

Date: August 19, 2004

Contact: Karen Burger, CPCU, CPIW
Phone: (610) 644-2100, ext. 7805
E-mail: burgerk@cpcuia.org

Auto Injury Victims Who Hire an Attorney Are Less Likely to Be Satisfied With Their Total Payment: Findings From a New IRC Study

MALVERN, Pa.--A new study by the Insurance Research Council (IRC) finds that people injured in an auto accident who hire an attorney are less likely to be satisfied with their total payment than injured people who do not hire an attorney. Almost three-fourths of those without an attorney were satisfied with their total payment, compared to less than half of those who hired an attorney. Among people with the highest accident expenses, who usually incurred the most serious injuries, two-thirds of those who did not hire an attorney were satisfied with their total payment (Figure 1). In contrast, among people with the highest losses who retained an attorney, fewer than four in ten were satisfied. These findings are unchanged from a similar IRC study conducted in 1998.

The report indicates two factors that may contribute to lower satisfaction among accident victims who hire an attorney: higher costs—specifically, attorneys' fees and medical expenses—and longer settlement times.

Auto accident victims who hired an attorney paid their attorney, on average, a contingency fee of 32 percent of their total payment. They also incurred far higher medical expenses than those without an attorney. In 2002, people with an attorney reported medical expenses that were almost 400 percent higher than the expenses incurred by people without an attorney. Between 1998 and 2002, average medical expenses grew 100 percent for those with an attorney, compared to 22 percent for people without an attorney (Figure 2).

Among those without an attorney, 62 percent of those who filed with their own auto insurer and 40 percent of those who filed with another auto insurer settled their claims within three months. In contrast, among those who hired an attorney, 29 percent filing with their own auto insurer and 8 percent filing with another auto insurer settled in less than three months.

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

“Attorney involvement is clearly driving up the cost of medical care for auto accident victims,” said Elizabeth A. Sprinkel, senior vice president of the IRC. “Yet more medical care for people who hire an attorney evidently does not always produce satisfaction with the final settlement. Other factors, such as the timing of the payment, affect how accident victims feel about the settlement of their claim.”

The new IRC report, *Paying for Auto Injuries: A Consumer Panel Survey of Auto Accident Victims*, is based on more than 3,000 responses to a consumer panel survey of auto accident victims. It was designed to complement *Auto Injury Insurance Claims*, the IRC’s recently released study of auto injuries that is based on more than 70,000 closed auto injury claims collected from insurers countrywide. The studies have different methodologies and draw on different data sets; nonetheless, they reach strikingly similar conclusions about the cost of attorney involvement for auto accident victims.

Both studies also show that, compared to previous studies, medical expenses for all persons increased even though reported injuries were not more severe. Payments also rose, with the largest increases going to those with the most severe injuries. *Paying for Auto Injuries*, which collected information about all payment sources claimants used to cover their losses, demonstrates that the average health insurance payment increased by more than 90 percent; auto insurance payments rose by almost 60 percent; but payment amounts from government insurance, an at-fault driver, and employer sources declined. In 2002, claimants received payments from an average of 3.6 out of 9 potential sources, up from 2.4 sources per claimant in 1998.

Paying for Auto Injuries analyzes responses from 3,478 individuals from 2,866 households who experienced an injury from an auto accident between January 1, 1999, and June 30, 2002. The consumer panel was selected to be broadly representative of the U.S. population. The survey was fielded in June and July 2002.

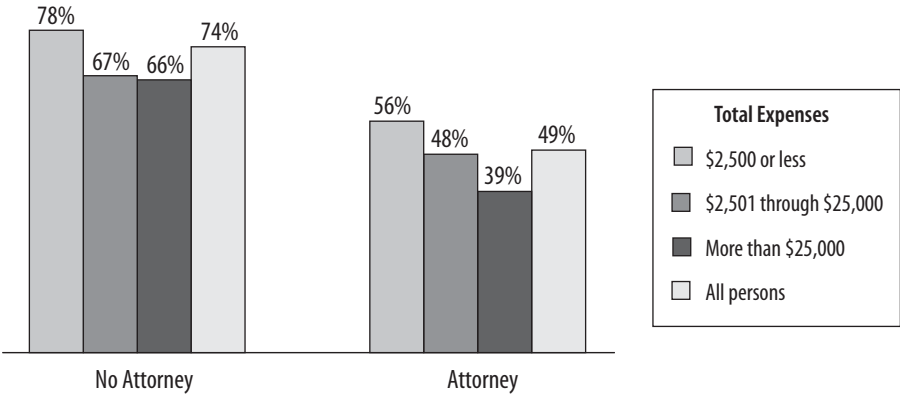
For more detailed information on the study’s methodology and findings, contact Elizabeth Sprinkel by phone at (610) 644-2212, ext. 7568; by fax at (610) 640-5388; or by e-mail at irc@cpcuiia.org. Or visit the IRC’s Web site at www.ircweb.org. Copies of the study are available for \$250 each in the U.S.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

Figure 1
Percentage Satisfied With Total Payment
by Use of an Attorney and Amount of Total Expenses

At all expense levels, auto accident victims who did not hire an attorney were more likely to be satisfied with their total payment than those who hired an attorney.

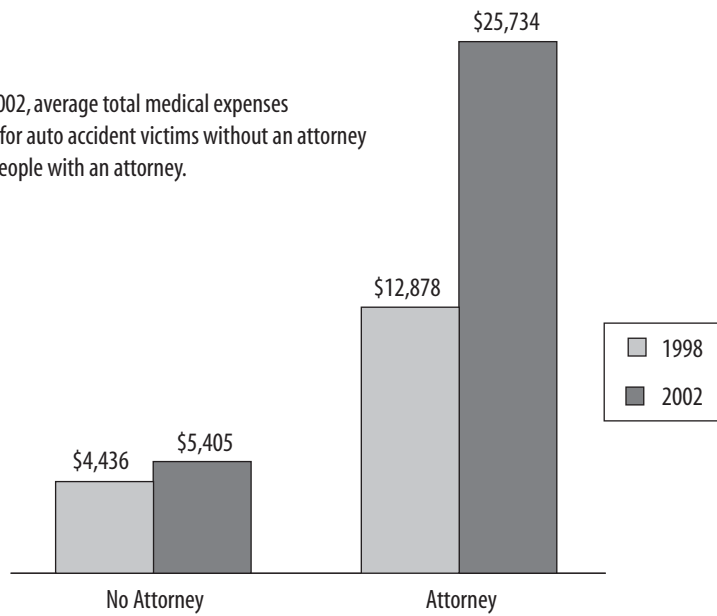


Closed auto claims with payment.
Excludes permanent total disabilities and fatalities.

Figure 2

People With an Attorney Account for Most of the Increase in Medical Expenses From Auto Accidents

Between 1998 and 2002, average total medical expenses increased 22 percent for auto accident victims without an attorney but 100 percent for people with an attorney.



Closed auto claims with payment.
Excludes permanent total disabilities and fatalities.