

Rising Auto Claims Costs Put Upward Pressure On Price Of Insurance

I.I.I. White Paper Finds Increase In Frequency And Severity Of Auto Crashes

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NEW YORK, October 20, 2016 ? Over the past two years, U.S. auto insurance companies have seen private-passenger loss costs rise sharply as insurers receive more, and costlier, claims, according to the Insurance Information Institute (I.I.I.)

?There has been an alarming increase in crashes and claims reported. This, combined with the cost of the claims themselves, has led to a dramatic rise in the overall loss cost,? states a just-released I.I.I. white paper, *Personal Automobile Insurance: More Accidents, Larger Claims Drive Costs Higher*. The loss cost is the portion of an insurance policy?s price that is used to cover the cost of paying and adjusting claims.

The I.I.I.?s white paper notes that, between the first quarters of 2014 and 2016, collision claim frequency increased 2.6 percent while collision claim severity rose 8.2 percent. Other coverages, such as Personal Injury Protection (PIP), showed comparable claim frequency and severity increases. Frequency is the number of claims per 100 vehicles insured for a year; severity is the size of the average claim.

An improving economy put more cars on U.S. roadways as a growing number of Americans found employment, the I.I.I. found, citing federal data showing the miles driven annually grew in recent years for the typical driver.

Fatal crashes in the United States are also increasing. In fact, 35,092 people died in crashes in 2015, a 7.2 percent increase in deaths from 2014 according to National Highway Traffic Safety Administration (NHTSA). The last single-year increase of this magnitude occurred in 1966, when highway fatalities

nationally rose 8.1 percent as compared to 1965. U.S. highway deaths have continued to rise in 2016, with fatalities up 10.4 percent in the first six months of 2016 as compared to the first-half of 2015, according to preliminary data from NHTSA.

Until the past couple of years, the frequency of U.S. crashes had generally been dropping for many years while severity—the cost of paying these crash claims—was generally rising. Now they are both rising. That means private-passenger auto insurers are seeing more and costlier crashes, and that is why auto insurance costs are rising in many U.S. states,” said James Lynch, the I.I.I.’s chief actuary, who wrote the paper along with Dr. Steven Weisbart, the organization’s chief economist, and Dr. Robert Hartwig, special consultant to the I.I.I.

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