

MILLIMAN REPORT

# Trends in Attorney Representation: US Commercial Automobile Insurance

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## EXECUTIVE SUMMARY

The purpose of this study was to investigate trends in the losses, allocated loss adjustment expenses (ALAE – the cost of resolving or adjudicating claims), and use of attorneys for the commercial automobile liability insurance line of business in the US. The study also investigated the number of days between the date of the accident and the date reported to the insurance company, and the number of days between the date of the accident and the date the claim was closed by the insurance company.

We found that the incidence of attorney representation has been increasing and the relative costs of resolving claims (the ALAE) are significantly higher for claims with attorney representation.

- For claims with an attorney that closed in 2019, the average amount of loss per claim was \$133,969, the insurer's average ALAE (which includes the claim-specific expenses and not the overhead expenses for a claim operation) was \$15,525, and the total loss and ALAE was \$149,494. For claims with an attorney, the findings for 2019 compared to 2015 show a 21.3% increase in total loss, 2.9% increase in ALAE, and 19.1% increase in total loss and ALAE.
- For claims that closed in 2019, the average loss for claims represented by an attorney was 14.3 times higher than the average loss for claims without an attorney. Similarly, the average cost for resolving a claim with an attorney was 34.0 times higher than the cost for resolving a claim without an attorney, and the average total loss and ALAE for a claim with an attorney was 15.3 times higher than the average cost for a claim without an attorney. These claims-with-attorney to claims-without-attorney cost differences are larger for 2019 than for 2015, indicating that the costs for claims with an attorney are increasing faster than the costs for claims without an attorney.
- As the percent of claims with an attorney increased during the 2015 to 2019 period, the percent of loss and ALAE related to claims with an attorney also increased. Among the claims that closed in 2019, 29.9% were represented by an attorney and these claims accounted for 86.7% of all loss and ALAE. For claims that closed in 2019, an attorney was involved in more than 92% of the claims that had a loss of \$100,000 or more.
- Between 2015 and 2019, there was a 50% increase in the percent of claims with a loss of more than \$500,000, from 1.0% in 2015 to 1.5% in 2019. Although claims with a loss of more than \$500,000 accounted for only 1.5% of all claims in 2019, they accounted for almost half (45.4%) of all loss and ALAE. Claims with a loss between \$100,000 and \$500,000 accounted for 4.6% of claims and 29.2% of losses and ALAE.
- The number of days between the date of an accident and the date the claim is closed by the insurance company is often referred to as the “cycle time” because it captures the full time cycle of a claim from date of accident to date of closure, including time for investigations and resolution with the injured parties. Short cycle times are considered better because they typically correspond to fewer disputes and lower loss adjustment expenses. In this study, for both claims with and claims without an attorney, cycle times were longer the greater the amount of loss. For claims with an attorney and amount of loss greater than \$500,000 that closed in 2019, the average cycle time was 1,272 days. This was an increase of more than 100 days from the average cycle time for claims with an attorney that closed in 2015.

## INTRODUCTION

The American Property Casualty Insurance Association (APCIA) requested assistance from Milliman, Inc. (Milliman) in the analyses of the incidence of attorney involvement and losses for commercial automobile liability insurance coverages.

This report covers the analyses Milliman has performed for claims closed during 2015 through 2019 for accidents covered by commercial automobile liability insurance policies in the US.

## BACKGROUND

Commercial automobile insurance is the insurance coverage offered by property-casualty insurance companies and purchased by businesses to cover losses from accidents attributed to vehicles operated by the business. The vehicles include sedans, delivery vans, and 18-wheel tractor-trailer combinations. The losses can include damage to property (generally, the physical damage of vehicles) and liability losses (generally, payments for medical treatments and economic damages to individuals injured in the accidents).

Our analyses focused on liability claims covered by commercial automobile insurance policies in the US that closed between January 1, 2015 and December 31, 2019. The claims closed during a particular calendar year include accidents that occurred during the current year as well as accidents occurring in prior years that closed during the current year.

Table 1 presents the countrywide experience for the commercial automobile liability line of business for the years covered by our analyses. In 2015, the loss ratio was 65.2%, the loss and loss adjustment expense (LAE) ratio was 78.5%, and the combined ratios (which include underwriting expenses) was 108.7%. After 2015, all three ratios were higher. For the years 2016-2019, loss ratios were approximately 68%, loss and LAE ratios were between 79.6% and 82.2%, and combined ratios were between 107.9% and 111.0%.

**Table 1**  
**Commercial Automobile Liability –**  
**Loss, Loss And LAE, and Combined Ratios – US**  
**(net of reinsurance)**

| Year | Loss Ratio | Loss and LAE Ratio | Combined Ratio |
|------|------------|--------------------|----------------|
| 2015 | 65.2%      | 78.5%              | 108.7%         |
| 2016 | 68.2%      | 80.7%              | 110.4%         |
| 2017 | 69.2%      | 82.2%              | 111.0%         |
| 2018 | 67.3%      | 79.6%              | 107.9%         |
| 2019 | 69.2%      | 81.5%              | 109.3%         |

Source: S&P Global

The implication is that in 2019, for every \$100 of premium insurers received after reflecting ceded reinsurance, insurers paid \$81.5 for losses and LAE, which does not include other expenses such as

commissions and other general insurance expenses. After reflecting other expenses such as commissions and general insurance expenses, insurers paid \$109.3, which means the cost of claims and operational expenses in 2019 was greater than the premium revenue earned in the year.

Table 2 presents the loss and LAE results for the US on a direct basis, that is, prior to reinsurance. In 2019, the loss ratio for the US was 73.5% and the loss and LAE ratio was 81.2%. These represent a continued deterioration of the commercial auto liability insurance market in recent years.

**Table 2**  
**Commercial Automobile Liability –**  
**Loss and Loss and LAE Ratios – US**  
**(direct basis)**

| <b>Calendar Year</b> | <b>Loss Ratio</b> | <b>Loss and LAE Ratio</b> |
|----------------------|-------------------|---------------------------|
| 2015                 | 67.4%             | 75.6%                     |
| 2016                 | 70.6%             | 78.7%                     |
| 2017                 | 71.2%             | 79.0%                     |
| 2018                 | 71.6%             | 79.1%                     |
| 2019                 | 73.5%             | 81.2%                     |

Source: NAIC Market Share Reports for Property/Casualty Groups and Companies, by State and Countrywide

## DATA

In response to a data call developed by Milliman, data were provided by nine property-casualty insurance companies with national or very large regional presences in the writing of commercial automobile coverages. The nine insurance companies were a cross-representation of commercial automobile insurers, with various strategies for the types of commercial automobile vehicles they covered. In terms of premiums written, six of the companies were among the 25 largest commercial automobile insurance companies in the US in 2019.

The data call gathered information on commercial automobile claims that closed between January 1, 2015 and December 31, 2019. This information included total losses, allocated loss adjustment expenses, the incidence of attorney representation, the number of days between the date of the accident and the date reported to the insurance company, and the number of days between the date of the accident and the date the claim was closed by the insurance company. Data were provided directly to Milliman, and Milliman aggregated the data to perform the analyses.

In this study, “loss” is used in the typical insurance context for the amount an insurer pays to a claimant. This amount could be an amount the claimant and insurer agree to or an amount determined through a court process (including verdicts). The loss includes payments for the attorney representing the claimant but does not include the attorney costs incurred by the insurer. Allocated loss adjustment expenses (ALAE) are expenses paid by an insurer to resolve a claim. These expenses can include payments for special investigations, attorney fees for attorneys representing the insured, police reports, and other expenses that

can be assigned (that is, “allocated” to a specific claim). ALAE does not include the overhead expenses for a claim operation (such as office expenses and computer expenses). In this study, references to “claims with attorney” mean attorney representation for the claimant and not whether the insured was represented by an attorney.

Data were also provided for the number of days between the date of an accident and the date the accident was reported to the insurance company. This span of dates is often referred to as the “report lag.” Short reporting lags are considered better for claim resolution because they provide insurance companies the opportunity to investigate the causes and the circumstances of an accident and to attend to the medical needs of injured parties soon after an accident. Data were also provided for the number of days between the date of an accident and the date the claim was closed by the insurance company. This span of dates is often referred to as the “cycle time” because it captures the full time cycle of a claim from date of accident to date of closure, including time for investigations and resolution with the injured parties. Short cycle times are considered better because they typically correspond to fewer disputes and lower claim adjustment expenses.

## RESULTS

For claims closed during 2015 through 2019, Table 3 presents the percent of claims closed with an attorney and the average loss and ALAE for claims with and without attorney representation.

- In 2015, 24.9% of the claims were represented by an attorney; in 2019, attorney representation increased to 29.9% of the claims, for a 20.0% increase in attorney representation.
- In 2015, the average loss per claim was \$38,743, the average ALAE per claim was \$4,722, and the average total loss and ALAE per claim was \$43,465. In 2019, the findings were an average loss per claim of \$46,611, average ALAE per claim of \$4,962, and total loss and ALAE of \$51,573. The differences from 2015 to 2019 reflect a 20.3% increase in loss, 5.1% increase in ALAE, and 18.7% increase in total loss and ALAE.
- For claims with an attorney, the 2015 average amounts were \$110,407 for loss, \$15,093 for ALAE, and \$125,500 for total loss and ALAE. In 2019, the average amounts were \$133,969 for total loss, \$15,525 for ALAE, and \$149,494 for total loss and ALAE. For claims with an attorney, the differences from 2015 to 2019 reflect a 21.3% increase in loss, 2.9% increase in ALAE, and 19.1% increase in total loss and ALAE.
- For claims without an attorney, the 2015 average amounts were \$14,593 for loss, \$1,280 for ALAE, and \$16,632 for total loss and ALAE. In 2019, the average amounts were \$9,345, \$456, and \$9,800, respectively. For claims without an attorney, the differences from 2015 to 2019 reflect a 37.5% decrease in loss, 64.4% decrease in ALAE, and 39.6% decrease in total loss and ALAE.
- For the claims that closed in 2019, the average loss for claims represented by an attorney was 14.3 times higher than the average loss for claims without an attorney (\$133,969 compared to \$9,345), the average cost for resolving a claim with an attorney was 34.0 times higher than the costs for resolving a claim without an attorney (\$15,525 compared to \$456), and the average total loss and ALAE for a claim with an attorney was 15.3 times higher than the average cost for a claim without an attorney (\$149,494 compared to \$9,800).

- These claims-with-attorney to claims-without-attorney cost differences are larger for 2019 than for 2015, indicating that the costs for claims with an attorney are increasing faster than the costs for claims without an attorney. In 2015, the average loss for claims represented by an attorney was 7.4 times higher than the average loss for claims without an attorney (\$110,407 compared to \$14,953), the average cost for resolving a claim with an attorney was 11.8 times higher than the costs for resolving a claim without an attorney (\$15,093 compared to \$1,280), and the average total loss and ALAE for a claim with an attorney was 7.7 times higher than the average cost for a claim without an attorney (\$125,500 compared to \$16,232).

**Table 3**  
**Commercial Automobile –**  
**Percent of Claims with Attorney and Average Loss and Allocated Loss Adjustment Expenses**

| Year Claim Closed         | Percent of Claims with Attorney | All Claims         |                    |                             | Claims with Attorney |                    |                             | Claims without Attorney |                    |                             |
|---------------------------|---------------------------------|--------------------|--------------------|-----------------------------|----------------------|--------------------|-----------------------------|-------------------------|--------------------|-----------------------------|
|                           |                                 | Average Total Loss | Average Total ALAE | Average Total Loss and ALAE | Average Total Loss   | Average Total ALAE | Average Total Loss and ALAE | Average Total Loss      | Average Total ALAE | Average Total Loss and ALAE |
| 2015                      | 24.9%                           | 38,743             | 4,722              | 43,465                      | 110,407              | 15,093             | 125,500                     | 14,953                  | 1,280              | 16,232                      |
| 2016                      | 27.3%                           | 41,159             | 4,623              | 45,782                      | 123,777              | 15,121             | 138,898                     | 10,197                  | 688                | 10,886                      |
| 2017                      | 27.3%                           | 39,720             | 4,899              | 44,619                      | 121,507              | 16,107             | 137,614                     | 8,990                   | 688                | 9,679                       |
| 2018                      | 28.3%                           | 41,266             | 4,328              | 45,593                      | 124,237              | 14,481             | 138,718                     | 8,511                   | 319                | 8,830                       |
| 2019                      | 29.9%                           | 46,611             | 4,962              | 51,573                      | 133,969              | 15,525             | 149,494                     | 9,345                   | 456                | 9,800                       |
| Percent Change: 2015-2019 | 20.0%                           | 20.3%              | 5.1%               | 18.7%                       | 21.3%                | 2.9%               | 19.1%                       | -37.5%                  | -64.4%             | -39.6%                      |

The second column in Table 4 presents the attorney representation in the second column of Table 3. The other columns present the distribution of loss and ALAE by attorney representation. For claims that closed in 2015, 24.9% were represented by an attorney, 28.0% of the loss and ALAE were for claims without an attorney, and 72.0% of the loss and ALAE were for claims with an attorney. As the percent of claims with an attorney increased during the 2015 to 2019 period, the percent of loss and ALAE for claims with an attorney also increased. Among the claims that closed in 2019, 29.9% were represented by an attorney and these claims accounted for 86.7% of all loss and ALAE.

**Table 4**  
**Commercial Automobile –**  
**Distribution of Loss and Allocated Loss Adjustment Expenses,**  
**by Attorney Representation**

| Year Claim Closed         | Percent of Claims with Attorney | Percent of Loss and ALAE |                         |                      |
|---------------------------|---------------------------------|--------------------------|-------------------------|----------------------|
|                           |                                 | All Claims               | Claims without Attorney | Claims with Attorney |
| 2015                      | 24.9%                           | 100.0%                   | 28.0%                   | 72.0%                |
| 2016                      | 27.3%                           | 100.0%                   | 17.3%                   | 82.7%                |
| 2017                      | 27.3%                           | 100.0%                   | 15.8%                   | 84.2%                |
| 2018                      | 28.3%                           | 100.0%                   | 13.9%                   | 86.1%                |
| 2019                      | 29.9%                           | 100.0%                   | 13.3%                   | 86.7%                |
| Percent Change: 2015-2019 | 20.0%                           |                          | -52.5%                  | 20.4%                |

Table 5 presents the distribution of claims by size of loss. During the 2015 to 2019 period, there has been a shift in the distribution of claims toward the larger size-of-loss groups. For claims that closed in 2015, 86.4% were for a loss of less than \$25,000, 9.1% were for a loss between \$25,000 and \$100,000, 3.5% were for a loss between \$100,000 and \$500,000, and 1.0% were for a loss of greater than \$500,000. For claims that closed in 2019, the respective distribution was 82.1%, 11.8%, 4.6%, and 1.5%. Between 2015 and 2019, there has been a 50% increase in the percent of claims with a loss of more than \$500,000 (1.0% in 2015 compared to 1.5% in 2019).

**Table 5**  
**Commercial Automobile –**  
**Distribution of Claims, by Size of Loss**

| Year Claim Closed         | Percent of Claims by Size of Loss |                    |                      |                       |                        |
|---------------------------|-----------------------------------|--------------------|----------------------|-----------------------|------------------------|
|                           | All                               | Less than \$25,000 | \$25,000 - \$100,000 | \$100,000 - \$500,000 | Greater than \$500,000 |
| 2015                      | 100.0%                            | 86.4%              | 9.1%                 | 3.5%                  | 1.0%                   |
| 2016                      | 100.0%                            | 85.5%              | 10.0%                | 3.5%                  | 1.0%                   |
| 2017                      | 100.0%                            | 85.2%              | 10.1%                | 3.5%                  | 1.1%                   |
| 2018                      | 100.0%                            | 83.9%              | 11.0%                | 3.8%                  | 1.3%                   |
| 2019                      | 100.0%                            | 82.1%              | 11.8%                | 4.6%                  | 1.5%                   |
| Percent Change: 2015-2019 |                                   | -5.0%              | 29.7%                | 31.4%                 | 50.0%                  |

Table 6 presents the percent of claims with attorney representation by size of loss. The second column in Table 6 is the same as the second column in Table 3. The next four columns in Table 6 present the percent of claims with attorney representation for claims with a loss of less than \$25,000, between \$25,000 and \$100,000, between \$100,000 and \$500,000, and greater than \$500,000. During the years of our analyses,

although the percent of claims with an attorney increased for each size-of-loss group, the increase was particularly notable for claims with a loss of \$25,000 or more.

- Among the claims that closed in 2015, 71.8% of the claims with a loss between \$25,000 and \$100,000 were represented by an attorney; for claims that closed in 2019, 76.9% of the claims in this size-of-loss group were represented by an attorney.
- Among the claims that closed in 2015, 78.9% of the claims with a loss between \$100,000 and \$500,000 were represented by an attorney; for claims that closed in 2019, 91.9% of the claims in this size-of-loss group were represented by an attorney.
- Among the claims that closed in 2015, 76.3% of the claims with a loss of greater than \$500,000 were represented by an attorney; for claims that closed in 2019, 94.6% of the claims in this size-of-loss group were represented by an attorney.

In sum, for claims that closed in 2019, an attorney was involved in more than 92% of the claims that had a loss of \$100,000 or more.

**Table 6**  
**US Commercial Automobile –**  
**Percent of Claims with Attorney, by Size of Loss**

| Year Claim Closed        | Percent of Claims with Attorney, by Size of Loss |                    |                      |                       |                        |
|--------------------------|--------------------------------------------------|--------------------|----------------------|-----------------------|------------------------|
|                          | All                                              | Less than \$25,000 | \$25,000 - \$100,000 | \$100,000 - \$500,000 | Greater than \$500,000 |
| 2015                     | 24.9%                                            | 17.2%              | 71.8%                | 78.9%                 | 76.3%                  |
| 2016                     | 27.3%                                            | 18.5%              | 74.9%                | 87.3%                 | 89.1%                  |
| 2017                     | 27.3%                                            | 17.9%              | 77.4%                | 89.9%                 | 92.8%                  |
| 2018                     | 28.3%                                            | 18.2%              | 75.5%                | 91.8%                 | 94.5%                  |
| 2019                     | 29.9%                                            | 18.5%              | 76.9%                | 91.9%                 | 94.6%                  |
| Percent Change 2015-2019 | 20.0%                                            | 7.6%               | 7.1%                 | 16.5%                 | 24.0%                  |

As pointed out above, allocated loss adjustment expenses (ALAE) are expenses paid by an insurer to handle a claim; adjudication costs are the most significant portion of ALAE. The ratio of ALAE to loss is a measure of the efficiency in the payment of losses to claimants. The lower the ALAE/loss ratio, the less an insurer paid to resolve a claim. By contrast, high ALAE/loss ratios indicate a high expenditure for claim handling relative to losses paid to claimants. Table 7 presents the ALAE/loss ratios for all claims, for claims without an attorney, and for claims with an attorney. For claims that closed in 2015 through 2019, the ALAE/loss ratio was between 3.8% and 8.6% for claims without an attorney (for an average of 6.3%) and between 11.6% and 13.7% for claims with an attorney (for an average of 12.5%). For every year, the ALAE/loss ratio for claims with an attorney was more than twice the ratio for claims without an attorney. For 2015-2019 combined, the average ALAE/loss ratio for claims with an attorney was approximately two times the ALAE/loss ratio for claims without an attorney. The implication is that insurers consistently spend significantly more per dollar of loss to handle claims with an attorney.

**Table 7**  
**US Commercial Automobile –**  
**Allocated Loss Adjustment Expenses**  
**as a Percent of Loss, by Attorney Representation**

| Year                     | ALAE/Losses |                         |                      |
|--------------------------|-------------|-------------------------|----------------------|
|                          | All Claims  | Claims without Attorney | Claims with Attorney |
| 2015                     | 12.2%       | 8.6%                    | 13.7%                |
| 2016                     | 11.2%       | 6.7%                    | 12.2%                |
| 2017                     | 12.3%       | 7.7%                    | 13.3%                |
| 2018                     | 10.5%       | 3.8%                    | 11.7%                |
| 2019                     | 10.6%       | 4.9%                    | 11.6%                |
| Percent Change 2015-2019 | -13.1%      | -43.0%                  | -15.3%               |

Table 8 presents the distribution of loss and ALAE by the size of loss. For the last year in the study (2019), 10.2% of the loss and ALAE were for claims with a loss amount of less than \$25,000, 15.3% of the loss and ALAE were for claims with a loss between \$25,000 and \$100,000, 29.2% of loss and ALAE were for claims with a loss between \$100,000 and \$500,000, and 45.4% of the loss and ALAE were for claims with a loss of more than \$500,000. Looking back at Table 5 and the last column in Table 8, claims with a loss of more than \$500,000 accounted for only 1.5% of all claims but almost half (45.4%) of all loss and ALAE. Claims with a loss between \$100,000 and \$500,000 accounted for 4.6% of claims and 29.2% of losses and ALAE.

**Table 8**  
**US Commercial Automobile –**  
**Distribution of Loss and Allocated Loss Adjustment Expenses, by Size of Loss**

| Year Claim Closed | Percent of Loss and Allocated Loss Adjustment Expenses, by Size of Loss |                    |                      |                       |                        |
|-------------------|-------------------------------------------------------------------------|--------------------|----------------------|-----------------------|------------------------|
|                   | All                                                                     | Less than \$25,000 | \$25,000 - \$100,000 | \$100,000 - \$500,000 | Greater than \$500,000 |
| 2015              | 100.0%                                                                  | 11.5%              | 14.7%                | 29.3%                 | 44.5%                  |
| 2016              | 100.0%                                                                  | 11.3%              | 14.7%                | 25.8%                 | 48.2%                  |
| 2017              | 100.0%                                                                  | 11.6%              | 15.5%                | 27.3%                 | 45.6%                  |
| 2018              | 100.0%                                                                  | 11.3%              | 15.8%                | 27.7%                 | 45.3%                  |
| 2019              | 100.0%                                                                  | 10.2%              | 15.3%                | 29.2%                 | 45.4%                  |

Table 9 presents the average number of days between the date of an accident and the date the accident was reported to the insurance company. This span of dates is often referred to as the “report lag.” Short reporting lags are considered better claim resolution because it provides insurance companies the opportunity to investigate the causes and the circumstances of an accident and to attend to the medical needs of injured parties soon after an accident. Table 9 presents the average reporting lags for all claims and broken down by size of loss and for claims without and with attorney representation.

For all claims, the average reporting lag was rather consistent for the period captured in this study (an average between 25 and 29 days for claims that closed during the five years in the study). The average reporting lags were longer for claims with an attorney. For claims that closed in 2019, the average reporting lag was 19 days for claims without an attorney and 53 days for claims with an attorney.

**Table 9**  
**US Commercial Automobile –**  
**Average Number of Days Between Date of Loss and Date Reported to the Insurance Company,**  
**by Attorney Representation and Size of Loss**

| Year<br>Claim<br>Closed | Average Number of Days for All Claims, by Size of Loss                 |                       |                         |                          |                              |
|-------------------------|------------------------------------------------------------------------|-----------------------|-------------------------|--------------------------|------------------------------|
|                         | All                                                                    | Less than<br>\$25,000 | \$25,000 -<br>\$100,000 | \$100,000 -<br>\$500,000 | Greater<br>than<br>\$500,000 |
| 2015                    | 27                                                                     | 24                    | 34                      | 71                       | 66                           |
| 2016                    | 25                                                                     | 23                    | 32                      | 54                       | 61                           |
| 2017                    | 26                                                                     | 24                    | 33                      | 50                       | 59                           |
| 2018                    | 25                                                                     | 23                    | 33                      | 44                       | 50                           |
| 2019                    | 29                                                                     | 26                    | 36                      | 56                       | 64                           |
| Year<br>Claim<br>Closed | Average Number of Days for Claims without Attorney,<br>by Size of Loss |                       |                         |                          |                              |
|                         | All                                                                    | Less than<br>\$25,000 | \$25,000 -<br>\$100,000 | \$100,000 -<br>\$500,000 | Greater<br>than<br>\$500,000 |
| 2015                    | 22                                                                     | 20                    | 36                      | 139                      | 70                           |
| 2016                    | 18                                                                     | 18                    | 25                      | 47                       | 88                           |
| 2017                    | 17                                                                     | 17                    | 22                      | 50                       | 131                          |
| 2018                    | 17                                                                     | 17                    | 19                      | 35                       | 95                           |
| 2019                    | 19                                                                     | 18                    | 26                      | 60                       | 126                          |
| Year<br>Claim<br>Closed | Average Number of Days for Claims with Attorney,<br>by Size of Loss    |                       |                         |                          |                              |
|                         | All                                                                    | Less than<br>\$25,000 | \$25,000 -<br>\$100,000 | \$100,000 -<br>\$500,000 | Greater<br>than<br>\$500,000 |
| 2015                    | 45                                                                     | 47                    | 33                      | 53                       | 65                           |
| 2016                    | 43                                                                     | 44                    | 35                      | 54                       | 58                           |
| 2017                    | 49                                                                     | 56                    | 37                      | 50                       | 53                           |
| 2018                    | 46                                                                     | 50                    | 38                      | 45                       | 48                           |
| 2019                    | 53                                                                     | 60                    | 38                      | 56                       | 60                           |

Table 10 presents the average number of days between the date of an accident and the date the claim was closed by the insurance company (i.e., the cycle time). As mentioned previously in this report, long cycle times are considered a problem because they typically correspond to more complex disputes and higher claim adjustment expenses. Table 10 presents the average cycle times for all claims and broken down by size of loss and for claims without and with attorney representation.

For all claims, the average cycle time increased by 42 days (from 319 days for claims that closed in 2015 to 361 days for claims that closed in 2019). However, there were differences in the 2015-2019 experiences

for claims without an attorney and claims with an attorney. For claims without an attorney, claims closed faster in 2019 than in 2015 (230 days in 2015 and 195 days in 2019). By contrast, claims that closed in 2019 with an attorney were open significantly longer than claims that closed in 2015 with an attorney (587 days in 2015 and 750 days in 2019). For both claims with and claims without an attorney, larger amounts of loss correspond to longer cycle times. For claims with an attorney and loss greater than \$500,000, the average time between the accident and claim closure was 1,272 days in 2019. This is an increase of almost 100 days from the average time between accident and claim closure for claims with an attorney that closed in 2015 (1,175 days).

**Table 10**  
**US Commercial Automobile –**  
**Average Number of Days Between Date of Loss and Date Claim Closed**  
**by the Insurance Company, by Attorney Representation and Size of Loss**

| Year Claim Closed | Average Number of Days for All Claims, by Size of Loss              |                    |                      |                       |                        |
|-------------------|---------------------------------------------------------------------|--------------------|----------------------|-----------------------|------------------------|
|                   | All                                                                 | Less than \$25,000 | \$25,000 - \$100,000 | \$100,000 - \$500,000 | Greater than \$500,000 |
| 2015              | 319                                                                 | 218                | 741                  | 1,386                 | 1,497                  |
| 2016              | 305                                                                 | 221                | 664                  | 1,067                 | 1,212                  |
| 2017              | 298                                                                 | 212                | 666                  | 1,052                 | 1,107                  |
| 2018              | 316                                                                 | 228                | 648                  | 1,016                 | 1,152                  |
| 2019              | 361                                                                 | 251                | 726                  | 1,092                 | 1,263                  |
| Year Claim Closed | Average Number of Days for Claims without Attorney, by Size of Loss |                    |                      |                       |                        |
|                   | All                                                                 | Less than \$25,000 | \$25,000 - \$100,000 | \$100,000 - \$500,000 | Greater than \$500,000 |
| 2015              | 230                                                                 | 174                | 864                  | 2,722                 | 2,539                  |
| 2016              | 191                                                                 | 169                | 577                  | 1,095                 | 1,612                  |
| 2017              | 177                                                                 | 159                | 532                  | 1,146                 | 1,230                  |
| 2018              | 180                                                                 | 166                | 432                  | 921                   | 1,209                  |
| 2019              | 195                                                                 | 177                | 507                  | 966                   | 1,093                  |
| Year Claim Closed | Average Number of Days for Claims with Attorney, by Size of Loss    |                    |                      |                       |                        |
|                   | All                                                                 | Less than \$25,000 | \$25,000 - \$100,000 | \$100,000 - \$500,000 | Greater than \$500,000 |
| 2015              | 587                                                                 | 427                | 692                  | 1,029                 | 1,175                  |
| 2016              | 608                                                                 | 448                | 693                  | 1,063                 | 1,163                  |
| 2017              | 621                                                                 | 458                | 705                  | 1,042                 | 1,098                  |
| 2018              | 660                                                                 | 505                | 718                  | 1,025                 | 1,148                  |
| 2019              | 750                                                                 | 577                | 792                  | 1,104                 | 1,272                  |

## CONCLUDING COMMENT

Milliman has appreciated the opportunity to perform this interesting and important study for the American Property Casualty Insurance Association. The findings and discussion are subject to the qualifications described in the following (Limitations) section.

## LIMITATIONS

### DATA

In performing this analysis, we relied on publicly available data and other information provided by a selection of commercial automobile insurance companies. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete. In that event, the results of our analysis may not be suitable for the intended purpose.

We performed a limited review of the data used in our analysis for reasonableness and consistency and did not find material defects in the data. If there are material defects, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data that searches for questionable data values and for materially inconsistent relationships. Such a review was beyond the scope of our assignment.

### UNCERTAINTY

During the course of our review, we applied generally acceptable statistical procedures. However, due to the nature of using a sample of data from a larger population, it is likely that results will vary from full-population analyses from our projections, perhaps materially.

The diversity of types of vehicles covered and jurisdictions must be kept in mind when reviewing the results in this report. While the companies that provided data for this study are a cross-section of insurers and representative of the commercial automobile liability insurance business in the US, there is considerable variety in their respective books of business. The objective of this study was to evaluate trends in attorney representation, claim costs, and cycle times for recent years. While the data provided for this study are appropriate for and the results are indicative of trends in the commercial automobile insurance industry, the results should not be considered or used for benchmarking individual-company experience to the industry averages presented in this report.

### DATA ORGANIZATION

We analyzed calendar-year closed claims to capture the characteristics of the outcomes on claims that were resolved during a particular year. Calendar year analyses differ from policy year and accident year analyses, where losses are compiled by the year policies are written or accidents occurred. A benefit to calendar year analysis is that settlement values are known, so there is no uncertainty associated with future claims development unlike policy year or accident year analysis. Results for closed claims on a calendar

year basis tend to be positively correlated with results by policy year or by accident year, but nonetheless one should be cautious when comparing results across the different time periods.

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