

# Insurance Research Council

David Corum  
CAMAR – 2011 Spring Meeting

June 2, 2011

# CAMAR

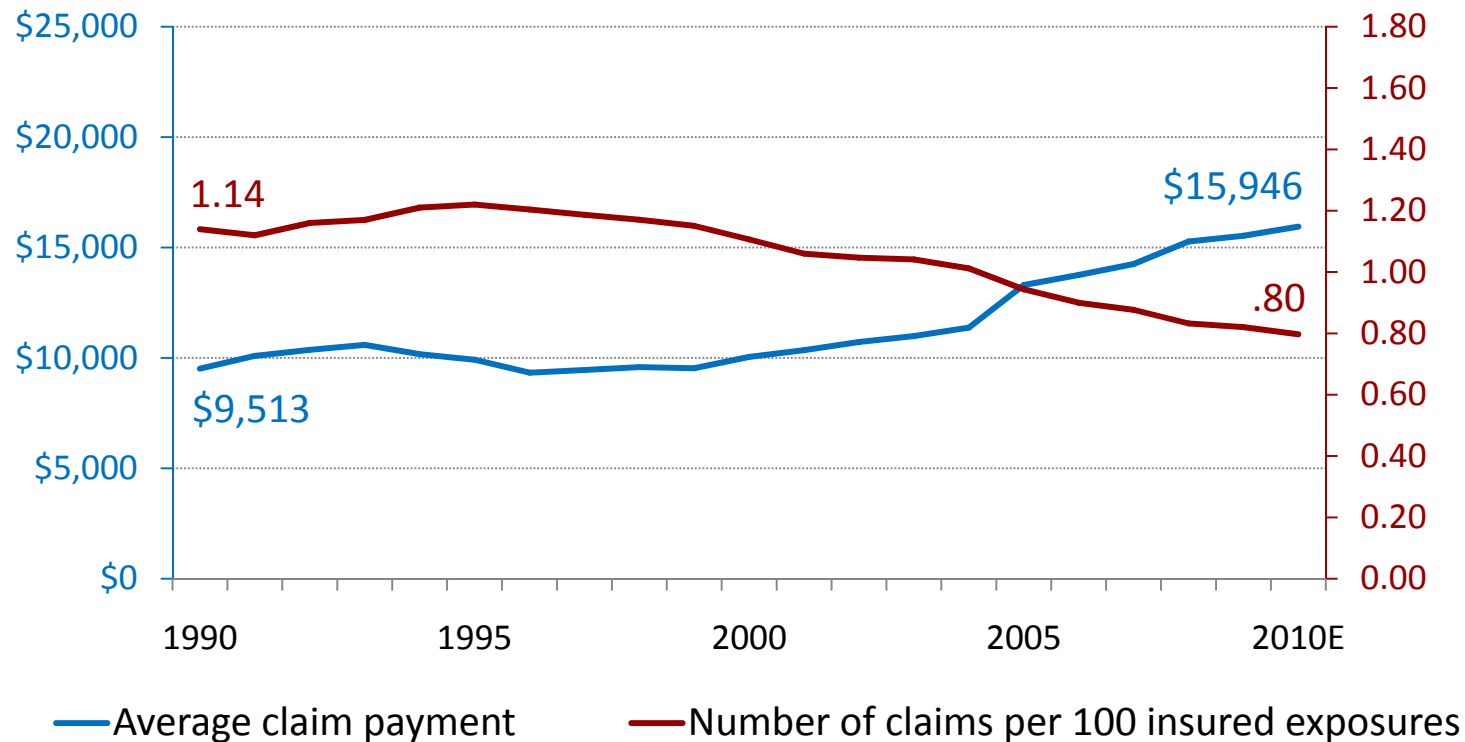
## Insurance Research Council

## Overview

- **Auto injury claims**
  - frequency, severity & loss cost trends
  - severity cost drivers
  - fraud & buildup
  - unique measures of claim environment
- **New York**
- **Hospital cost shifting**

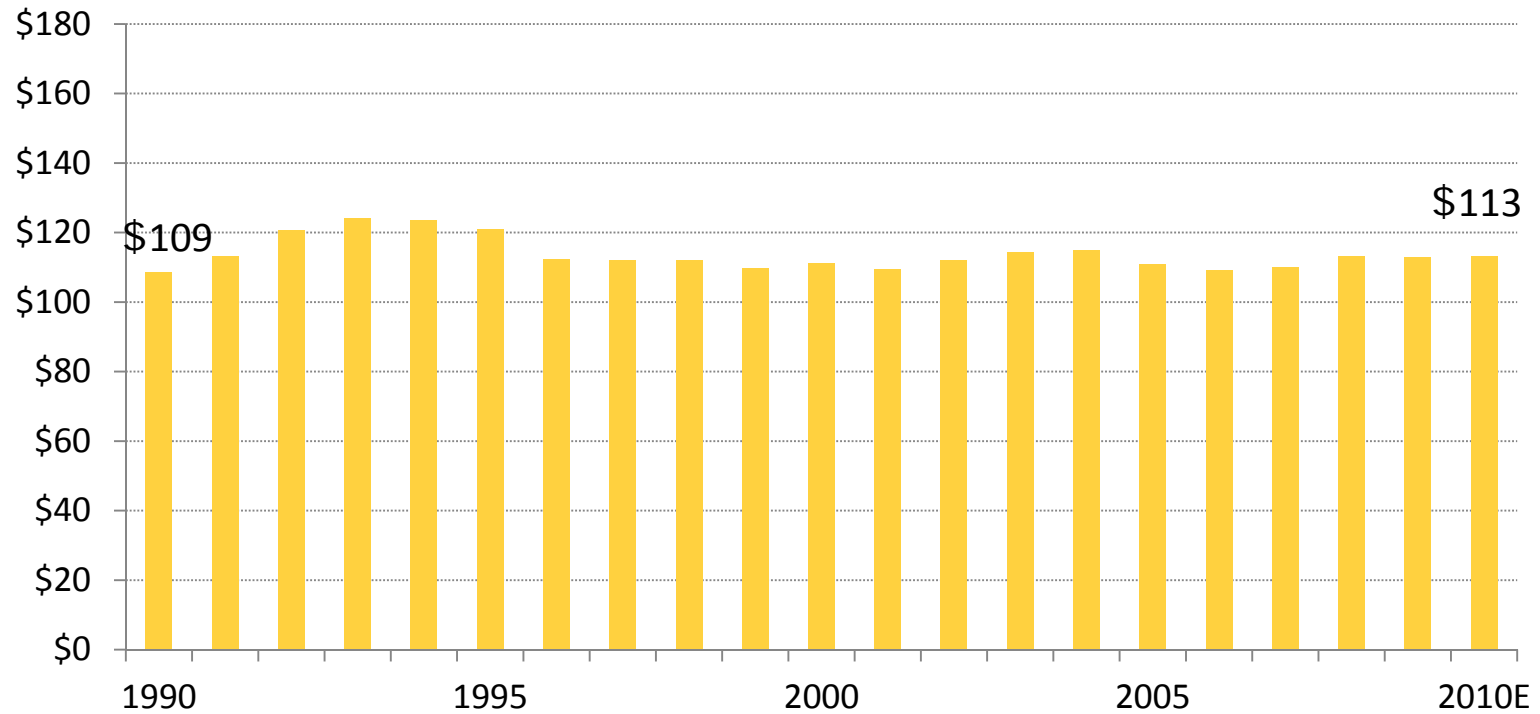
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## Bodily Injury (BI) Liability Frequency and Severity *Countrywide*

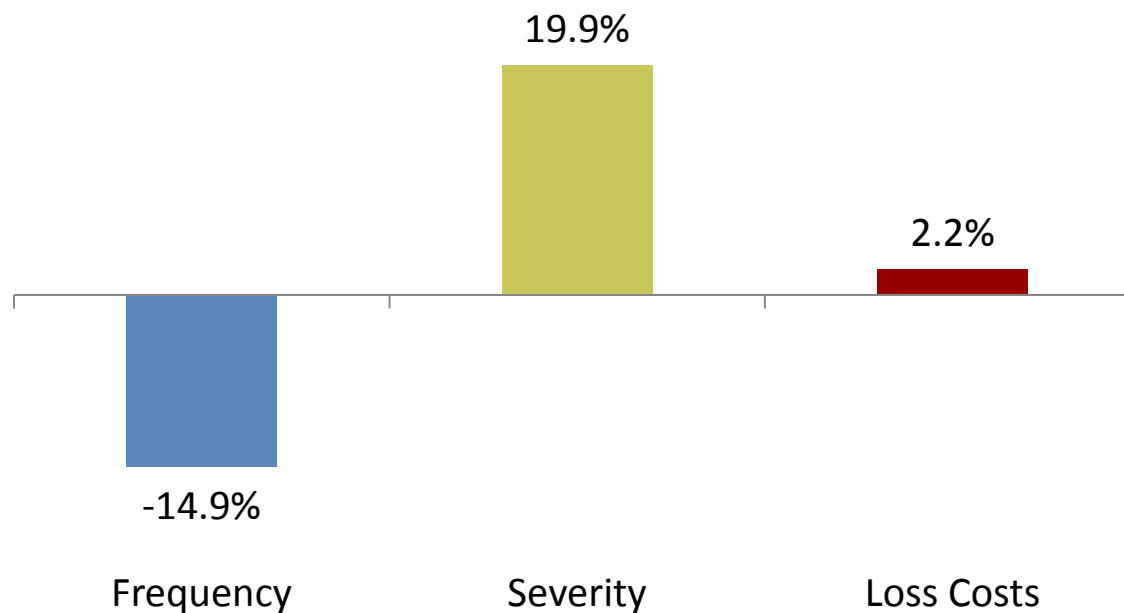


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## Bodily Injury (BI) Liability Loss Costs *Countrywide*

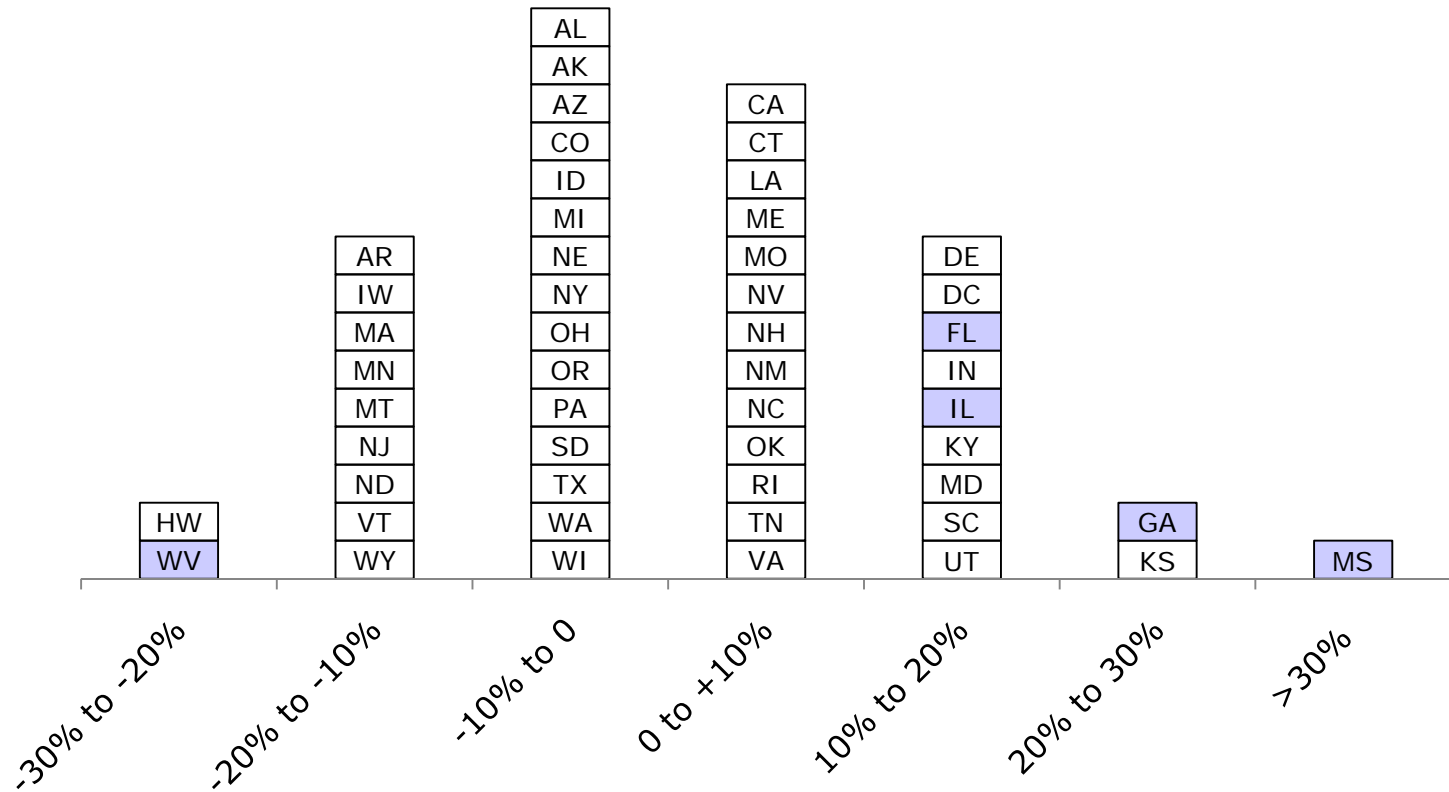


## BI Liability Trends Frequency, Severity & Loss Costs, 2005-2010E *Countrywide*

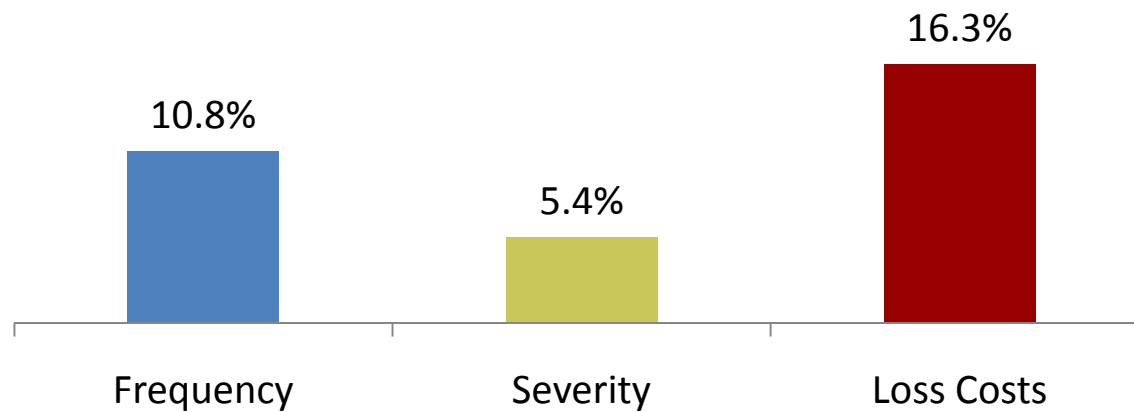


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## Distribution of States by 2005-2010E Percentage Change in BI Loss Costs

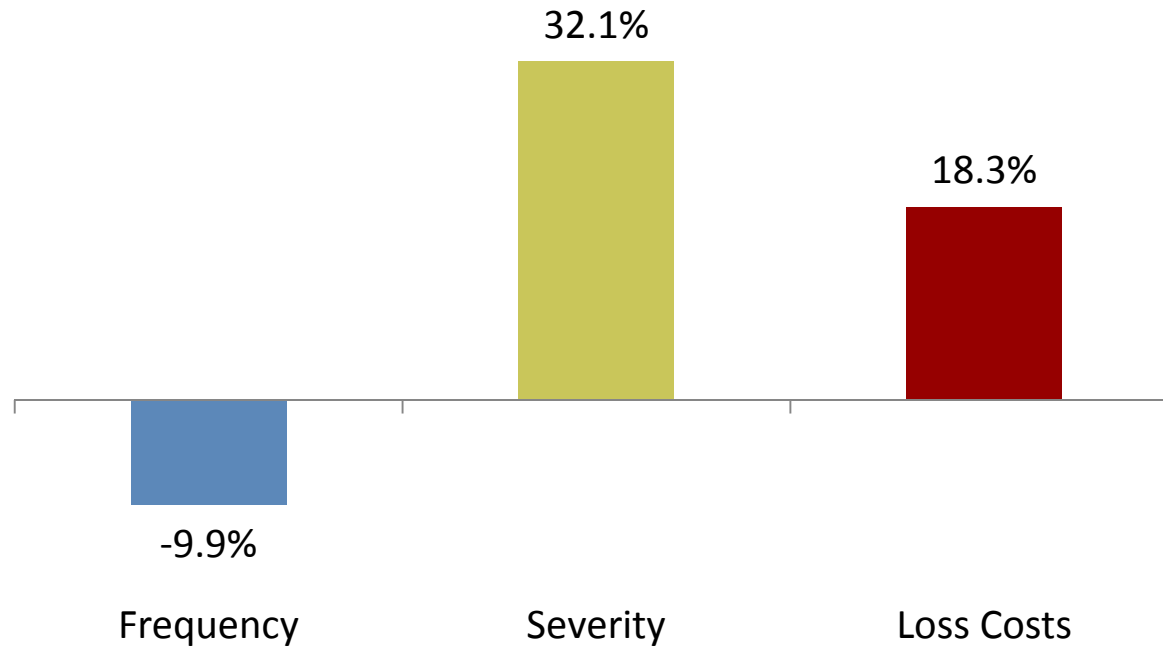


## BI Liability Trends Frequency, Severity & Loss Costs, 2005-2010E *Florida*

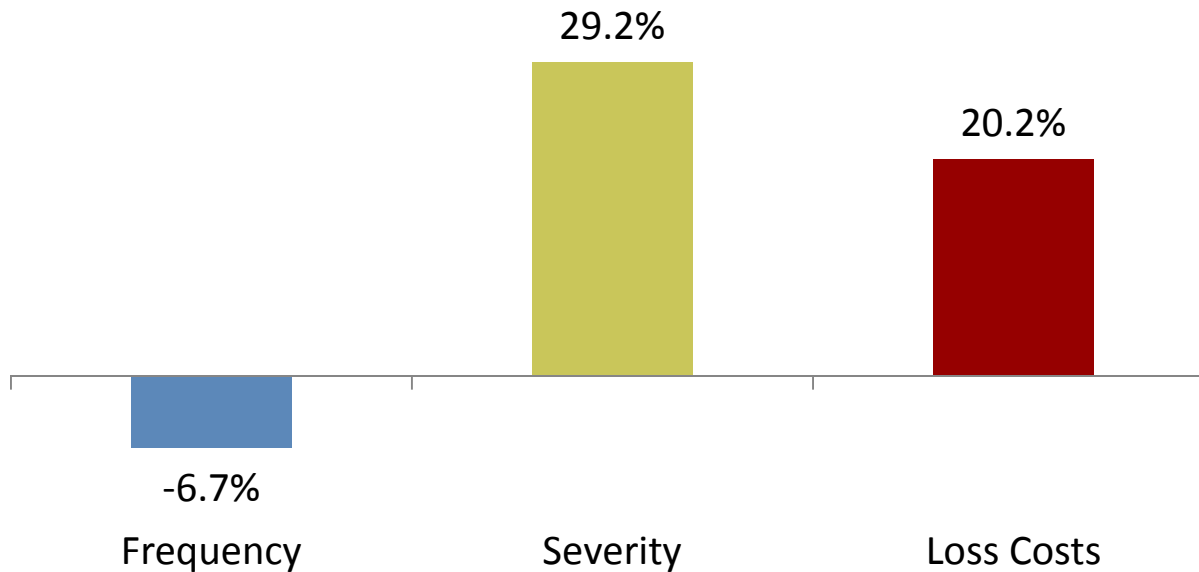




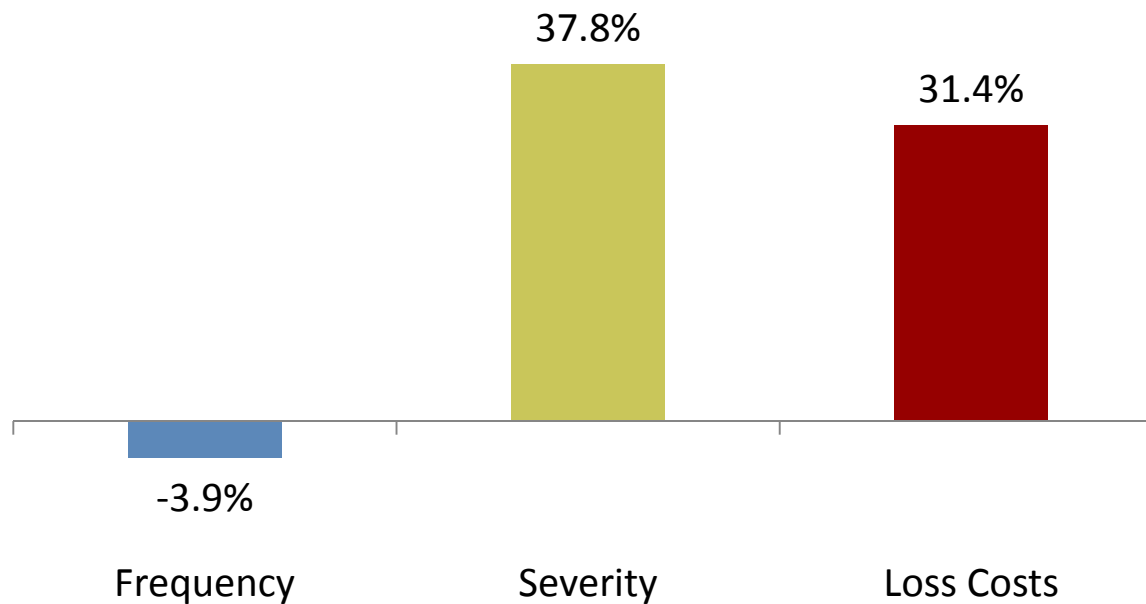
## BI Liability Trends Frequency, Severity & Loss Costs, 2005-2010E *Illinois*



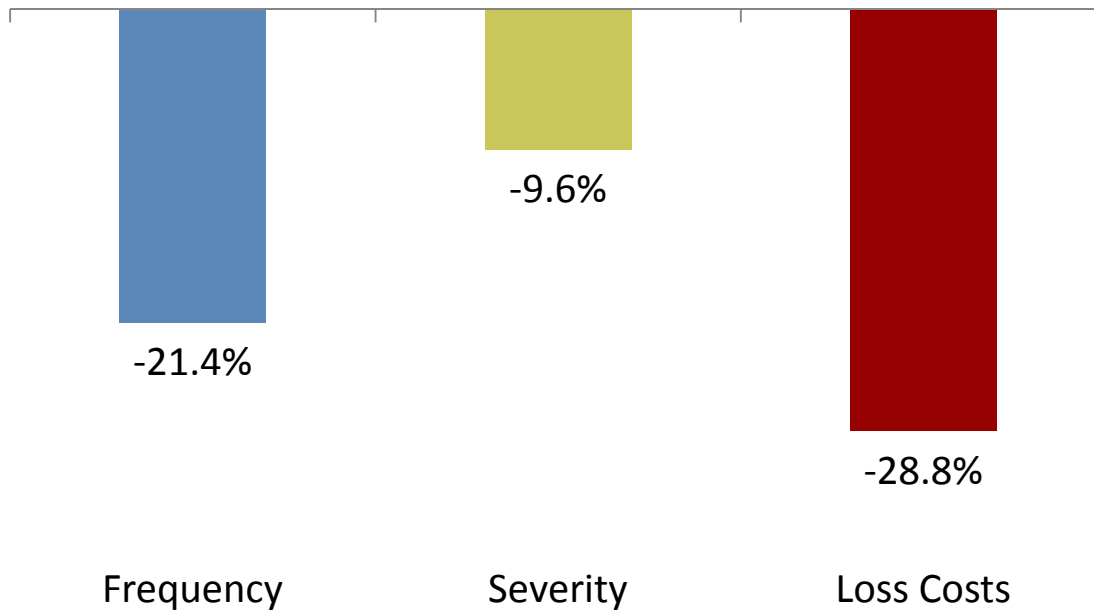
## BI Liability Trends Frequency, Severity & Loss Costs, 2005-2010E *Georgia*



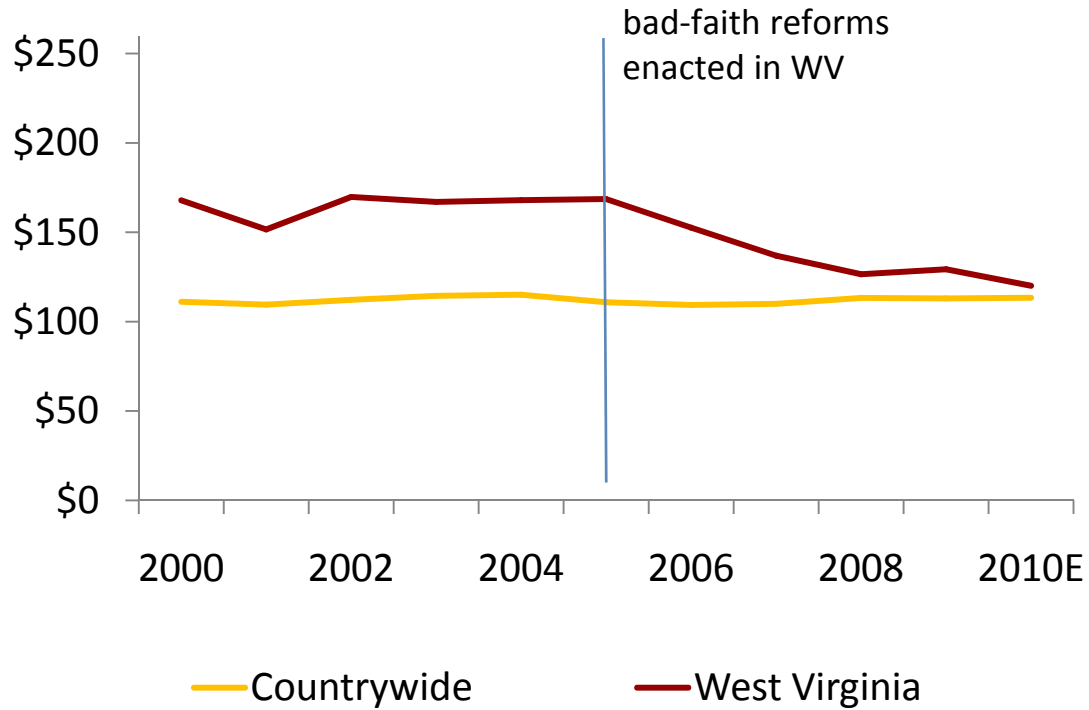
## BI Liability Trends Frequency, Severity & Loss Costs, 2005-2010E *Mississippi*



## BI Liability Trends Frequency, Severity & Loss Costs, 2005-2010E *West Virginia*

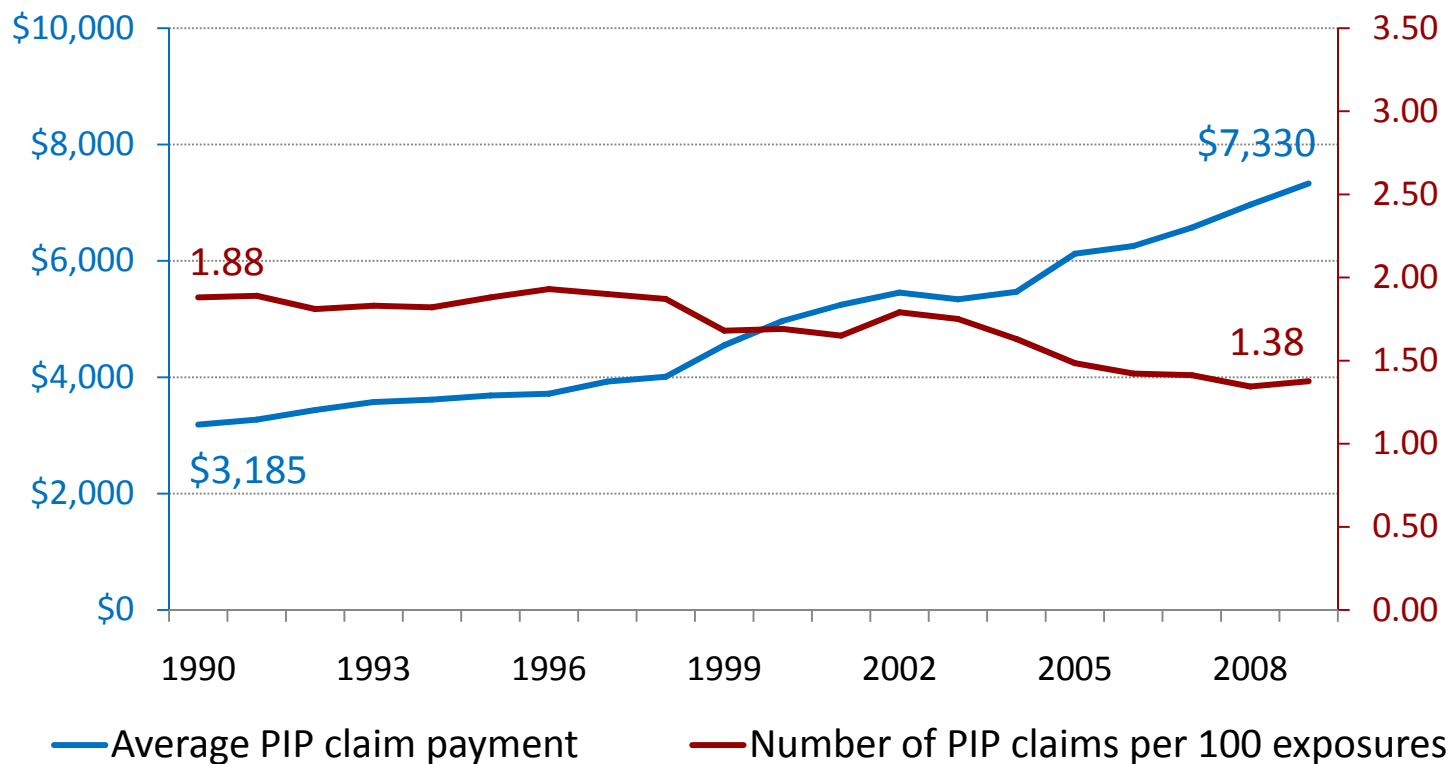


## BI Liability Loss Costs Trends 2000-2010



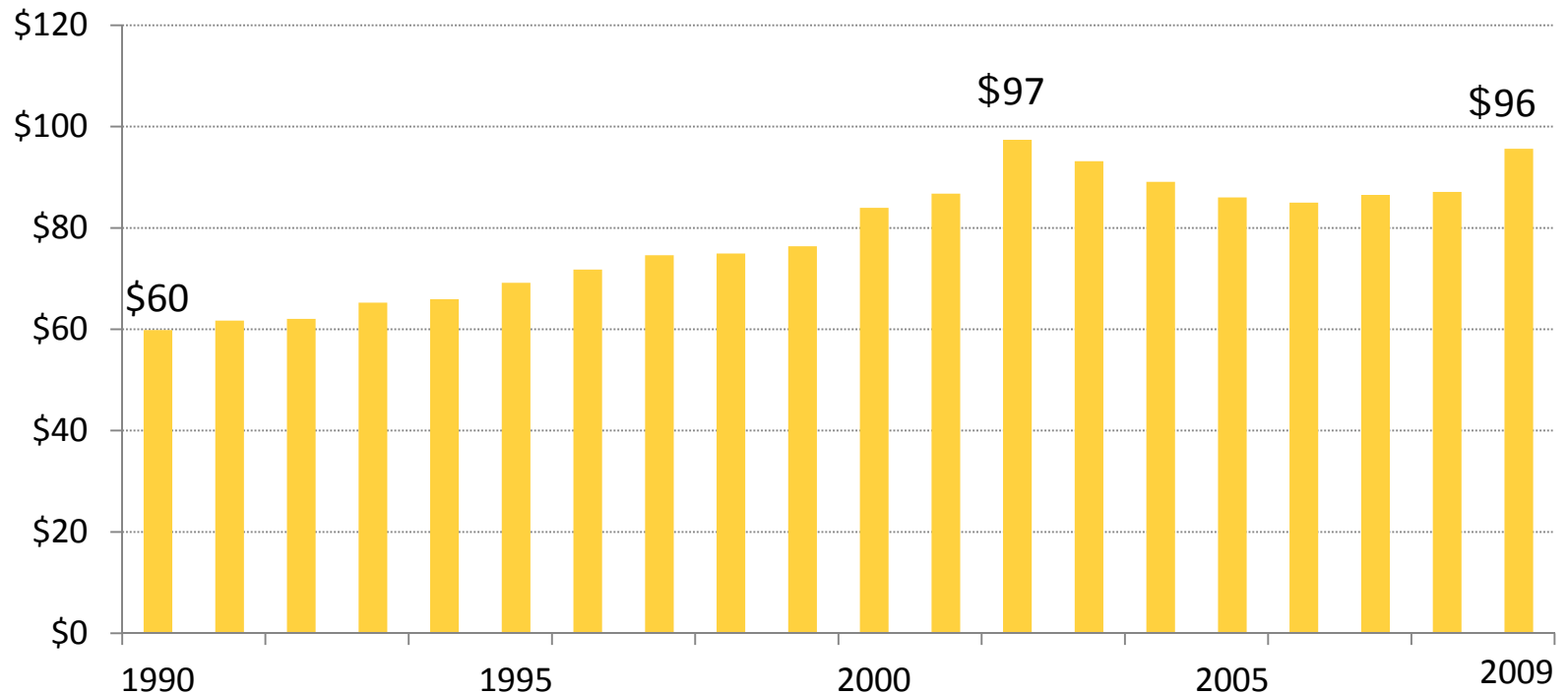
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## Personal Injury Protection (PIP) Frequency and Severity *Countrywide*

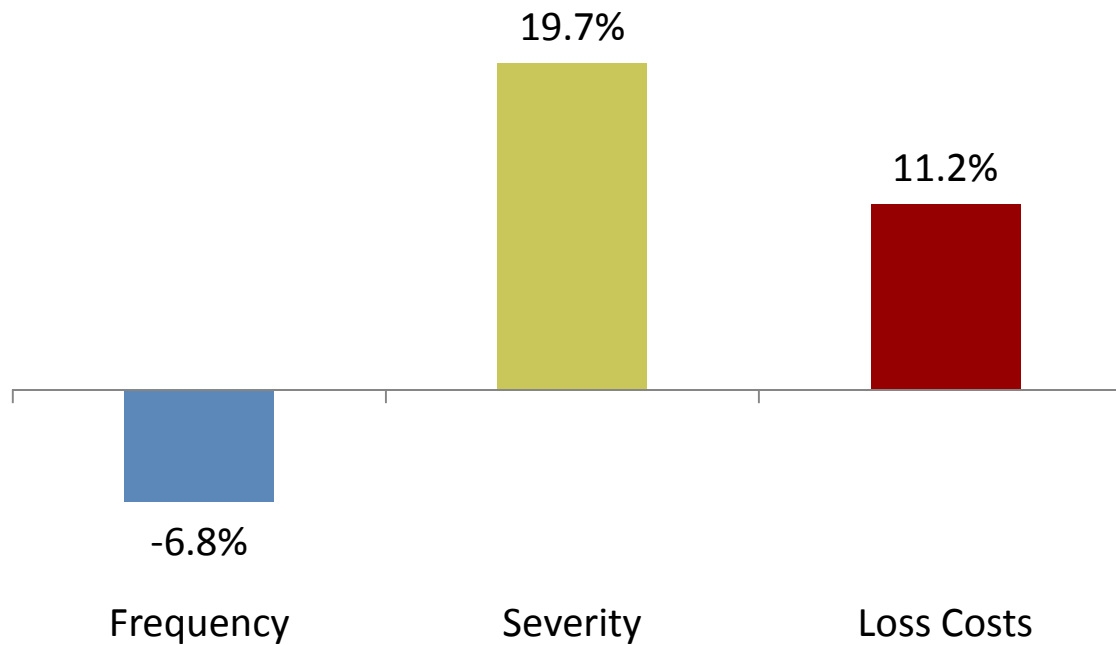


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## Personal Injury Protection (PIP) Loss Costs *Countrywide*



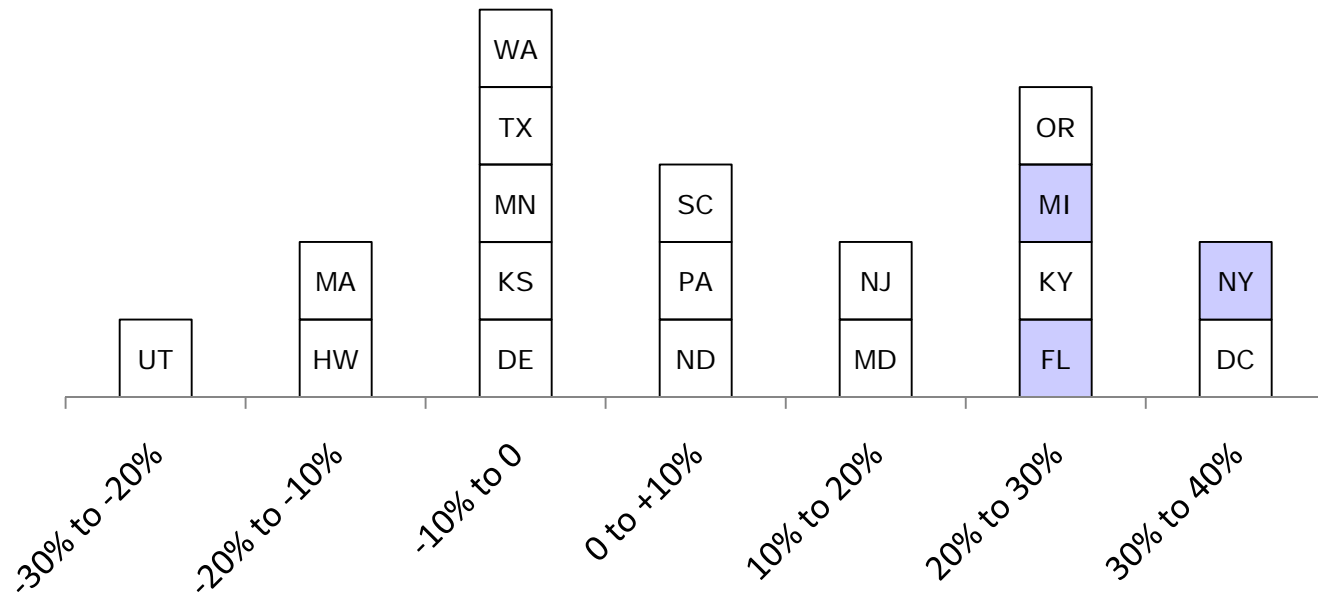
## PIP Trends Frequency, Severity & Loss Costs, 2005-2009 *Countrywide*



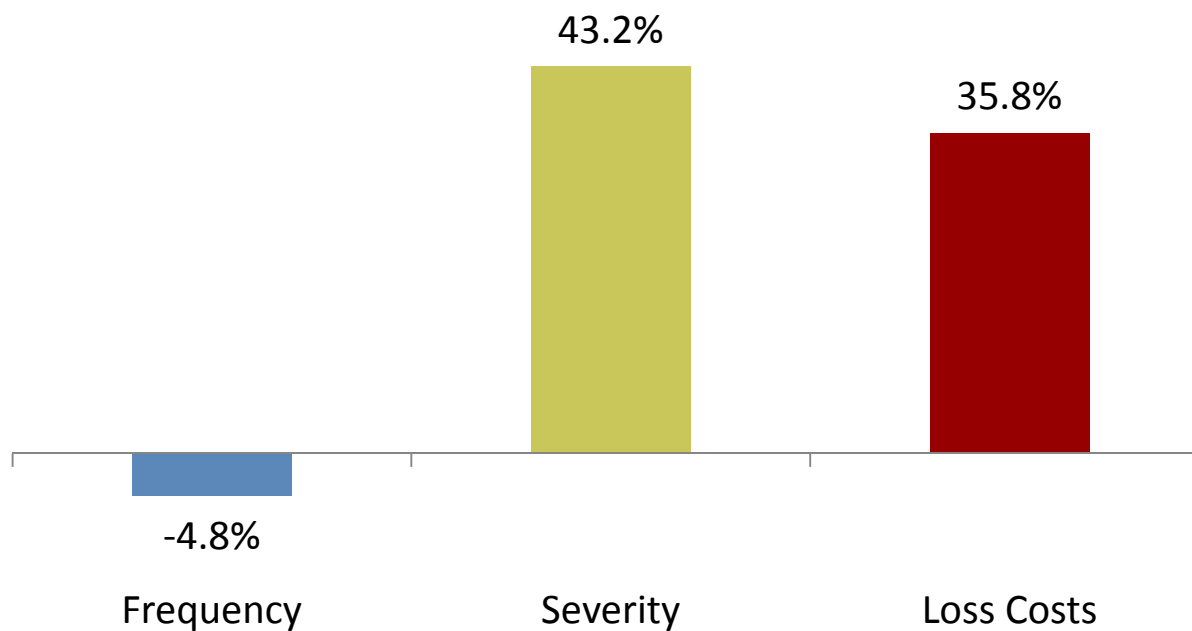


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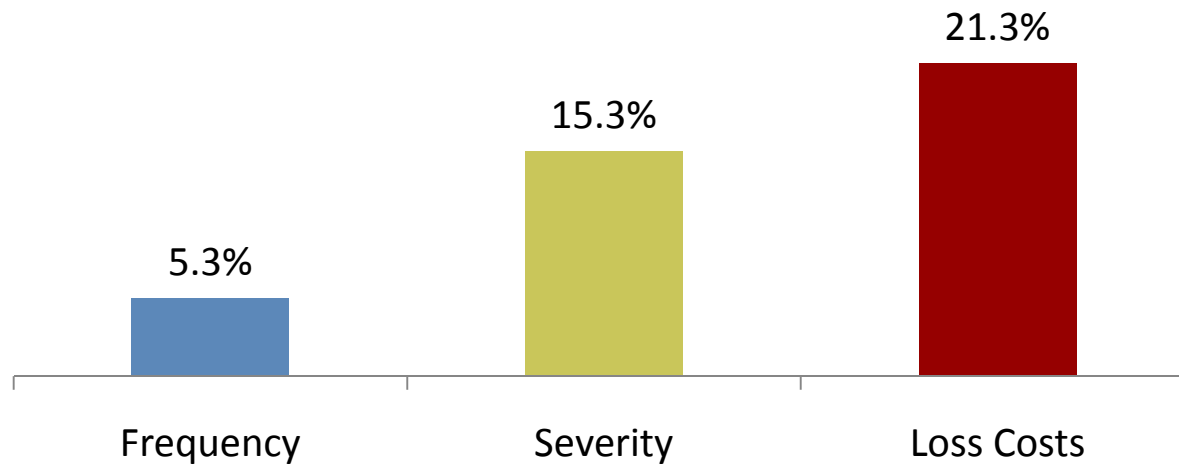
## Distribution of States by 2005-2009 Percentage Change in PIP Loss Costs



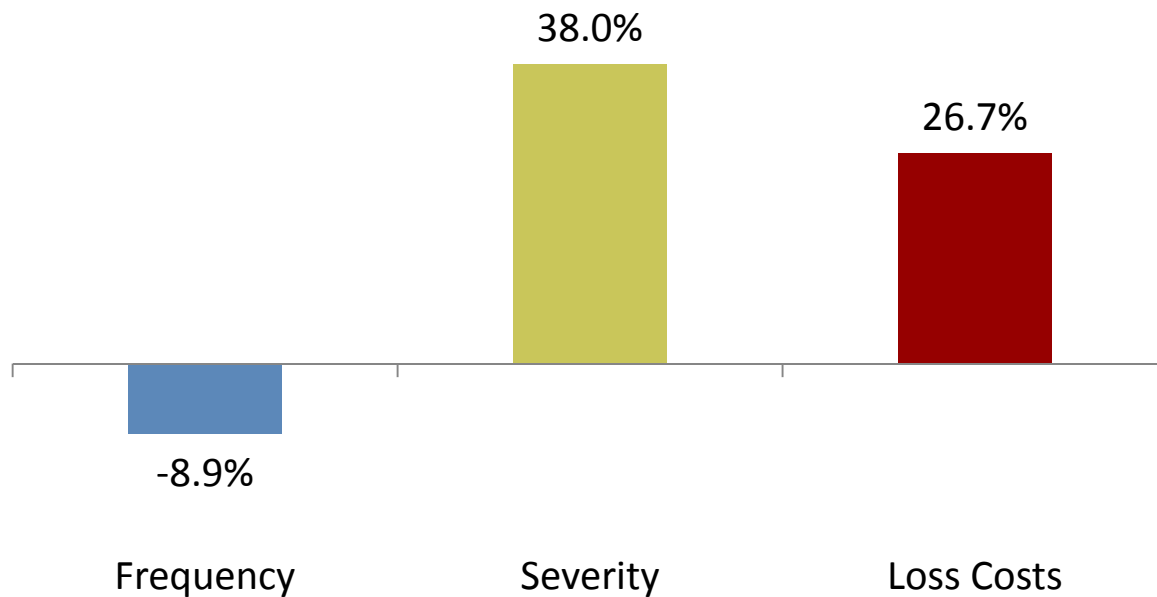
## PIP Trends Frequency, Severity & Loss Costs, 2005-2009 *New York*



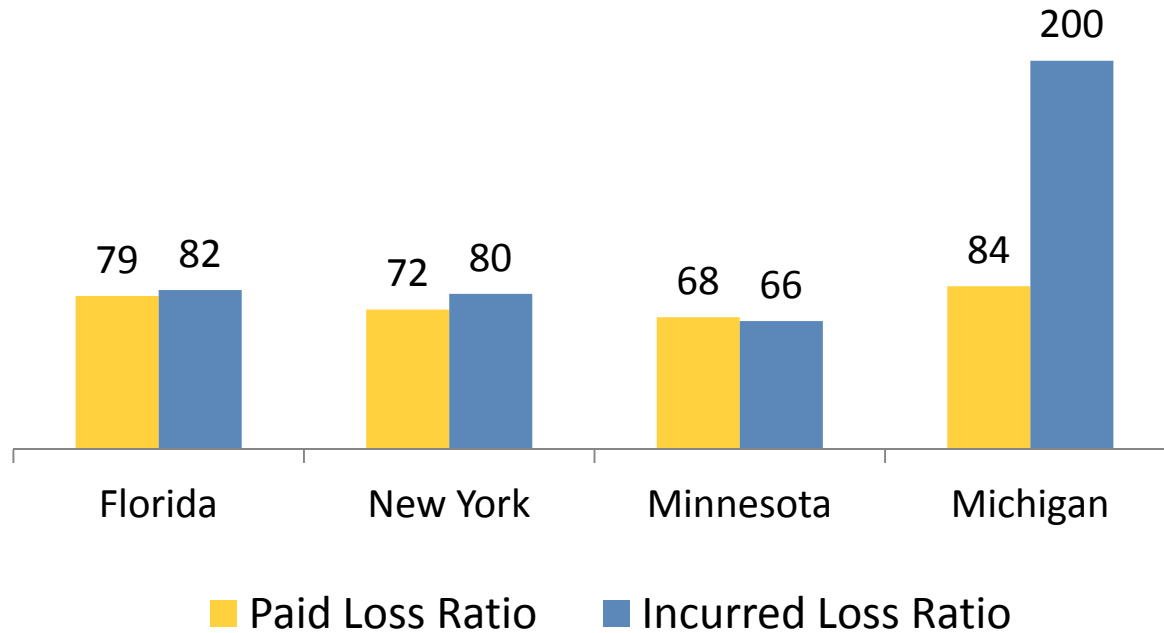
## PIP Trends Frequency, Severity & Loss Costs, 2005-2009 *Florida*



## PIP Trends Frequency, Severity & Loss Costs, 2005-2009 *Michigan*



## PIP Paid and Incurred Loss Ratios, 2009

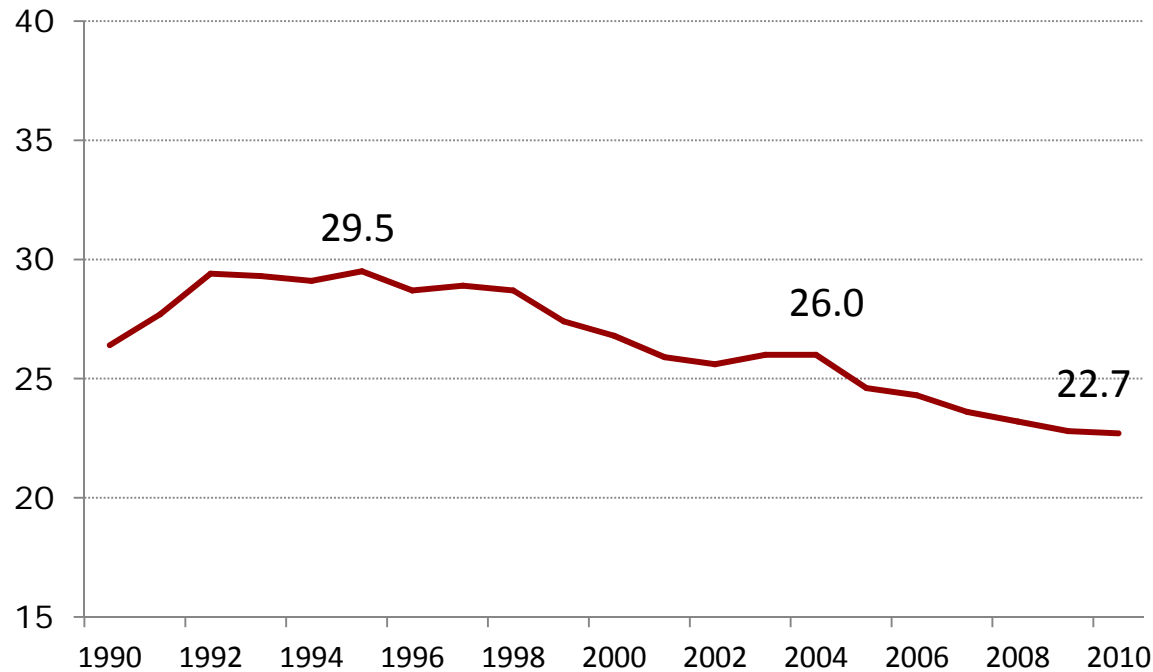


AM Best State Line Database

## BI-to-PD Ratio

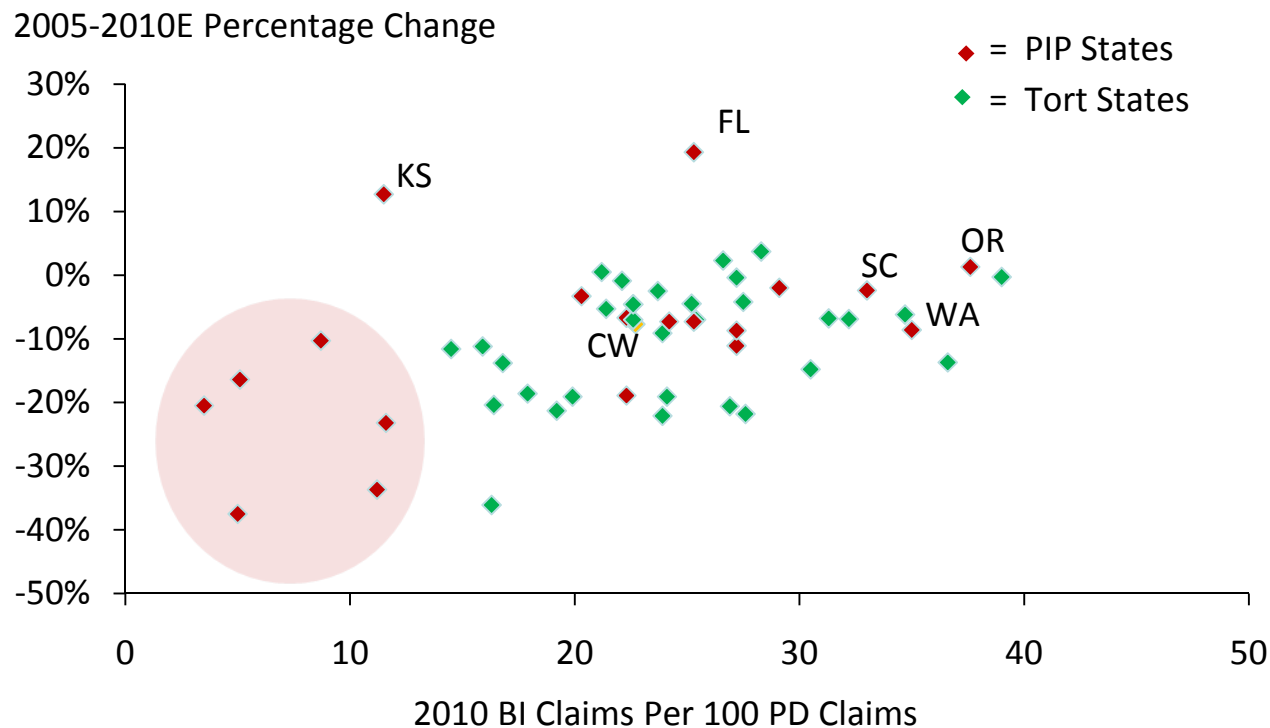
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## Number of BI Liability Claims per 100 PD Liability Claims



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## BI-to-PD Claim Ratio and 2005-2010 Percentage Change

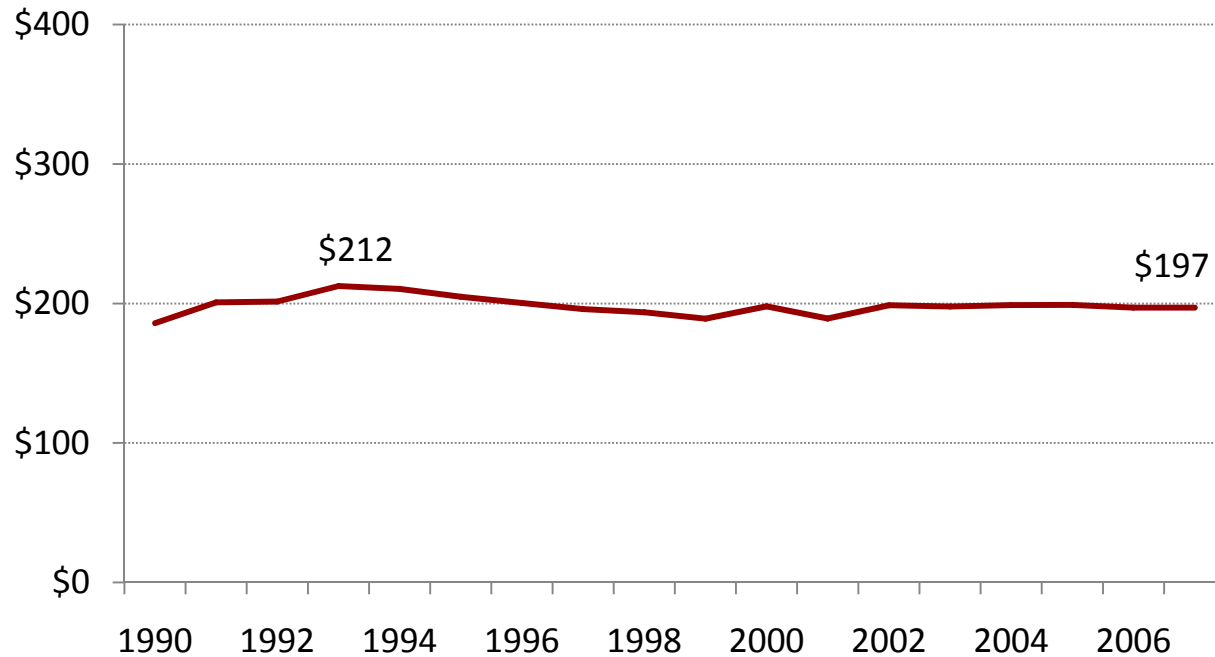




## Combined Injury Loss Costs

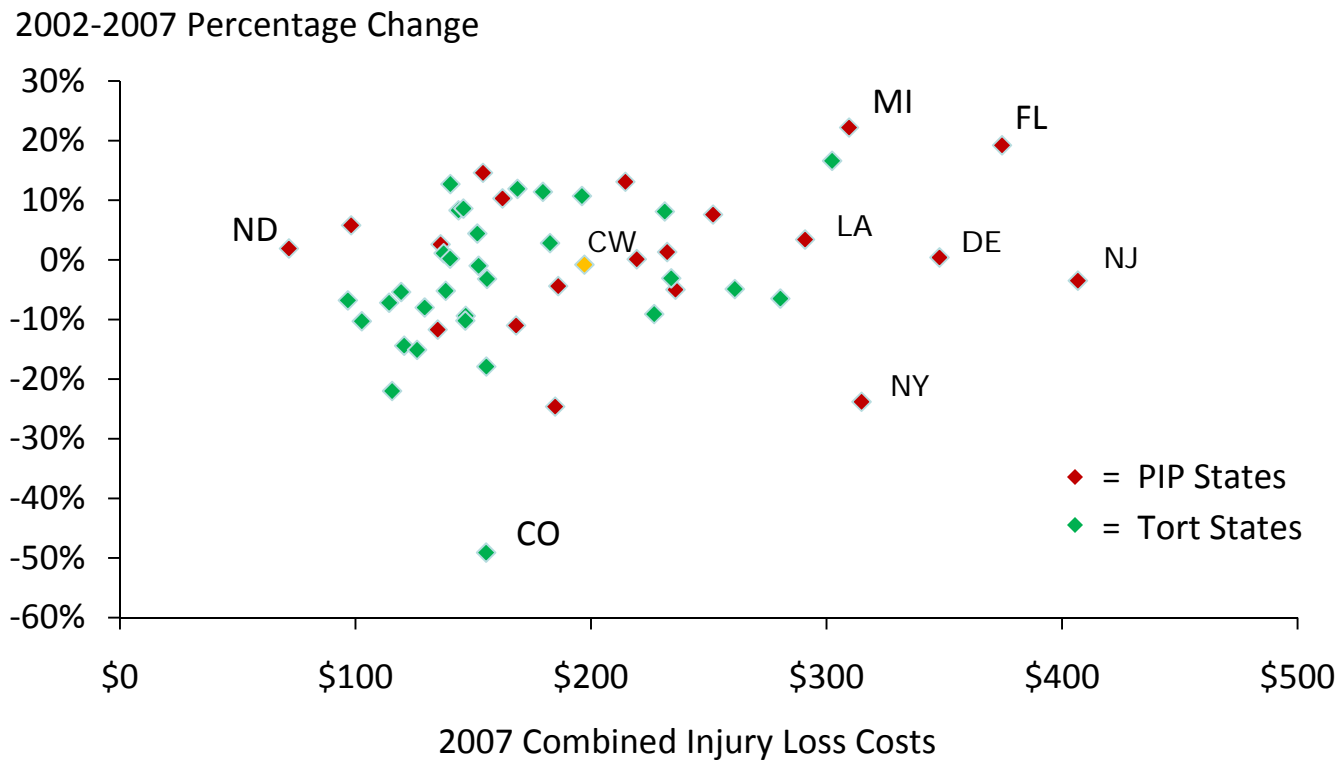
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## Combined Injury Loss Costs *Countrywide*



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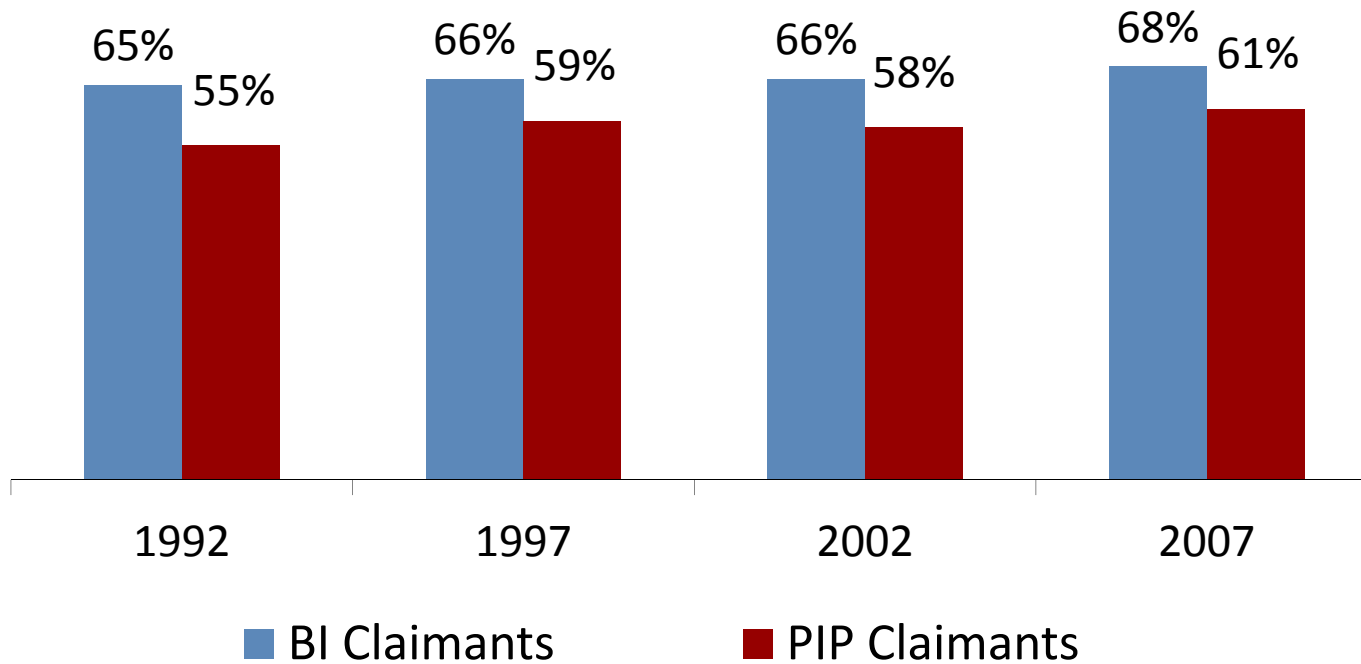
## Combined Injury Loss Costs and 2002-2007 Percentage Change



## What's Driving Severity Growth?

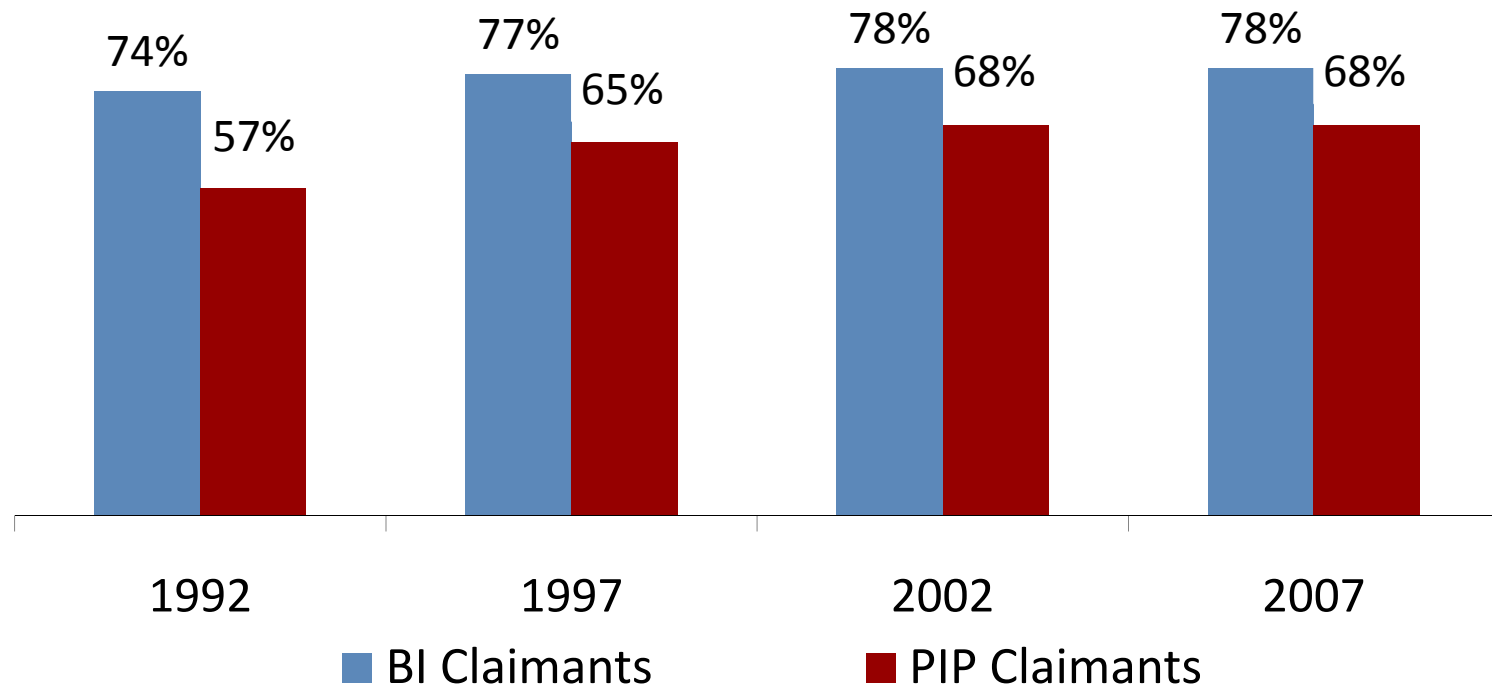
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Percentage of claimants countrywide with neck/back sprain/strain as most serious injury



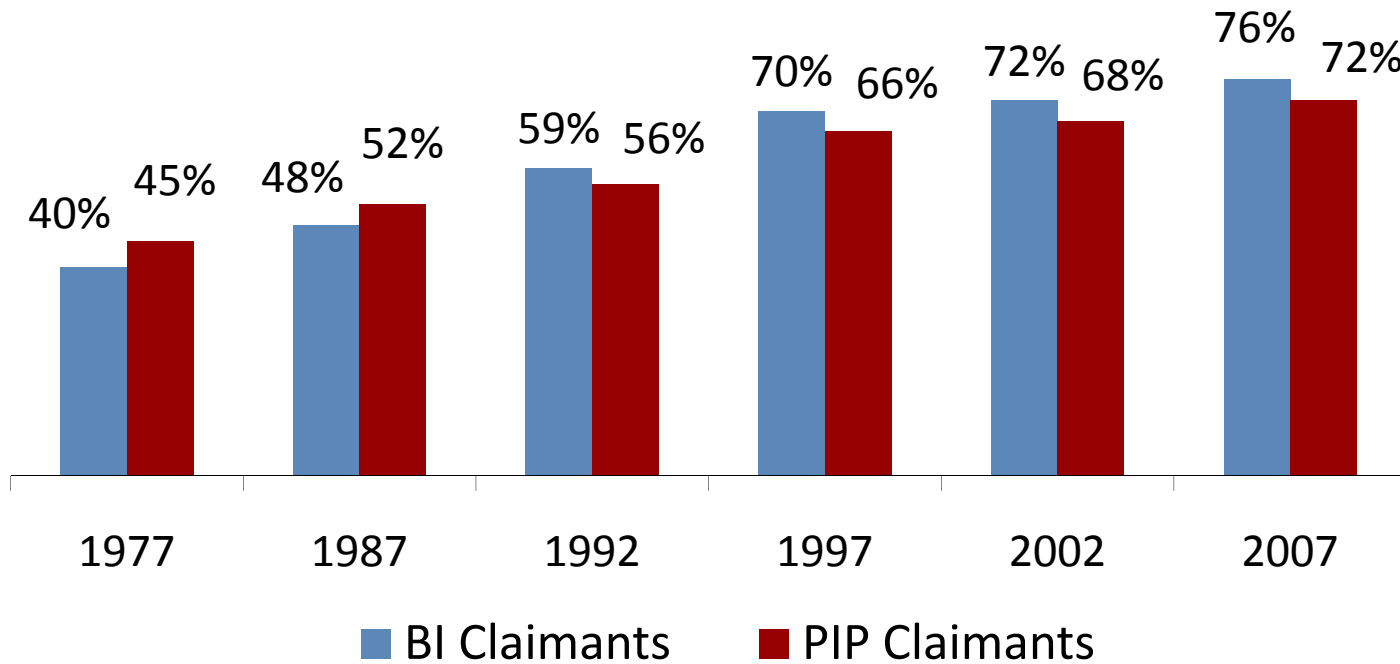
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Percentage of claimants countrywide  
with no visible injuries at accident scene



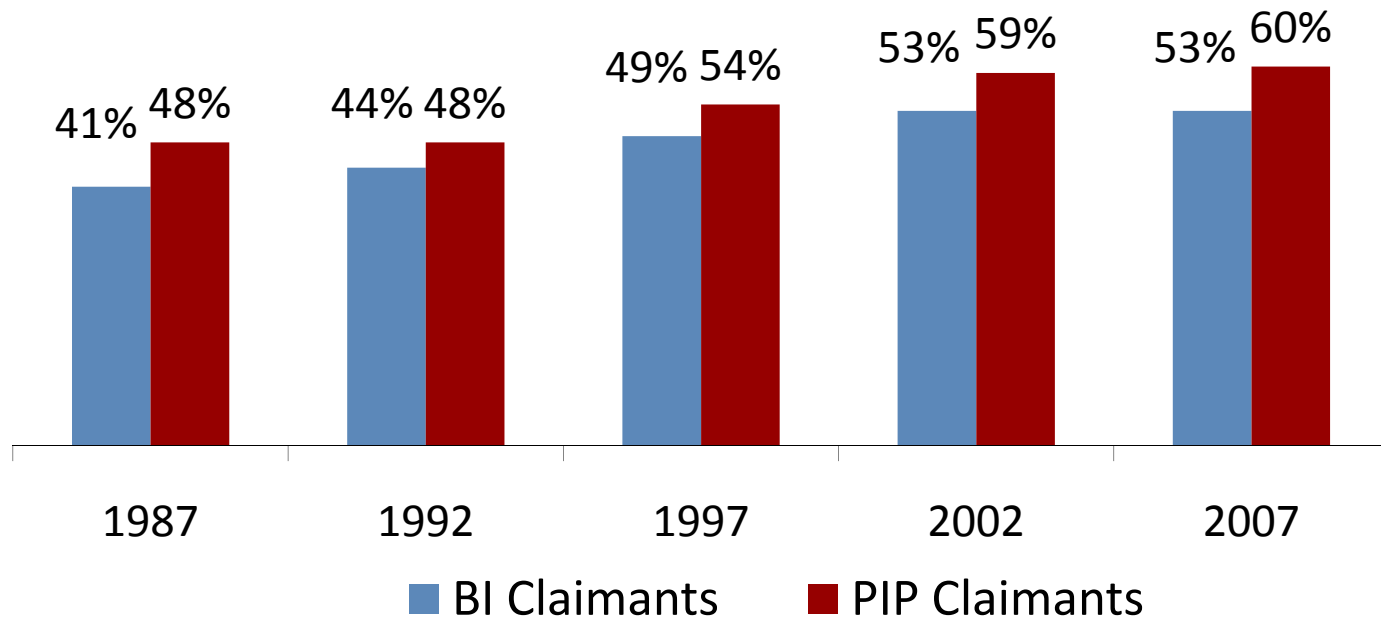
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Percentage of claimants countrywide with no disability



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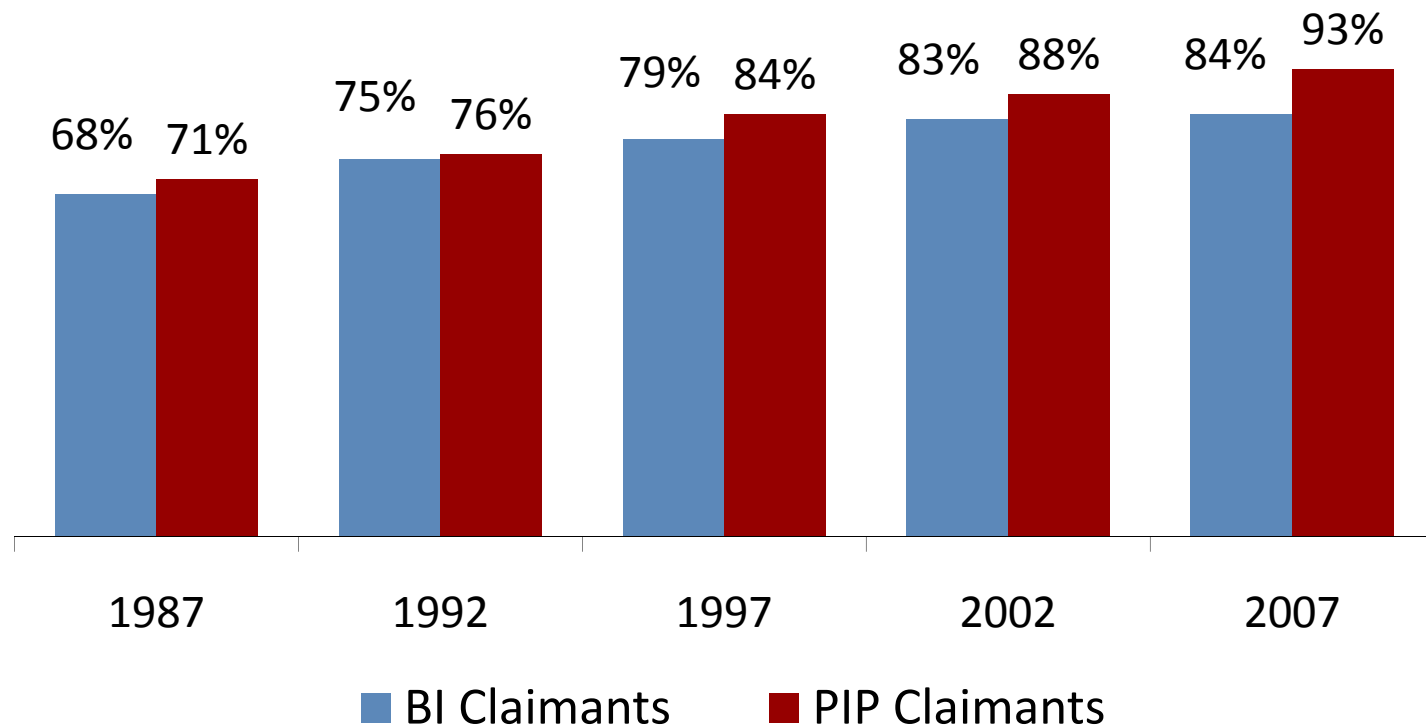
Percentage of claimants reporting no days of restricted activity





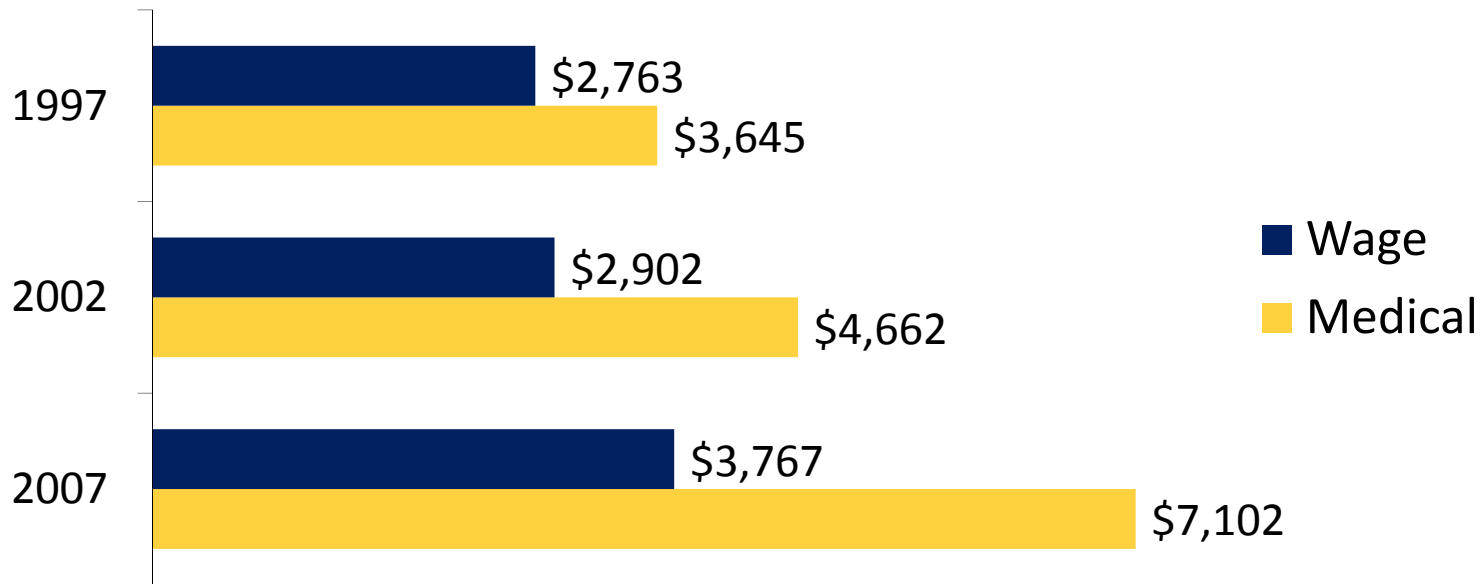
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## Medical Losses as a Percentage of Total Claimed Losses



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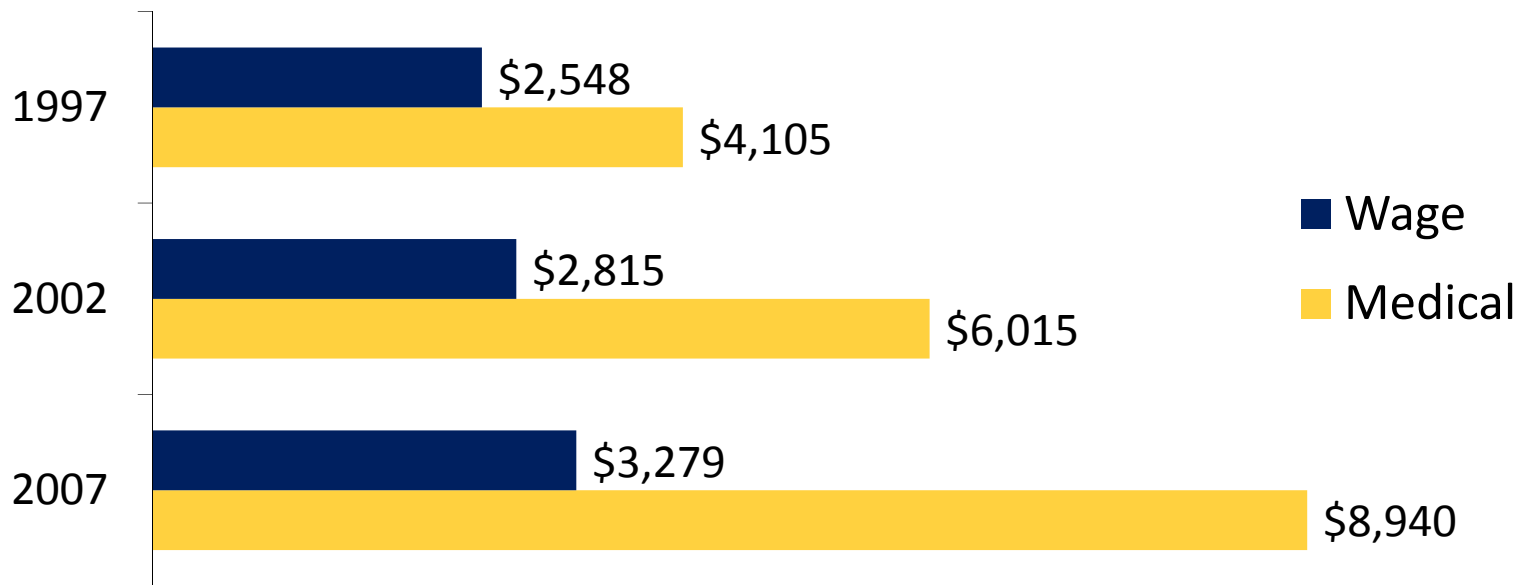
## Average Claimed Losses for Medical Expense and Lost Wages – BI Claims



1997-2007 annualized increase  
Wage: 3.1%      Medical: 6.9%

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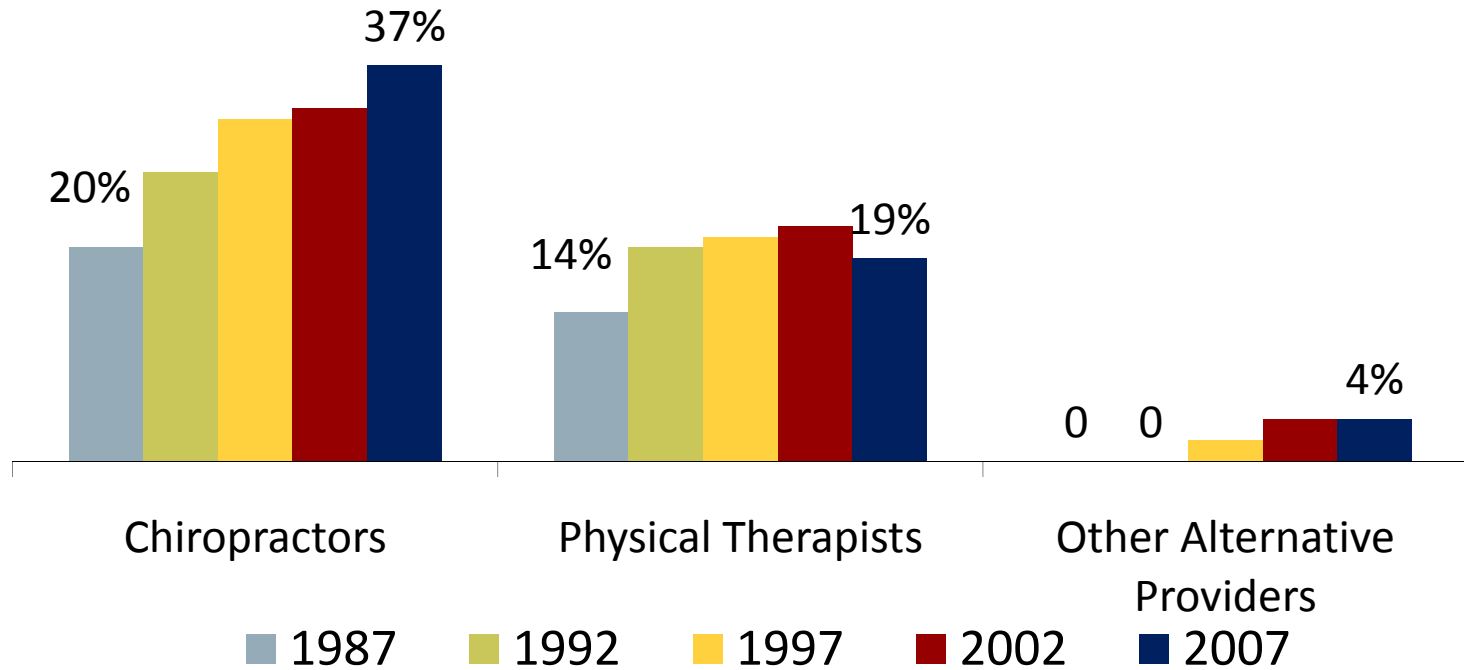
## Average Claimed Losses for Medical Expense and Lost Wages – PIP Claims



1997-2007 annualized increase  
Wage: 2.6%      Medical: 8.1%

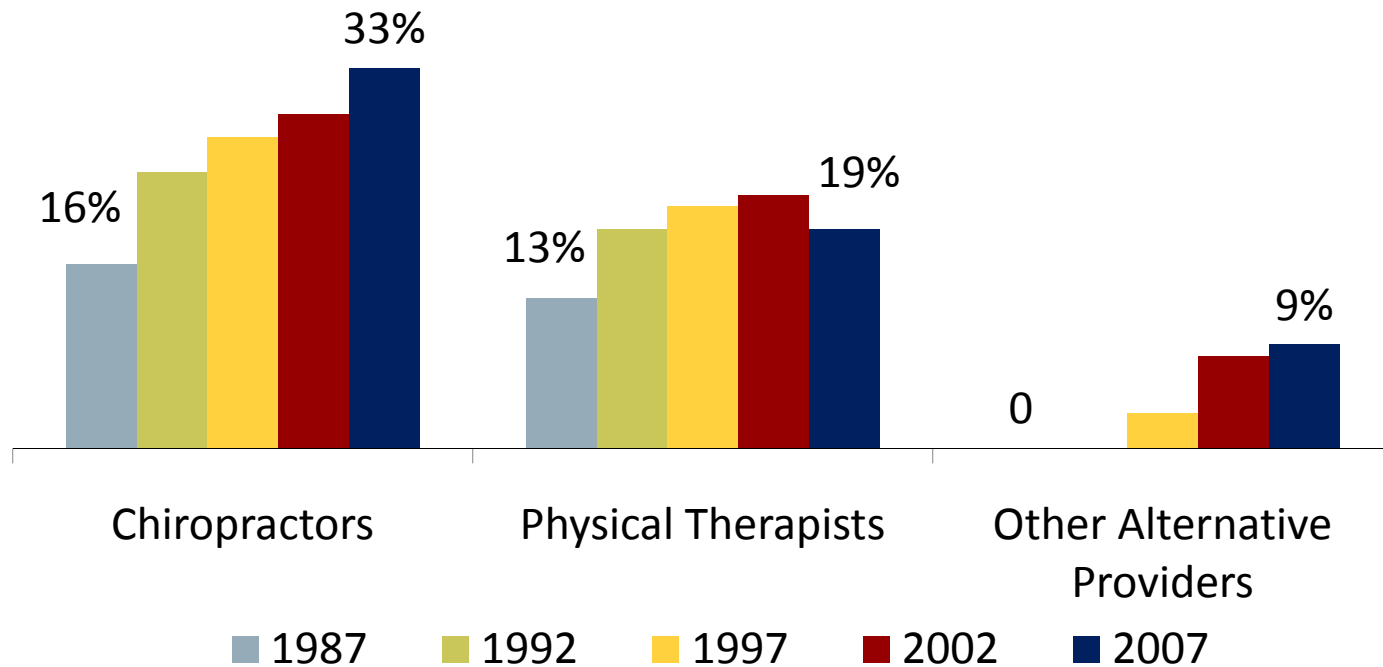
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Percentage of BI claimants using each type of provider



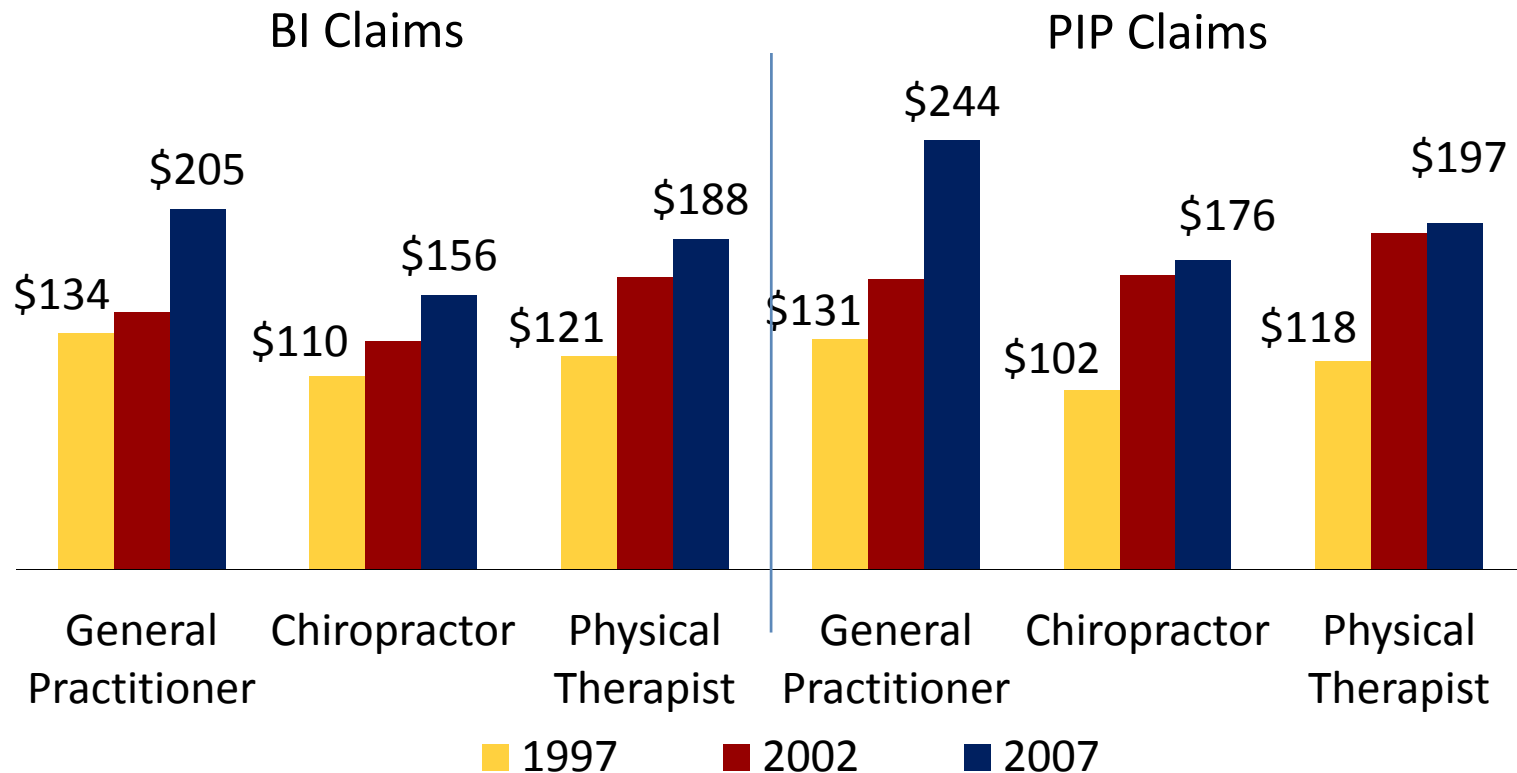
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## Percentage of PIP claimants using each type of provider



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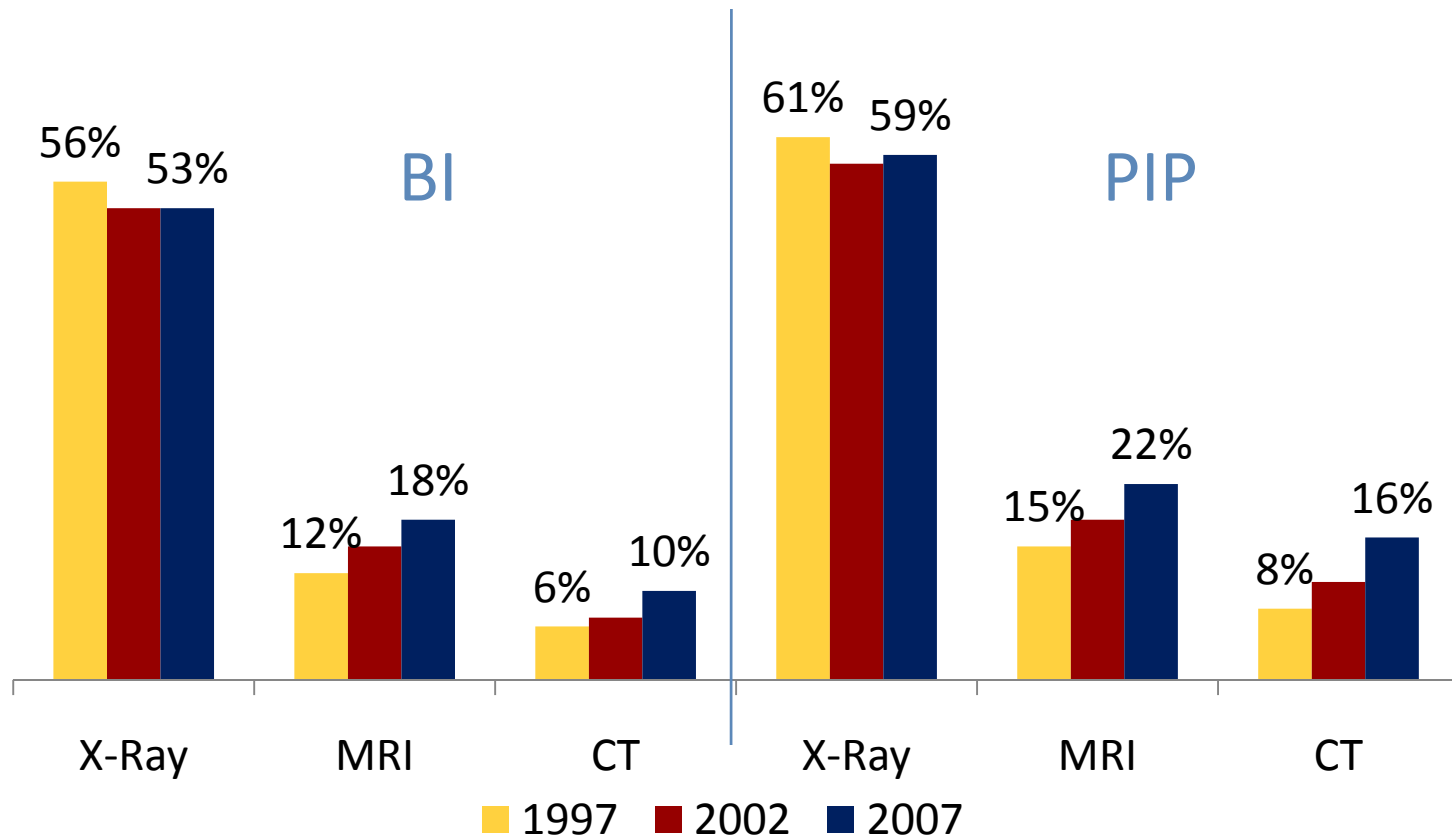
## Average Charges Per Visit for Selected Providers



Excludes permanent total disability and fatality claimants.

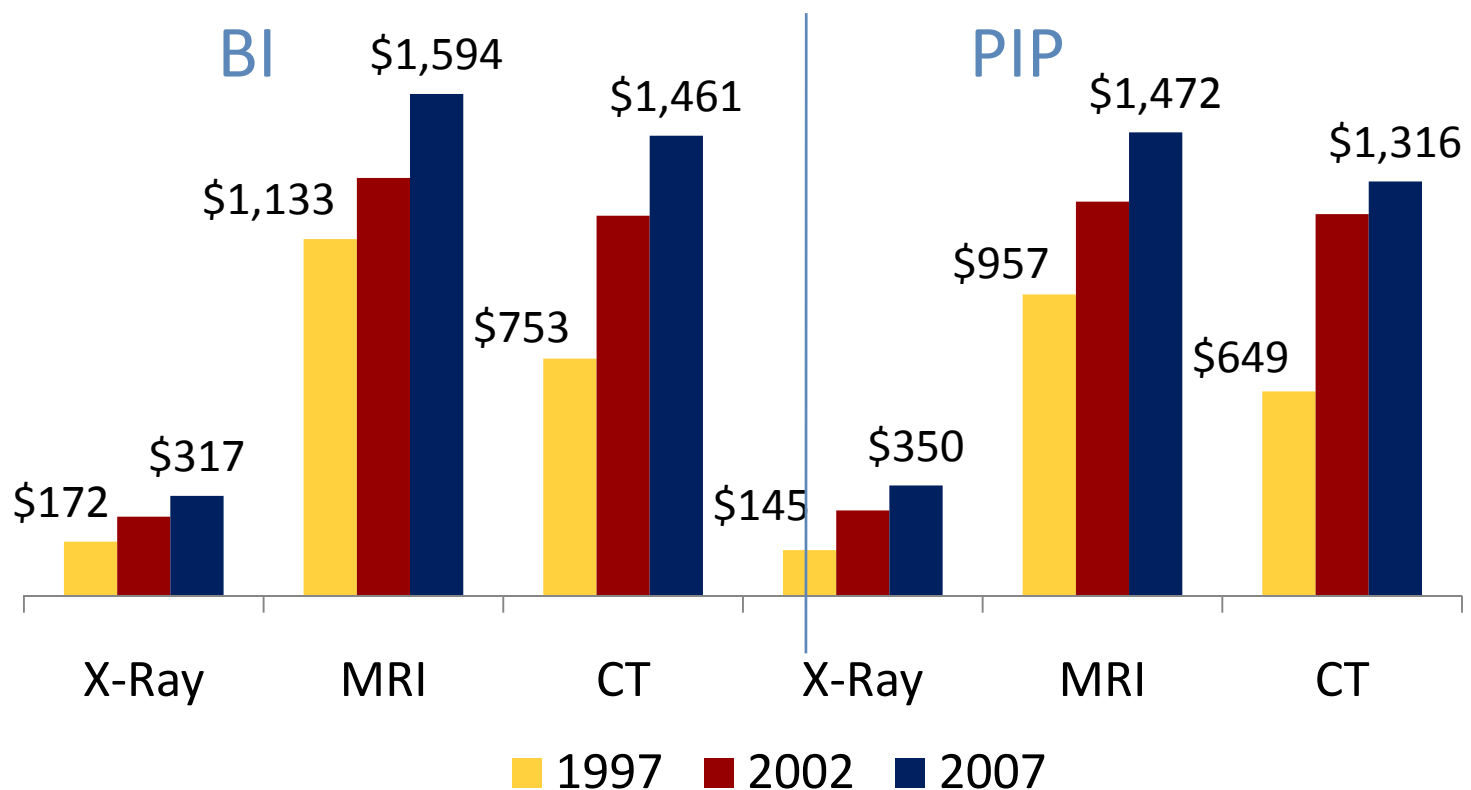
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## Percentage of Claimants With Each Procedure



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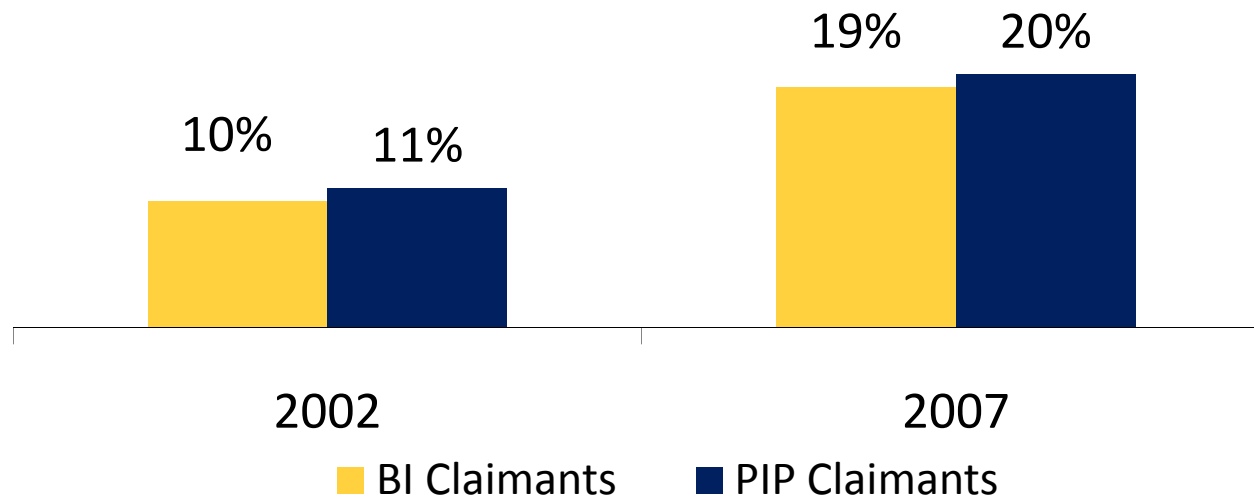
## Average Charges per Diagnostic Procedure





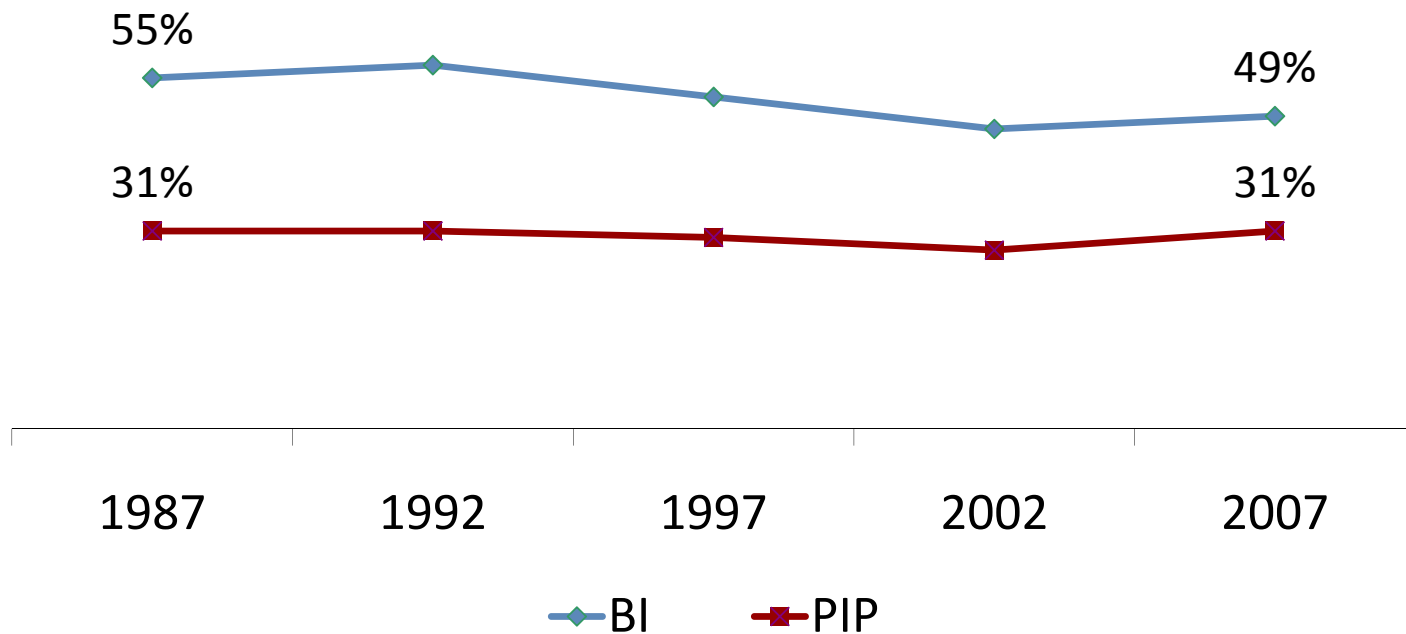
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## Percentage of Claimants Treated in Pain Clinics



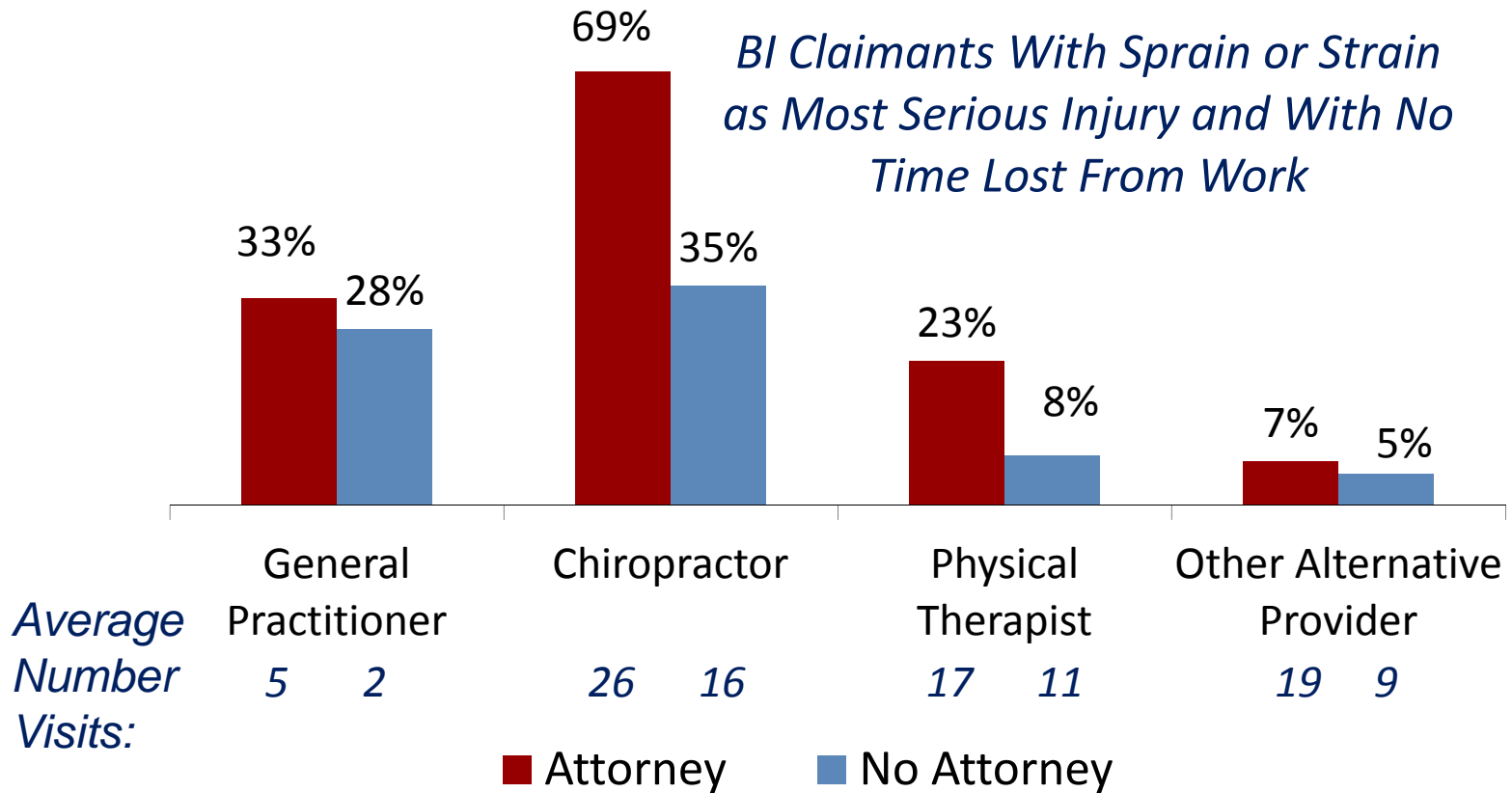
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## Percentage of Claimants Represented by Attorneys



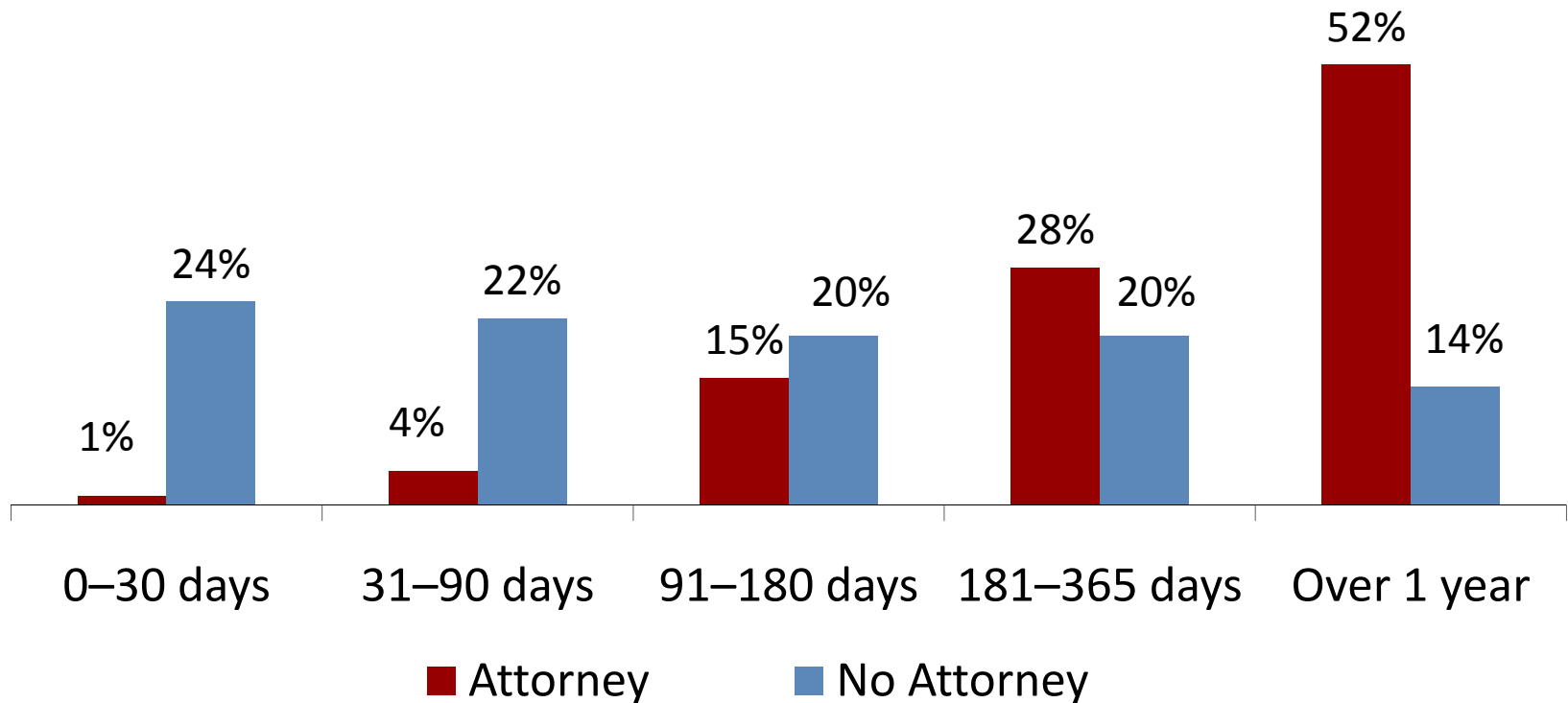
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## Percentage of Claimants Treated by Each Provider



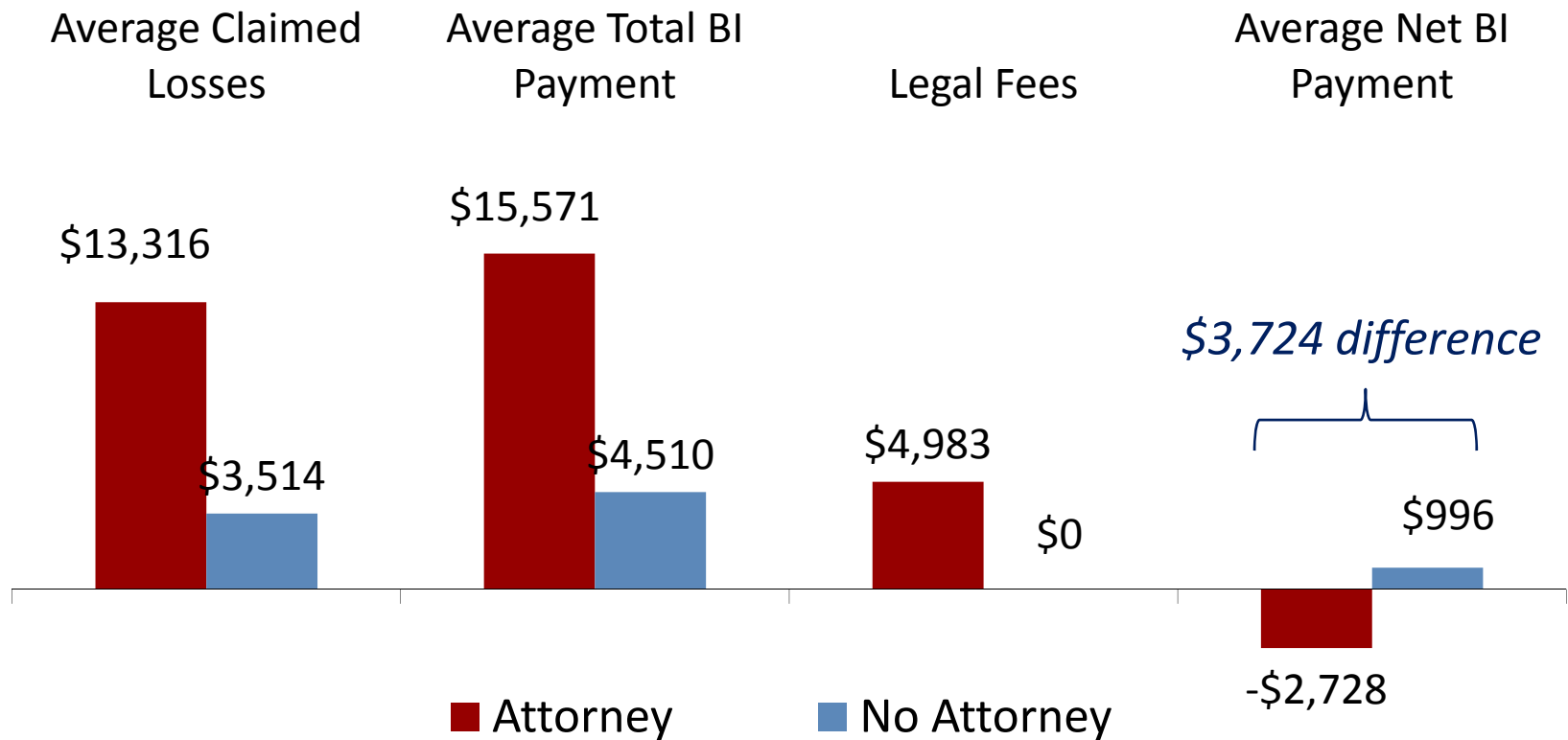
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## Percentage of BI Claimants by Number of Days Between Injury Report and Final Payment



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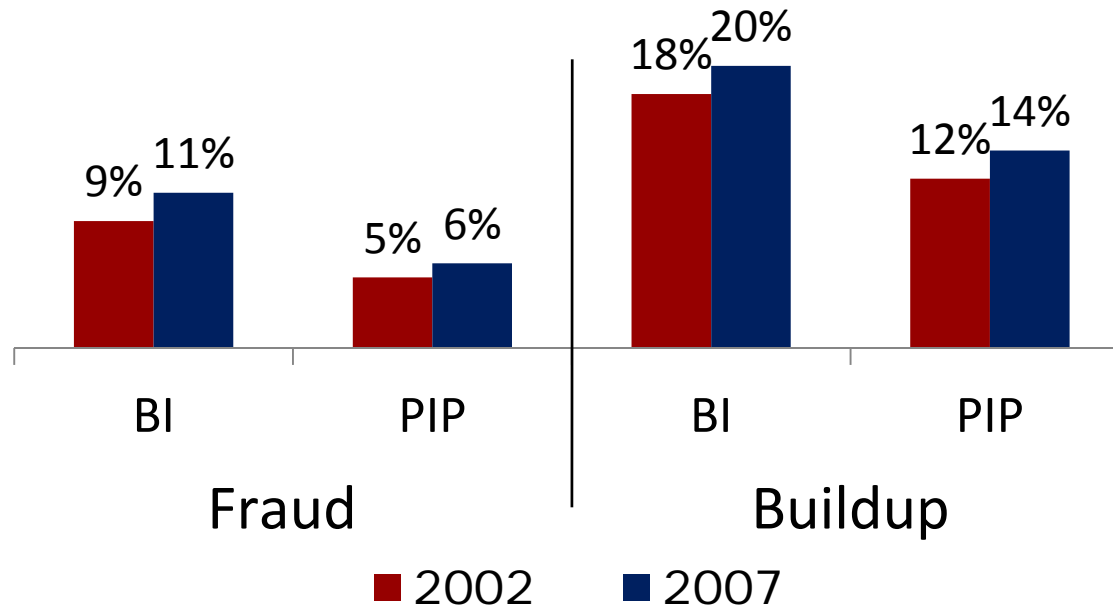
## BI Claimants



## **Fraud & Buildup in Auto Injury Claims**

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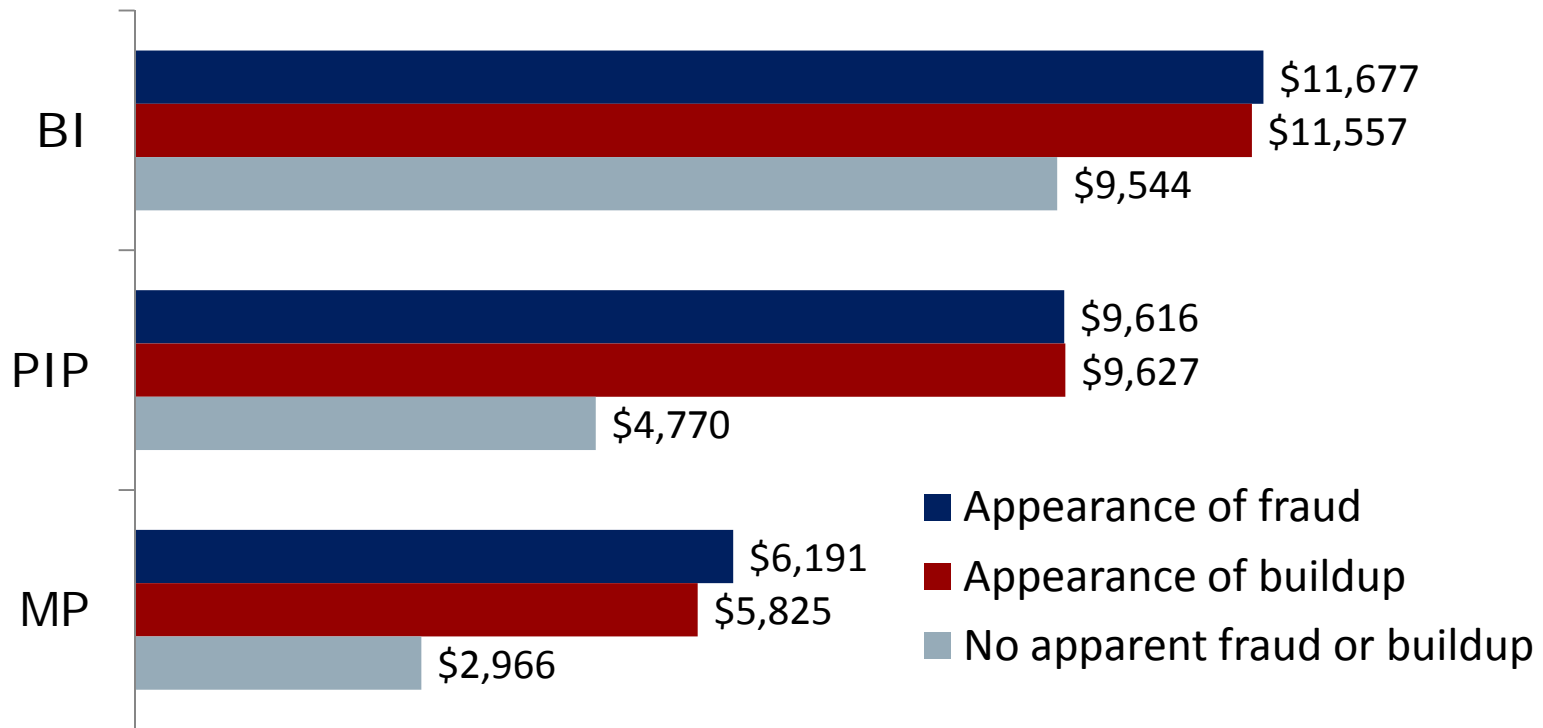
## Percentage of BI & PIP Claimants With the Appearance of Fraud and Buildup



Claims closed with payment.

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## Average Total Claim Payment for Claims Closed With Payment in 2007





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## Estimates of Excess Payments Attributable to Fraud and Buildup (2007)

	Excess Payments as a Percent of Total Payments		Estimated Excess Payments (\$ billions)	
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
BI	13.4%	19.5%	\$3.0	\$4.3
PIP	14.4%	18.8%	\$1.2	\$1.6
MP	5.5%	7.8%	\$0.1	\$0.2
UM/UIM	9.9%	14.8%	\$0.5	\$0.5
		TOTAL	\$4.8	\$6.8

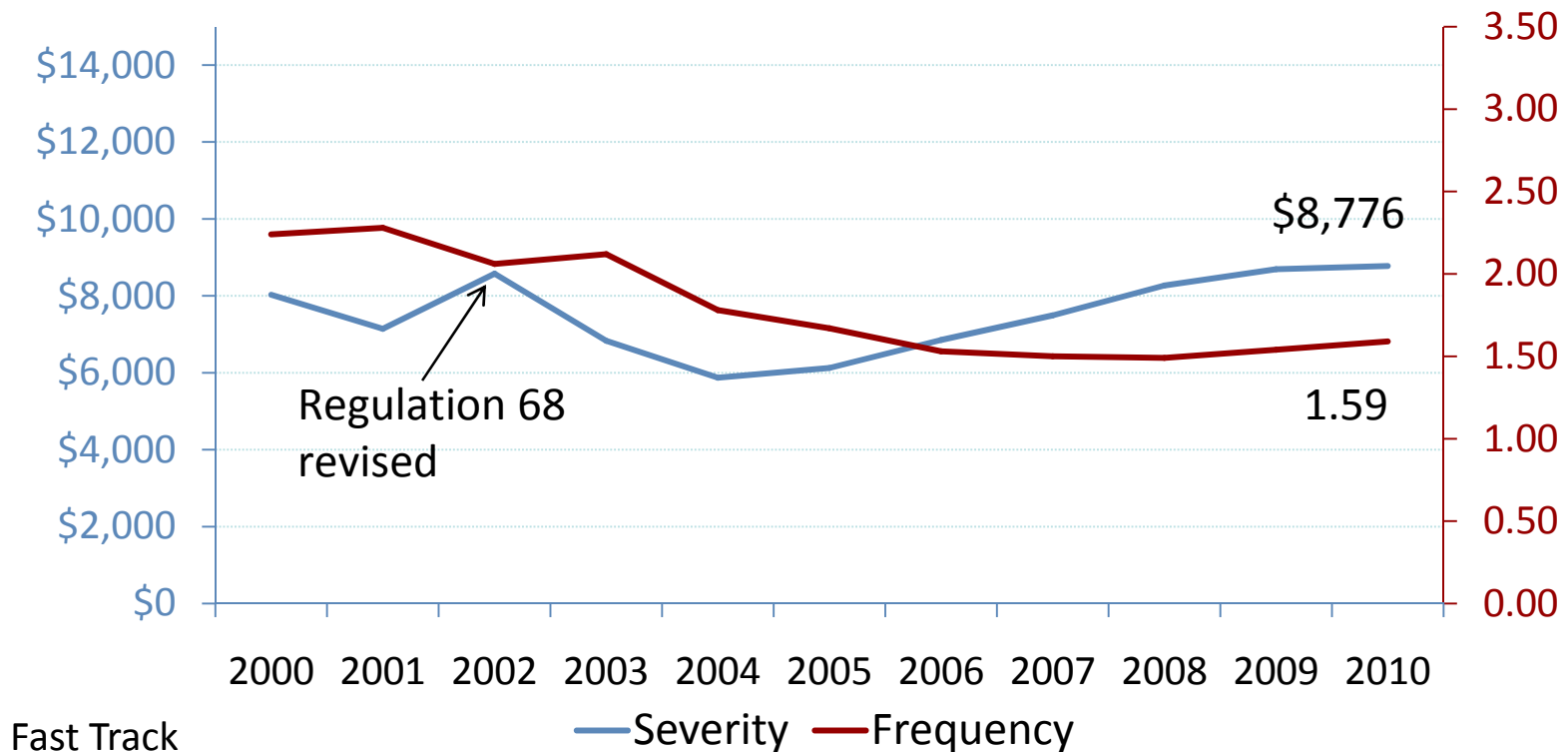
Claims closed with payment.

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## New York PIP

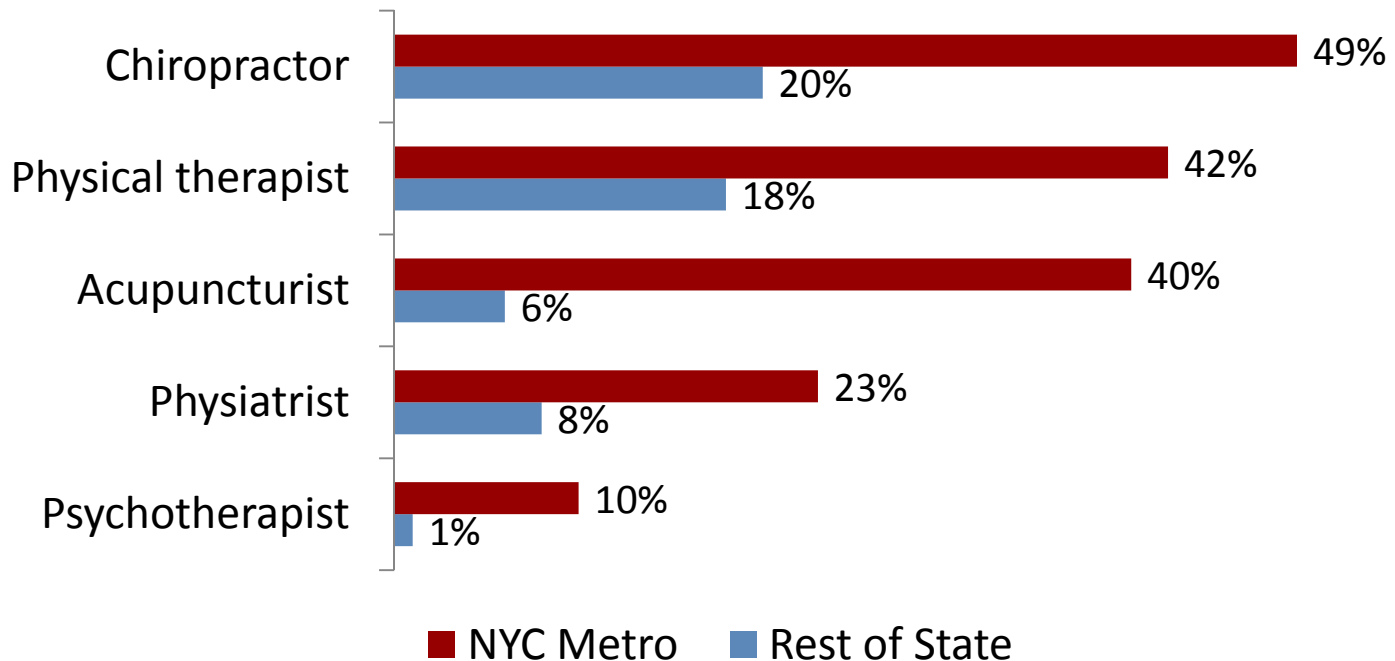
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## New York PIP Frequency & Severity Trends



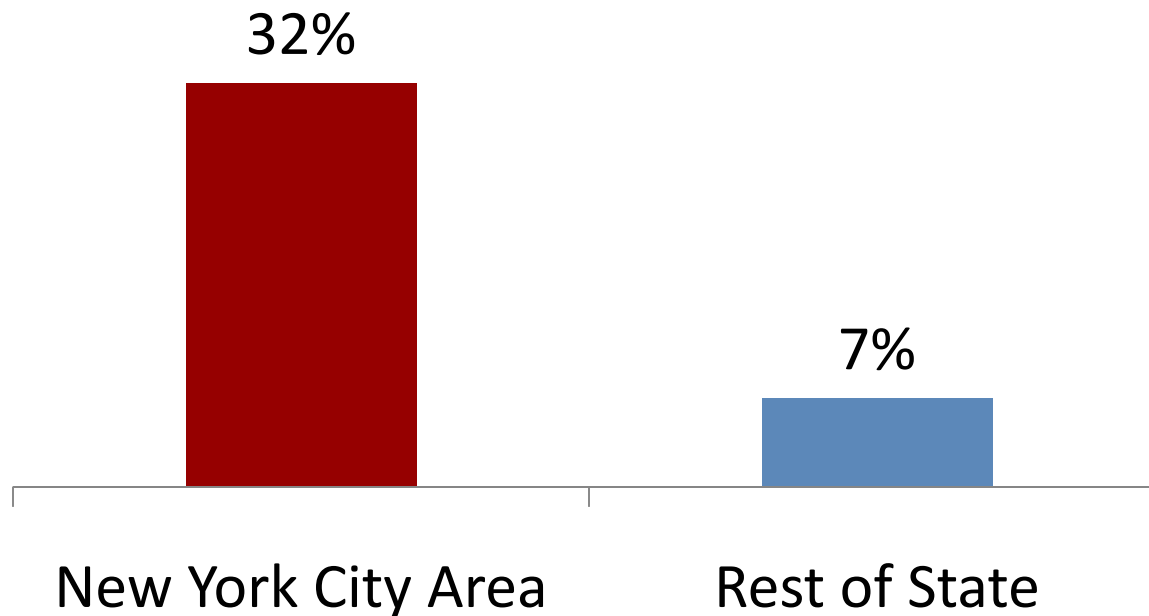
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## Treatment by Selected Medical Providers NYC Area vs. Rest of State, 2010 PIP Claims



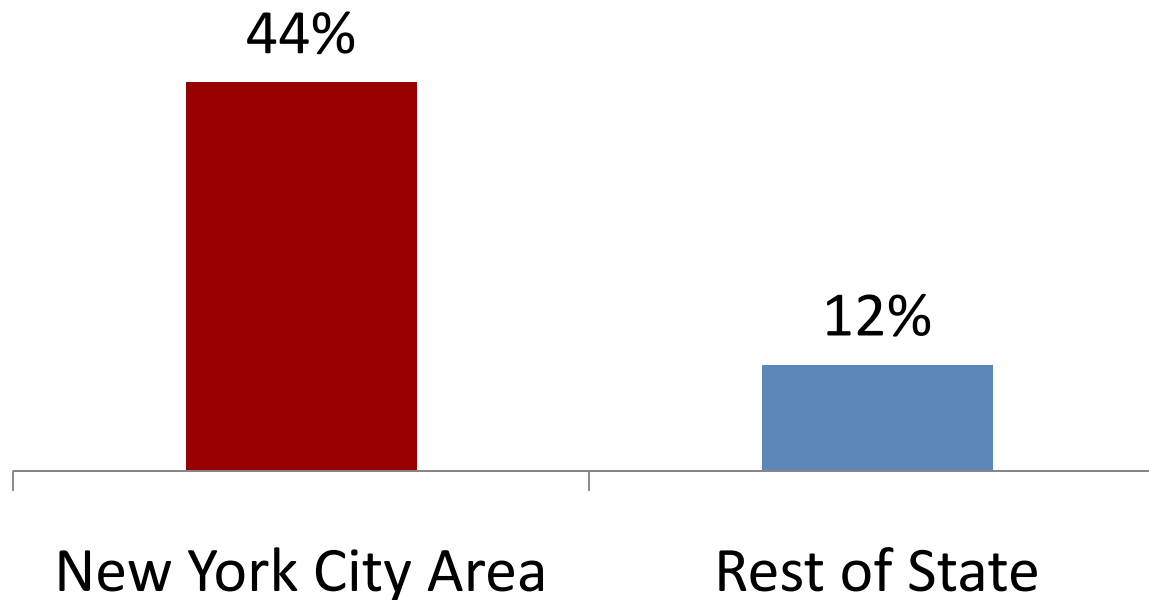
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## Percentage of PIP Claimants Treated by Chiropractor **and** Physical Therapist



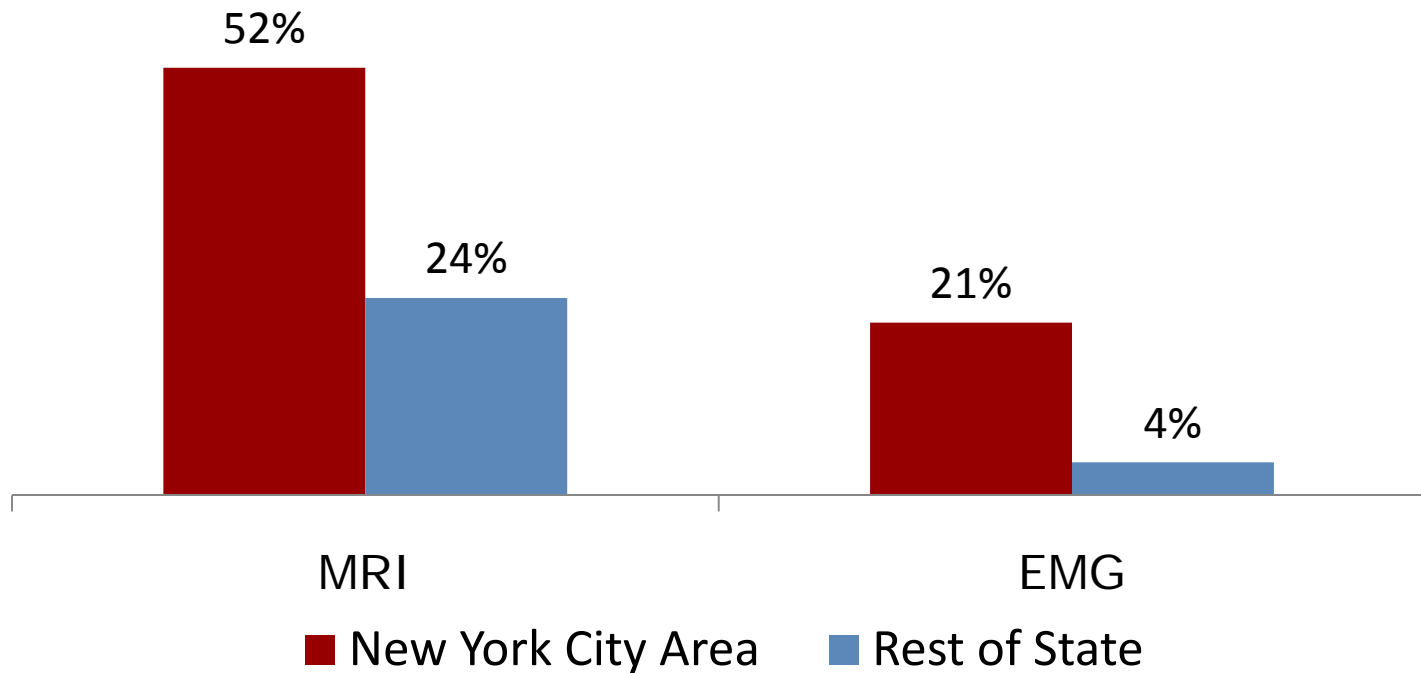
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## Percentage of PIP Claimants Treated in a Pain Clinic



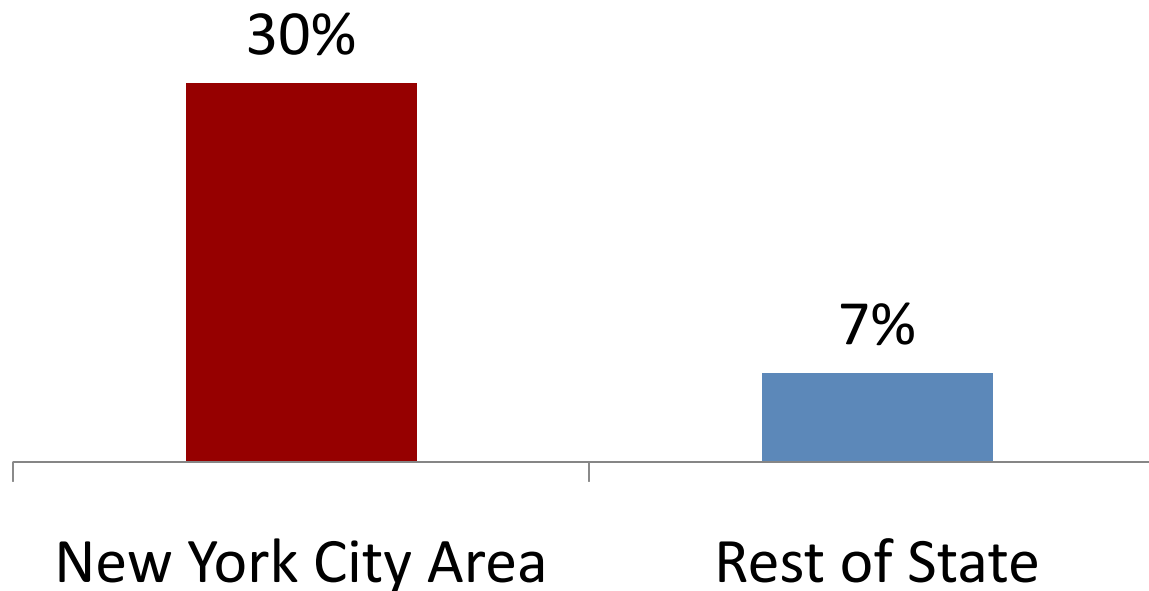
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## Percentage of PIP Claimants With Selected Diagnostic Procedures



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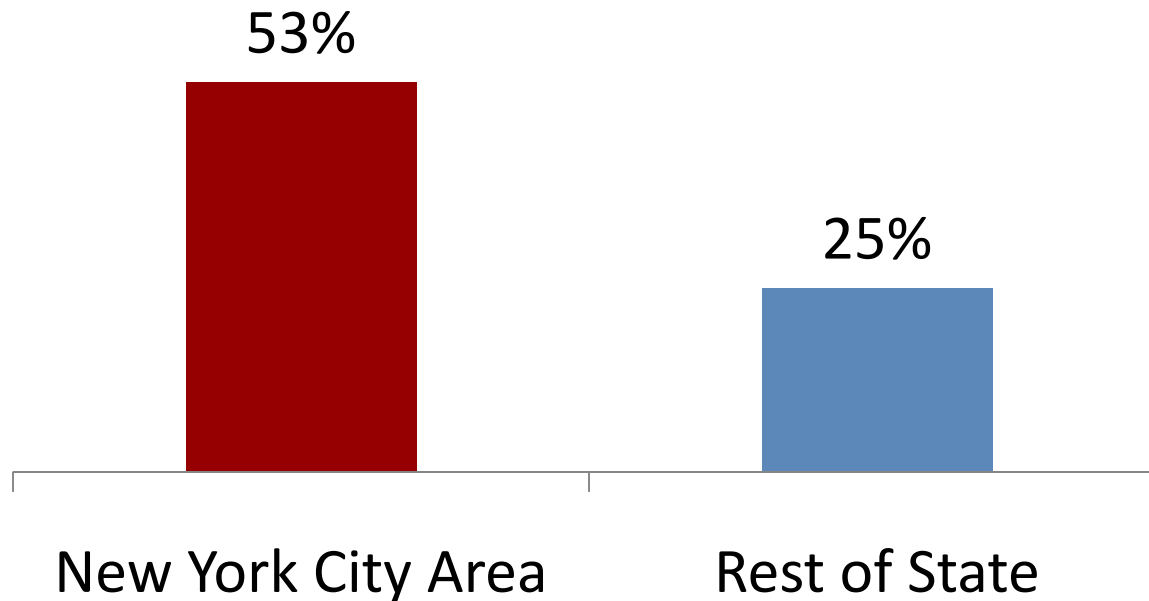
## Percentage of PIP Claimants With Durable Medical Equipment





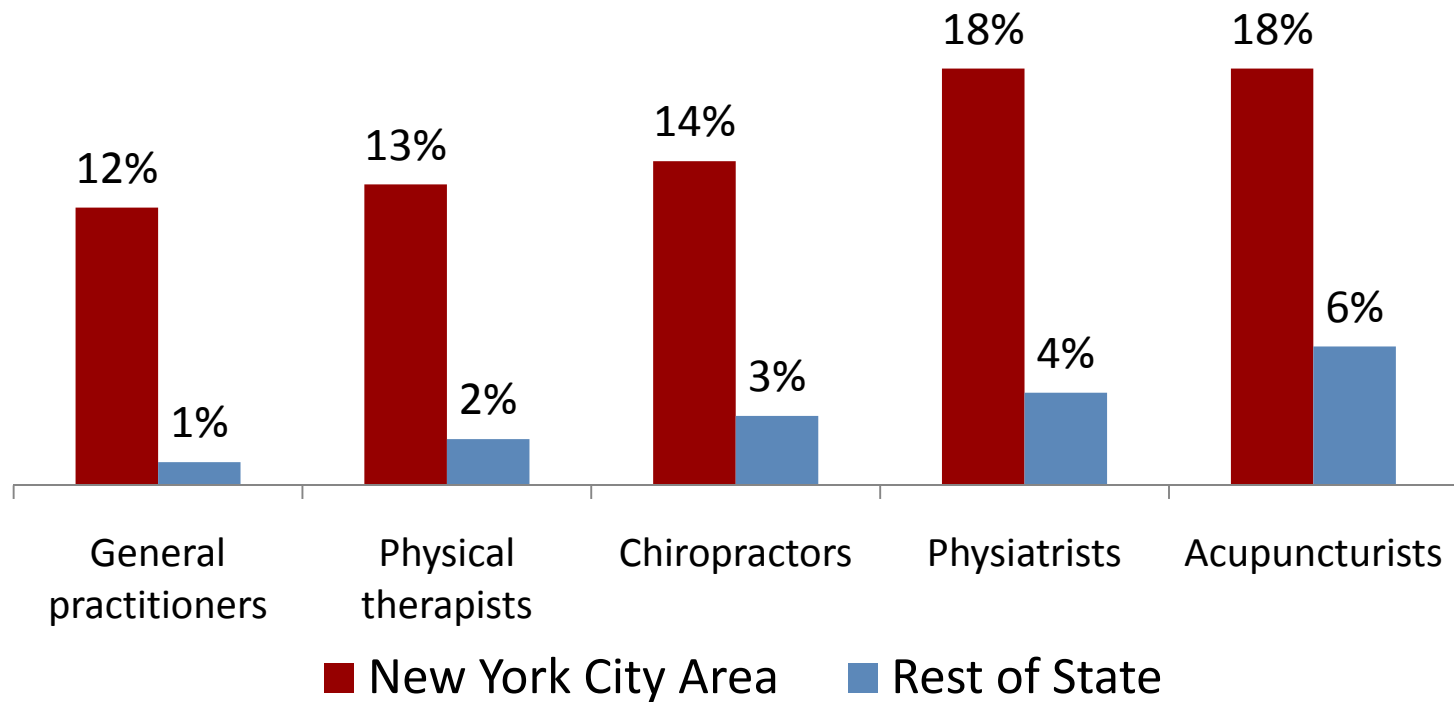
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## Percentage of PIP Claimants Represented by Attorneys



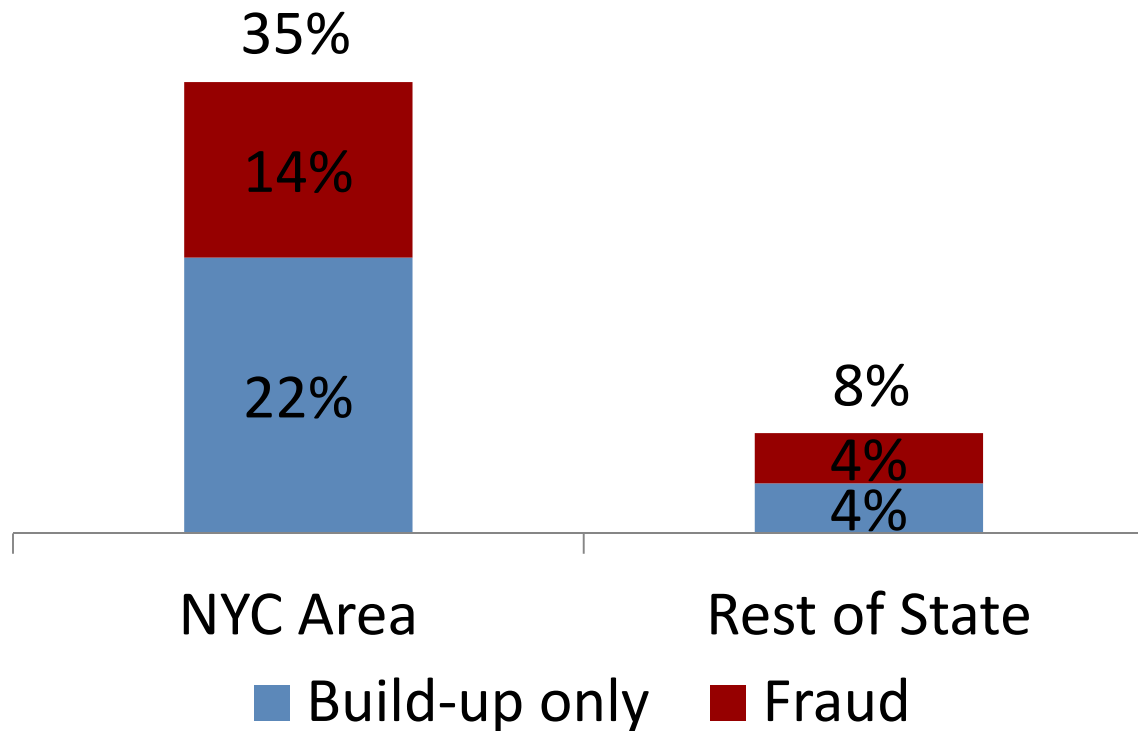
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## Treatment Providers Represented by Attorneys *Percentage of Claimants*



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## Percentage of NY PIP Claims With the Appearance of Fraud or Build-up



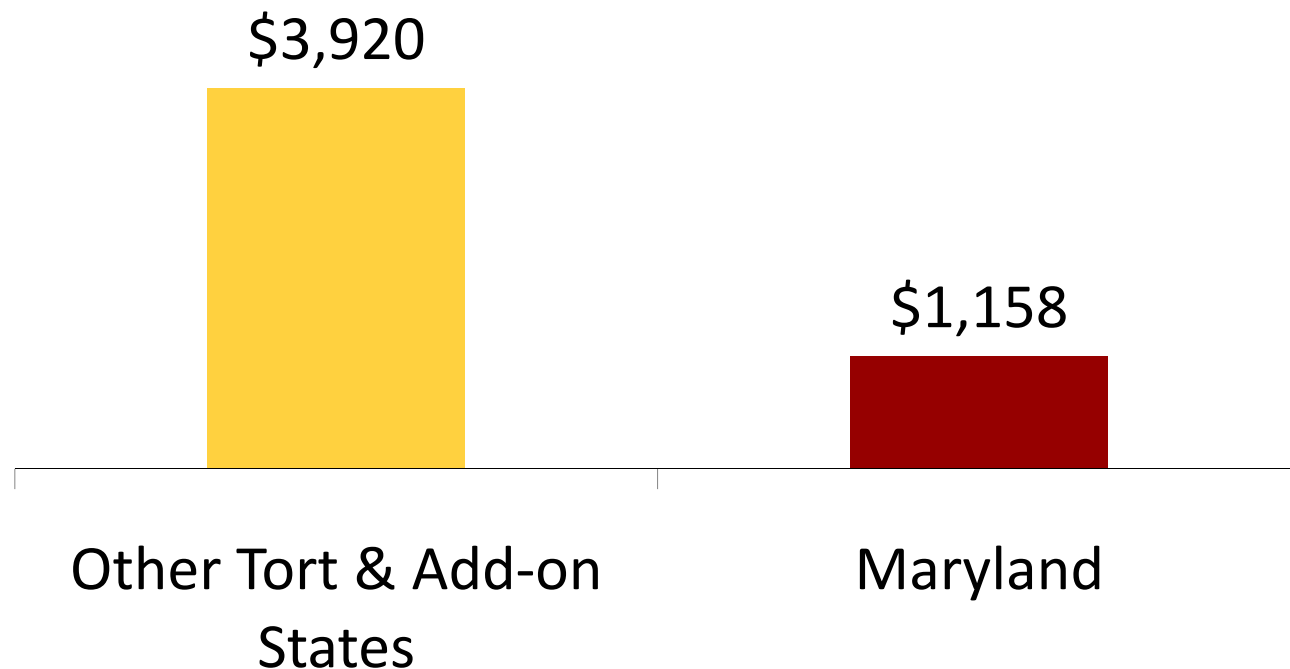
## Hospital Cost Shifting

## Maryland Hospital Reimbursement

- Federal waiver (1977) for all-payer system
- HSCRC determines reimbursement
- Inpatient, outpatient, ER
- Most cost shifting eliminated

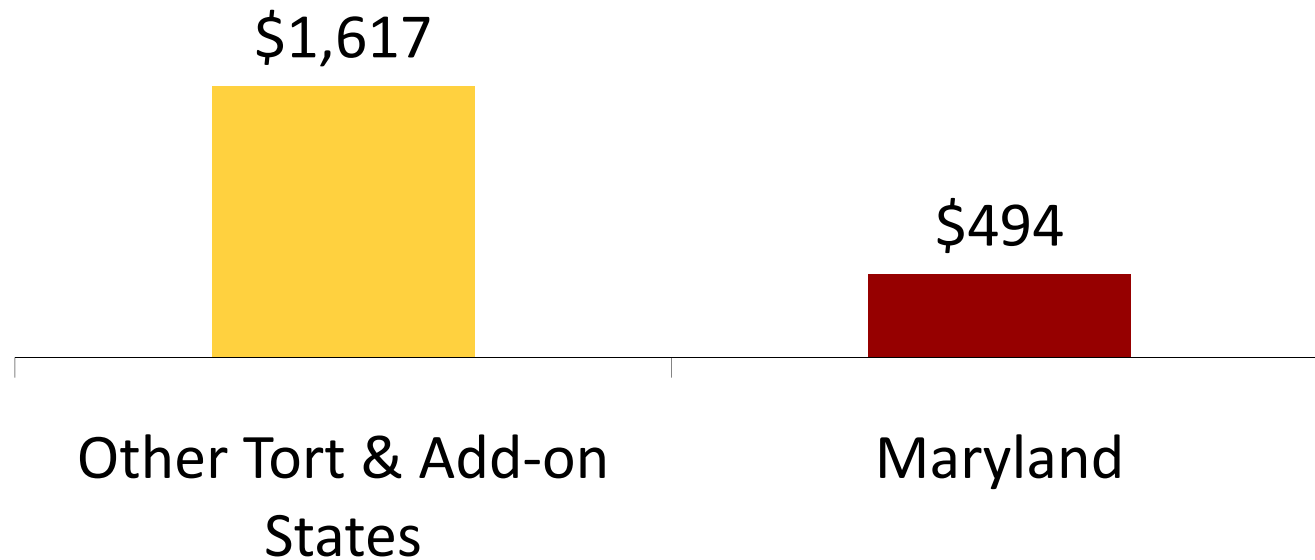
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## Average Total Hospital Charges 2007 BI Liability Claims With Any Hospital Treatment



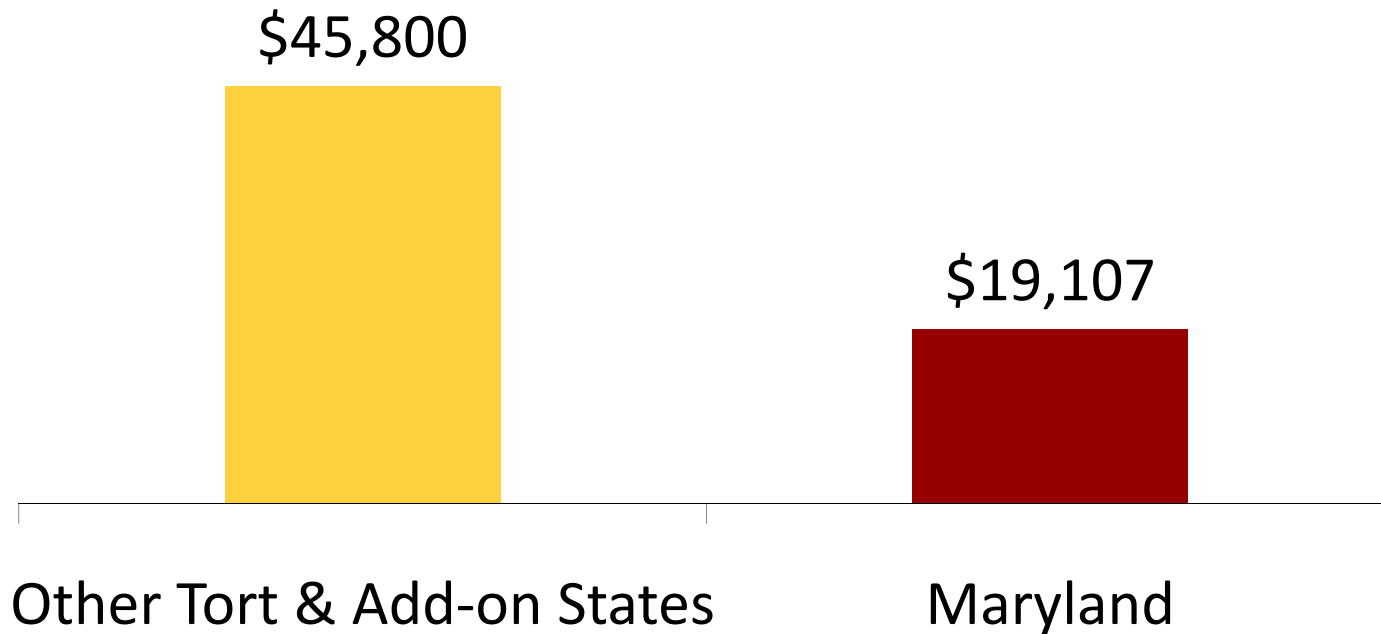
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## Average Total Hospital Charges 2007 BI Liability Claims With Emergency Room Treatment Only



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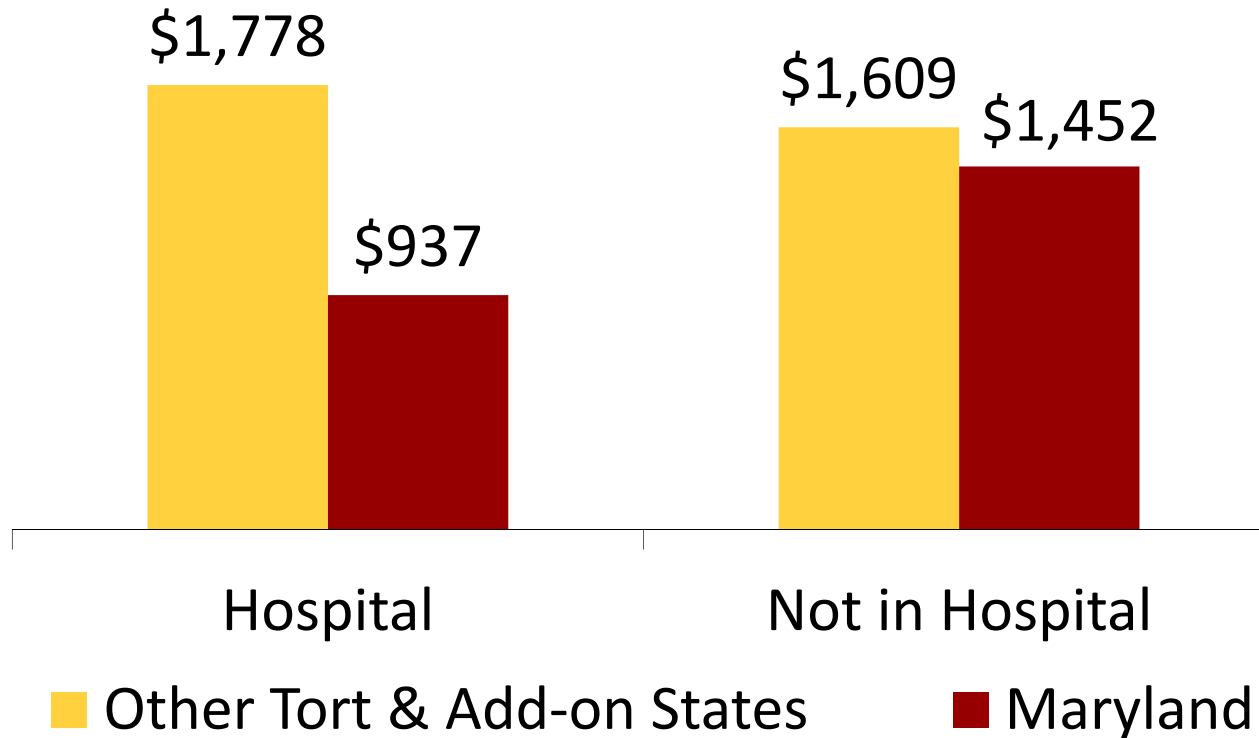
## Average Total Hospital Charges 2007 BI Liability Claims With One or More Nights in Hospital





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## Average Hospital Charges, MRI Procedures, by Site of Service



## Hospital Cost Shifting

Estimated excess hospital charges  
due to cost shifting for BI liability  
claims in tort states only = \$1.2  
billion in 2007

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