

**Date:** January 15, 2004

**Contact:** Karen Burger, CPCU, CPIW  
Phone: (610) 644-2100, ext. 7805  
E-mail: [burgerk@cpcuiia.org](mailto:burgerk@cpcuiia.org)

## **IRC Study Finds Skyrocketing Auto Injury Losses Despite Declines in Serious Injuries**

MALVERN, Pa.— A new study by the Insurance Research Council (IRC) finds that reported losses in auto injury claims are escalating in spite of the fact that the rate of serious auto injuries has decreased. In the past five years, increases in the average amounts that auto injury claimants report for expenses stemming from their injuries, particularly among personal injury protection and medical payments first-party claimants, are nearly double the annualized growth in medical inflation. Additionally, they are three times higher than increases in general inflation.

The IRC study, which is based on more than 70,000 auto injury claims collected from insurers countrywide, reveals that escalating medical costs are the key factor behind this growth in losses. Only modest increases have occurred in lost wages and other out-of-pocket expenses associated with injuries. The study points to sharp increases in charges for the treatment of auto injuries and increased use of certain medical professionals and diagnostic procedures as the basis for the rising medical costs.

The IRC report reflects 25 years of gathering information on auto injury claiming behavior. It explores countrywide auto injury claim patterns under each of the five principal private passenger auto insurance coverages: (1) bodily injury liability (BI), which pays for an insured driver's legal liability for injury caused to someone else; (2) medical payments (MP), which pays the medical and funeral expenses of insured drivers and their passengers; (3) personal injury protection (PIP), which pays benefits to persons injured in auto accidents without regard to fault; (4) uninsured motorist (UM), which pays when an insured driver is injured by an uninsured motorist; and (5) underinsured motorist (UIM), which pays when an insured driver is injured by an underinsured motorist.

The IRC study identifies emerging claim patterns associated with medical treatment. In the five-year period from 1997 to 2002:

**Insurance Research Council**

718 Providence Road • P.O. Box 3025 • Malvern, PA 19355-0725  
Phone (610) 644-2212 • Fax (610) 640-5388  
[www.ircweb.org](http://www.ircweb.org)

- Injury patterns remained consistent, but the seriousness of auto injuries actually declined.
  - Sprains and strains continued to be the most common type of injury reported by at least eight out of ten auto injury claimants.
  - A smaller percentage of claimants in the 2002 study experienced any disability or fatality as a result of auto injuries. In addition, fewer claimants experienced days of restricted activity or missed time from work.
- Despite declines in the overall seriousness of injuries, the study found increases in the use of some medical professionals—and the costs associated with their use.
  - Increases occurred in the number of different medical professionals visited and in the use of chiropractors, physical therapists, and alternative treatment professionals such as massage therapists. The number of times claimants received treatment from these professionals also increased.
  - The average charges for treatment by these same medical professionals increased considerably.
  - Claimants were more likely to receive more expensive diagnostic procedures using magnetic resonance imaging (MRI) while, concurrently, the proportion receiving X-rays decreased. In addition, the average per-procedure charge for most diagnostics increased.

In stark contrast to trends noted from 1992 to 1997, reported losses for BI, PIP, and MP claimants grew significantly between 1997 and 2002. These increases were particularly significant among PIP and MP claimants, who had experienced declines in reported losses in the previous decade. Average PIP losses increased from \$4,804 in 1997 to \$6,711 in 2002. MP losses rose from \$3,348 to \$4,621. Both increased seven percent on an annualized basis since 1997. In contrast, medical care inflation rose just four percent on an annualized basis during the same period.

“Given the development of numerous automotive safety innovations and increased emphasis on improved highway safety legislation, it is not surprising that we would see evidence of a decline in the seriousness of injuries related to auto accidents,” said Elizabeth A. Sprinkel, senior vice president of the IRC. “However, the paradox of increases in auto injury costs associated with

higher use of medical resources and escalating medical expenses, despite declines in injuries, suggests that the auto insurance system may be vulnerable to overuse. This is a concern for the public because rising auto injury losses ultimately translate into rising auto insurance premiums.”

Claim payments have not risen as substantially as losses, yet the study found that on average, BI payments continue to exceed losses. Growth in claim payments was strongest among the most seriously injured claimants.

“The encouraging payment trends noted in this study suggest that the auto insurance system is becoming more efficient in compensating claimants with respect to the seriousness of their injuries,” Sprinkel said. “It is the role of insurance to indemnify injured persons for their losses, and the study suggests that insurers are doing a better job of putting payments in the hands of those who need them the most.”

The recently released IRC study, *Auto Injury Insurance Claims: Countrywide Patterns in Treatment, Cost, and Compensation*, examines detailed claim information from 72,354 claims that closed with payment in 2002. Thirty-two insurers, representing 59 percent of the 2002 private passenger auto insurance market in the United States, participated in the study. The report also contains information on the claim settlement process and the level of attorney involvement and its impact on auto injury claims.

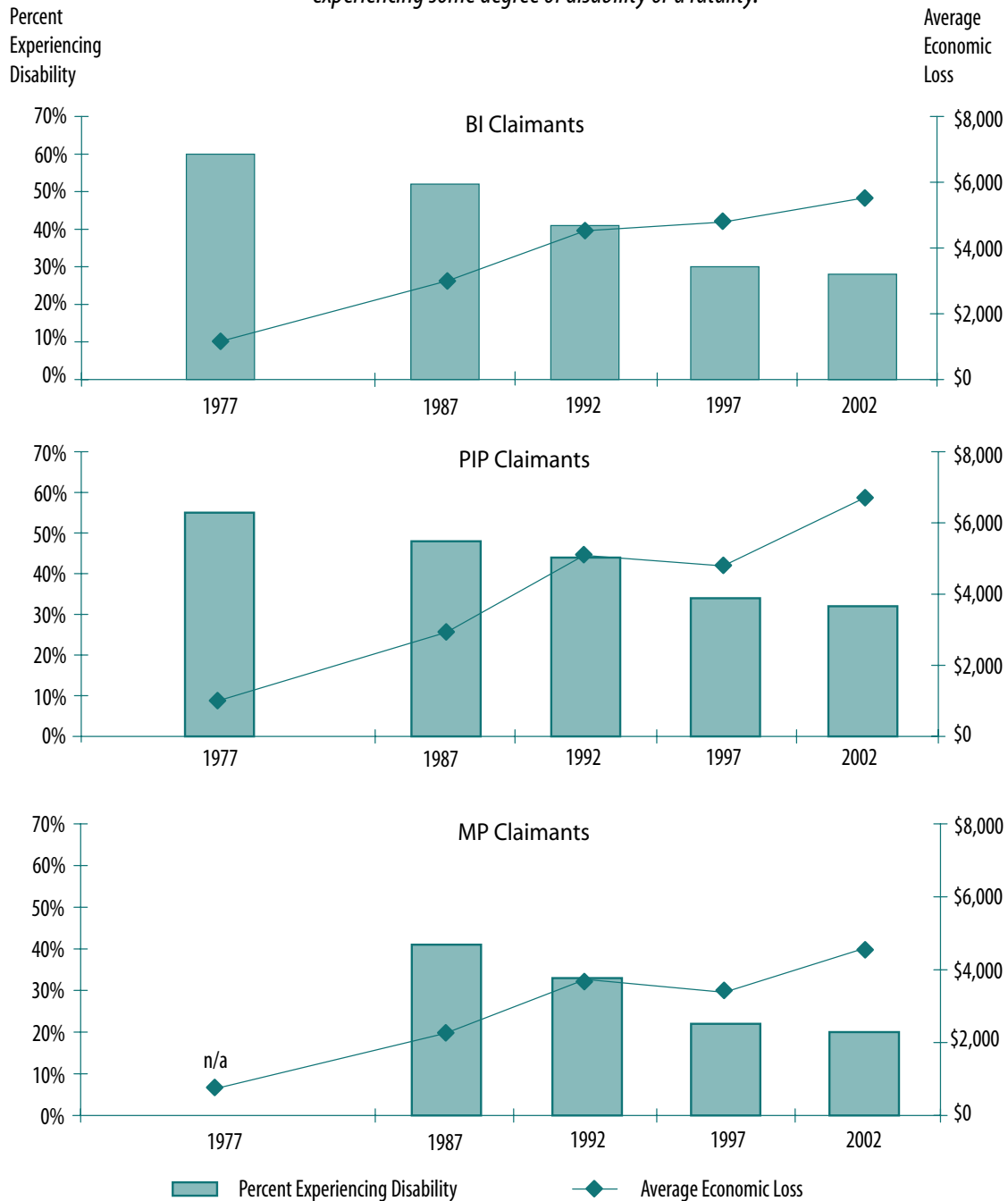
For more detailed information on the study’s methodology and findings, contact Elizabeth Sprinkel by phone at (610) 644-2212, ext. 7568; by fax at (610) 640-5388; or by e-mail at [irc@cpcuiia.org](mailto:irc@cpcuiia.org). Or visit IRC’s Web site at [www.ircweb.org](http://www.ircweb.org). Copies of the study are available at \$250 each in the U.S. (\$265 elsewhere) postpaid from the Insurance Research Council, 718 Providence Rd., Malvern, Pa. 19355-0725. Phone: (610) 644-2212, ext. 7569. Fax: (610) 640-5388.

###

**NOTE TO EDITORS:** The Insurance Research Council is a division of the American Institute for CPCU and the Insurance Institute of America. The Institutes are independent, nonprofit organizations dedicated to providing educational programs, professional certification, and research for the property-casualty insurance business. The IRC provides timely and reliable research to all parties involved in public policy issues affecting insurance companies and their customers. The IRC does not lobby or advocate legislative positions. It is supported by leading property-casualty organizations.

## Declining Disability Among Auto Injury Claimants While Reported Economic Losses Increased

*Average economic loss and proportion of claimants experiencing some degree of disability or a fatality.*



n/a = Information not available.

Note: Calculations for economic loss exclude permanent total disability and fatalities, as well as claimants with missing or zero economic loss.