



WABA Response PCI Rates Analysis and AAA Claims of \$600 Increase to Auto Insurance Rates

Property Casualty Insurers of America ("PCI"), a national trade association representing auto insurers in D.C., has circulated a misleading "analysis" of bicycle and pedestrian crash data to suggest that if Motor Vehicle Collision Recovery Act of 2015 (B21-4) passes, auto insurance rates will jump 24%. A careful evaluation of the analysis shows that it is based upon flawed assumptions and grossly inflated cost data. The following are some points in rebuttal.

- Historically, auto insurance rates have risen as a matter of course, and are affected by numerous factors, including shifting demographics of age, population, income, and healthcare costs. Despite industry claims that "studies show" auto rates have increased when contributory negligence has been abandoned, no such studies have been cited by PCI.
- The "PCI Methodology" distributed by the industry is based on a twelve-year old study published by the Association for Advancement of Automotive Medicine, ("AAAM"). The AAAM study was done to estimate lifetime crash costs to American society as a whole - not assess actual, paid losses incurred to individual victims of bicycle and pedestrian accidents.¹ Accordingly, the "costs" of these crashes in the PCI methodology are grossly inflated because in the real world, claims are based upon actual damages to the individual victim – not embedded costs to society.
- Even the AAAM study authors readily concede the significant limitations of their own work, noting that **"Data scarcity proved a major challenge for this study. U.S. transportation data sets are inadequate to estimate incidence or describe the injuries adequately enough to cost them."**² Despite this glaring concession by the study's own authors, PCI would have the DC Council rely upon it as prove positive of what cost increases can be expected if the bill passes.
- A huge portion of the costs referred to by PCI as "loss productivity" are based on computer models from the AAAM study designed to measure embedded costs to society – not actual lost wage claims. In the real world, claims by accident victims for lost wages must thoroughly documented, both as to the rate of pay and the actual work days lost related to the accident. Such payments are not based upon national

¹ See Association for Advancement of Automotive Medicine, ("AAAM") "Pedestrian and Pedalcyclist Injury

² *Id.*, Abstract at p.2.

averages of "lost productivity" over a person's lifetime, yet that is the exaggerated data upon which PCI's analysis relies.⁴

- The same goes for PCI's cost numbers for "pain and suffering." As with the "loss productivity data," PCI's numbers are AAAM's numbers. They are not based upon actual case settlements or judgments paid in the District, but rather on computer modeling attempting to quantify costs to American society.
- PCI's analysis assumes that all auto carriers would bear an equal share of losses, and therefore that all auto rates in the District will increase. In fact, there is no way to know which insurers would experienced increased losses, *if any*, were the bill to pass. The number of variables that could affect those numbers is extensive: the number of cases, the severity of cases, and the degree of liability to injured parties cannot be known with any degree of reasonable certainty.
- The PCI analysis also assumes 100% of crashes will involve DC insured drivers. According to the 2014 DDOT Traffic Safety Statistics Report⁵, only 37% of total traffic crashes involve a DC driver. Maryland and Virginia drivers alone account for 46.9% of all crashes in the District. The costs of crashes associated with bicyclists and pedestrians would be spread much further into the regional insurance pool, not solely in the District's.
- The insurers also assume that if bicycle and pedestrian crashes payouts increase 24%, then auto rates must increase 24%. No so. Again, rates are based upon an enormously complex set of variables, including changing demographics, costs of treatment, severity of injuries, and the size of the insurance pool - not only for pedestrian and bicycle cases, but for *all* cases on a year-to-year basis. Even a slight reduction in auto-to auto accident losses in a given year would fully mitigate any increase in bicycle-auto losses as a small percentage of the whole, and cannot be predicted with any reasonable degree of certainty.
- If auto insurers do end up paying more in claims after enactment of the bill, those are claims that are now being denied to accident victims every year based upon use of an inflexible, outdated legal doctrine that has been rejected by 46 states. Enactment of B21-4 would remedy the problem, and bring the District's legal standards in line with the vast majority of jurisdictions in the U.S.

⁴ For example, of the \$77602 in costs that PCI claims are attributable to the average bicycle injury claim, \$21,427, or 27% of the total, is attributed to lifetime "loss productivity." Even in the minority of cases in which an accident victim is severely, permanently disabled, the victim recovers lost income over time – they are not compensated for lifetime "lost productivity" to society as a whole.

⁵ Traffic Safety Statistics Report for the District of Columbia (2010-2012). Published March 13, 2014. Available online: http://ddot.dc.gov/sites/default/files/dc/sites/ddot/publication/attachments/2014-07-16%20Final%20Crash%20Report%202010%20to%202012_0.pdf

- AAA Mid-Atlantic claims auto insurance rates would rise by \$600 annually based on the flawed 24% rate increase in the PCI analysis. They arrive at this number by using the cost of full coverage auto insurance of \$2,500 annually. According to CarInsurance.com, the current average cost of auto insurance in D.C. is \$1,620. Using a significantly higher than average cost grossly inflates the unlikely cost increase to an individual, which again, is not proven or verified.
- Finally for some context, bicycle and pedestrian traffic injuries account for only 15% of total traffic injuries in D.C. according the Metropolitan Washington Council of Governments⁶. The need for fair compensation for injured bicyclists and pedestrians is great and insurers of negligence drivers should be responsible for harm caused. But, to claim that compensation of an additional 15% of total injuries would cause such significant increase to auto insurance rate is not credible.

The claim by the insurance industry of rapidly rising auto insurance rates, as high as \$600 a year, if the Motor Vehicle Collision Recovery Act of 2015 is just not credible. This assertion is based on a flawed analysis by Property Casualty Insurers of America to determine the total lifetime costs of traffic crash injuries to bicyclists and pedestrians to society, not actual insurance claims. No evidence was presented to suggest a causal relationship exists between the legislation and insurance rates, and if was the case, what the actual rise in rates could be, if any. In cases where a bicyclist or pedestrian is the less negligent party, the victim should be entitled to fair compensation, as is the law in 46 other states.

⁶ The Regional Transportation Safety Picture - Metropolitan Washington Council of Governments. July 17, 2012. Available online: <http://www.mwcog.org/uploads/committee-documents/bF1dV11b20120906084552.pdf>