical care inflation in general, suggesting that medical providers may be reacting to cost pressures in other areas by increasing their charges to auto injury insurers,” said Elizabeth Sprinkel, senior vice president of the IRC. “This type of cost-shifting has important implications for the auto injury industry and for overall healthcare policy.”

“The trends shown in this report should be a wake-up call to the auto injury insurance industry, which has benefitted in recent years from declines in the frequency of auto injury claims,” she continued. “The continued climb of medical expenses could threaten the recent benign rate environment.”

The study, *Auto Injury Insurance Claims: Countrywide Patterns in Treatment, Cost and Compensation, 2008 Edition*, collected data on more than 42,000 auto injury claims closed with payment under the five principal private passenger coverages. Twenty-two insurers, representing 58 percent of the private passenger auto insurance market in the United States in 2006, participated in the study. This study is the sixth of its kind conducted by the IRC. The report includes findings on type and seriousness of injury, medical treatment, claimed losses and total payments, and attorney involvement.

For more detailed information on the study's methodology and findings, contact Elizabeth Sprinkel by phone at (610) 644-2212, ext. 7568; by fax at (610) 640-5388; or by e-mail at irc@cpcuiia.org. Or visit IRC's Web site at www.ircweb.org. Copies of the study are available at \$250 each in the U.S. (\$265 elsewhere) postpaid from the IRC, 718 Providence Road, Malvern, Pa. 19355-0715. Phone: (610) 644-2212, ext. 7569; Fax: (610) 640-5388.

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