

Date: November 3, 2005

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Auto Injury Claims Show Cost Differences in Two Choice States

Malvern, Pa. – A recent study of auto insurance claims showed significantly higher economic losses for personal injury protection (PIP) claims in New Jersey, compared with Pennsylvania, even among people with similar injuries. In the Insurance Research Council's (IRC) 2002 study of auto injuries, New Jersey claimants' reported economic losses averaged \$10,198 (consisting mainly of medical expenses), 51 percent higher than those of their Pennsylvania counterparts (\$6,749).

Contributing to their higher reported claim costs, New Jersey PIP claimants were more than twice as likely as Pennsylvania claimants to go to chiropractors, have MRIs (magnetic resonance imaging), and hire attorneys. New Jersey's auto insurance regulations contain higher standard PIP policy dollar limits than those in Pennsylvania, potentially contributing to New Jersey drivers' submission of relatively high claims.

The IRC study, *Analysis of Auto Injury Insurance Claims From Two Choice States*, examines auto injury insurance claims from New Jersey and Pennsylvania – two states that have choice auto insurance systems. In a choice system, motorists can select full tort bodily injury (BI) liability coverage or select no-fault BI coverage in exchange for premiums savings. In both states, PIP provides first-party coverage.

Pennsylvania's no-fault restrictions on eligibility for filing liability claims appeared more effective at limiting no-fault BI claims to more serious injuries, compared with New Jersey. In Pennsylvania, no-fault claims for general damages (pain and suffering) are restricted to claims with serious injuries. In New Jersey, no-fault BI claimants may pass any one of six injury thresholds to file claims for general damages. Among Pennsylvania BI claimants, those with no-fault coverage reported more serious injury levels than motorists with full tort coverage. Almost six in ten Pennsylvania no-fault BI claimants (59 percent) reported some level of disability resulting from auto injuries, compared with four in ten (41 percent) full tort claimants. In New Jersey, about half (52 percent) of no-fault BI claimants reported some disability, as did 45 percent of full tort claimants within the state.

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“Any consideration of choice auto insurance systems must go beyond simply offering consumers a choice between no-fault and full tort coverage, but must also take into account how the regulations will affect claim costs,” explained Elizabeth A. Sprinkel, senior vice president of the IRC. “Ultimately, lower claim costs translate into lower insurance premiums for drivers in that state.”

The report contains data from both before and after the passage of New Jersey’s 1998 Automobile Insurance Cost Reduction Act. From 1997 to 2002, the average number of visits to chiropractors by New Jersey PIP claimants decreased from 39 to 34. However, the average claimed PIP economic loss increased 36 percent in New Jersey, compared with medical cost inflation of 22 percent over the 1997–2002 period. The IRC study also serves as a benchmark for measuring the effects of future modifications to the choice insurance regulations in New Jersey and Pennsylvania.

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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