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IRC Study Finds Medical Costs Driving Up Auto Injury Claims in Three of Four No-Fault States Studied

MALVERN, Pa.— A new study by the Insurance Research Council (IRC) finds that claimed losses for auto injuries have escalated at vastly different rates across four states with no-fault auto insurance regulations. From 1997 to 2002, the average amounts that personal injury protection claimants reported for expenses stemming from their injuries increased 122 percent in Colorado, 60 percent in New York, 37 percent in Florida, and just 2 percent in Michigan. The study finds escalating medical costs are the key factor behind the growth in losses in Colorado, New York, and Florida. Skyrocketing claim costs contributed to the 2003 Colorado decision to end the state's no-fault auto insurance system.

The recently released IRC study, *Analysis of Auto Injury Insurance Claims in Four No-Fault States*, examines detailed information from auto injury claims that closed with payment in Colorado, Florida, Michigan, and New York. The IRC report focuses on auto injury claiming behavior by exploring claim patterns under two of the principal private passenger auto insurance coverages in no-fault states: (1) personal injury protection (PIP), which pays benefits to persons injured in auto accidents without regard to fault, and (2) bodily injury liability (BI), which pays for an insured driver's legal liability for injury caused to someone else.

The IRC study reveals different levels of use of certain medical professionals and diagnostic procedures by state, as well as vastly different charges for those professionals and diagnostics. The analysis identified the following PIP claim patterns and differences among the four states:

- The type of medical treatment received by claimants varied by state.
 - More than 33 percent of the PIP claimants in Colorado, Florida, and New York went to a chiropractor compared to 13 percent in Michigan.

- Colorado and New York claimants were at least twice as likely to see physical therapists as claimants in Florida or Michigan.
- Twenty-two percent of New York PIP claimants went to alternative professionals such as acupuncturists or massage therapists, compared to 18 percent in Colorado, 7 percent in Florida, and 1 percent in Michigan.
- Average charges for certain medical professionals varied drastically among PIP claimants by state.
 - The average per-visit charges for chiropractors were significantly higher in Florida (\$254) and Colorado (\$223), compared to Michigan (\$125) and New York (\$83).
 - The average total charged per claimant by chiropractors was more than three times as high in Colorado (\$4,804) and Florida (\$4,837) than in Michigan (\$1,522) and New York (\$1,549).

In summarizing the findings, Elizabeth A. Sprinkel, senior vice president of the IRC said, “PIP claimants appear to be using more medical resources in some no-fault states than in others, even among claimants with similar injuries. On top of that, the average charges for certain medical treatments in some no-fault states are sometimes more than double the cost for similar treatment in other no-fault states. As a result, claimed auto injury losses have risen much faster in some states than others, ultimately leading to greater increases in auto insurance premiums for drivers in those states.”

In no-fault states, injury thresholds must be surpassed before an injured claimant can file a bodily injury liability claim against an at-fault driver. Injury thresholds varied among these four states from a monetary threshold of at least \$2,500 of medical expenses in Colorado to a strict verbal threshold in Michigan that restricts BI claims to injuries that lead to permanent serious disfigurement, serious impairment of a bodily function, or death.

One of the goals of no-fault auto insurance systems is to alleviate pressure on the court system by reducing tort liability claims for minor injuries. Reflecting the restrictive tort threshold in Michigan, BI claimants there had more serious injuries than claimants from the other three states. In addition to the closed claim data revealing injury levels among BI claimants, claim frequency data show fewer Michigan BI claims per number of insured drivers than the other three no-fault states in this study.

“Michigan is an example of a no-fault state where the majority of BI claims are for severe injuries with disabling consequences,” Sprinkel explained. “Despite the tort thresholds in the other three no-fault

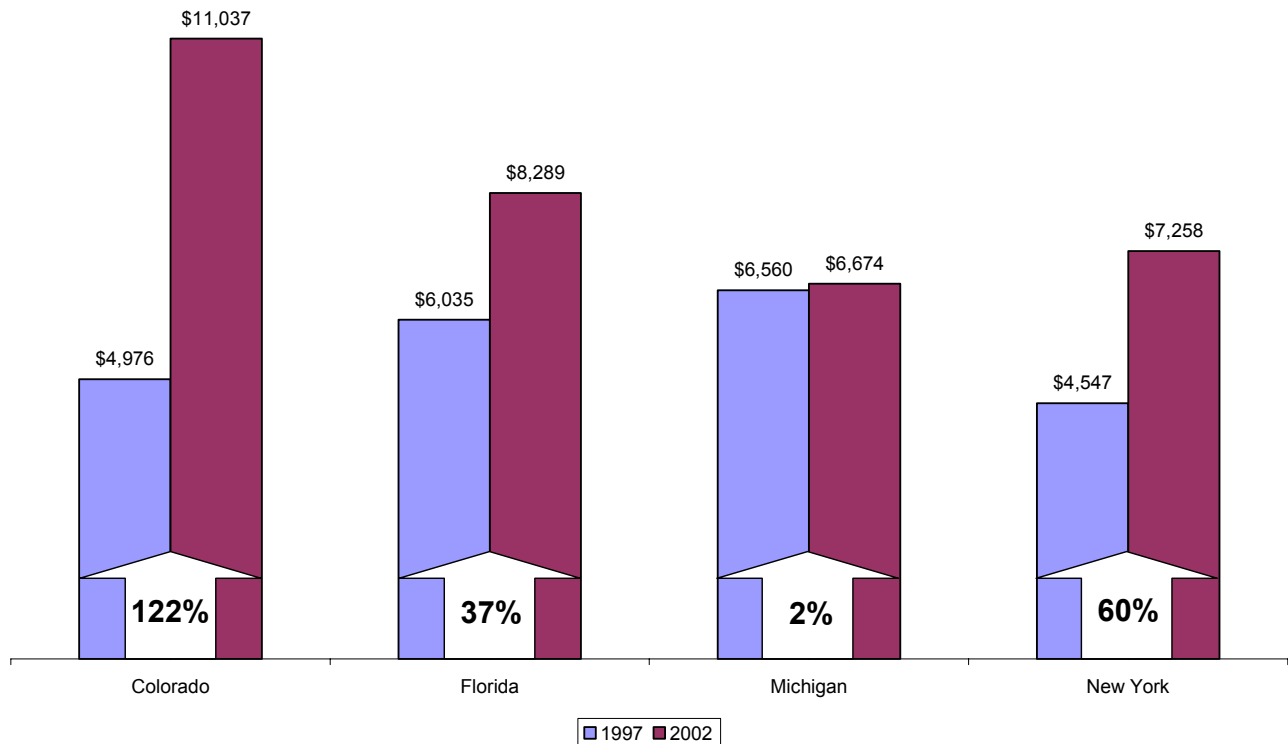
states that were examined, liability payments often were paid to claimants with relatively minor injuries.”

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 \$100 each in the U.S. (\$115 elsewhere) postpaid from the Insurance Research Council, 718 Providence Rd., Malvern, Pa. 19355-0725. Phone: (610) 644-2212, ext. 7569. Fax: (610) 640-5388.

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**Average Economic Losses of PIP Claimants
1997 and 2002**



Excludes permanent total disabilities, fatalities, and claimants with zero or missing economic loss.