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New Study Finds That Auto Injury Claim Severity Pushes Insurance Costs Higher

MALVERN, Pa., February 18, 2019—Despite today's safer cars and roads, a rise in the severity of auto injury claims is increasing costs for insurers and creating upward pressure on the cost of coverage for consumers, according to a new study from the Insurance Research Council (IRC). However, claim frequency trends remain unclear, as enhanced safety features, increased driving, and other factors combine to produce relatively small net changes.

The report, *Trends in Auto Injury Claims, 2019 Edition*, documents both countrywide and state auto injury claim trends using private passenger auto insurance claim data from national and state-level statistical reporting agencies. From 2008 through 2017, the average insurer payment per insured vehicle (loss costs) countrywide grew 31 percent for bodily injury (BI) claims and 26 percent for personal injury protection (PIP) no-fault claims. On an annualized basis, BI and PIP loss costs grew 3.1 and 2.6 percent per year, respectively. During the same period, inflation averaged under 2 percent.

From 2008 through 2017, of the countrywide BI claim frequency fluctuated between 0.80 and 0.83 paid claims per 100 insured vehicles. Countrywide PIP claim frequency fell slightly, from 1.31 to 1.27 claims per 100 insured vehicles. Some states experienced significant increases in claim frequency, including Florida and Georgia, where BI claim frequency increased 33 percent and 24 percent, respectively. Florida also experienced a significant increase in PIP claim frequency (10 percent) from 2008 through 2017.

Virtually all of the countrywide growth in BI and PIP loss costs was due to rapid increases in the average cost of paid claims. From 2008 through 2017, BI and PIP claim severity increased 32 and 30 percent, respectively. States that experienced significantly higher-than-average increases in BI claim severity included Georgia (63 percent), Texas (61 percent), Louisiana (50 percent), and New York (48 percent). States with higher-than-average increases in PIP claim severity from 2008 through 2017 included Michigan (60 percent) and New York (46 percent).

"The continuing increase in auto injury claim severity is preventing consumers from realizing the full financial benefits of enhanced vehicle and road safety," said Elizabeth Sprinkel, senior vice president of the IRC. "We also need to better understand why claim frequency in some states continues to increase despite improvements in vehicle and road safety. Documenting the specific cost drivers in the states where cost growth is greatest remains a top priority for IRC."

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

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