Auto Insurance

Growing rates driven by economic inflation and risky driving behaviors

2023 price prediction: +7%[106]

Emerging Trends

Innovative and income-producing assets

While the sharing economy is not a new concept, consumers are starting to rent out off-the-beaten-path assets to extract more value and income during the inflationary market—such as e-bikes and vehicles. For example, in 2020, almost 800,000 e-bikes were sold in the United States, and insurance for them is not mandatory. Within a typical homeowner, renters, or automobile policy, e-bikes are often excluded under “self-propelled motor or amphibious vehicle.” As of May 2023, specialty market stakeholders are beginning to offer separate lines of coverage for e-bikes.

Termination of broker partnerships

Some areas within the U.S. are more vulnerable than others. As a result, some carriers are not partnering with brokers to write new business for auto insurance, as is the case in California, for example. Carriers are either terminating their broker partnerships or rationing how many policies a broker can write because the carriers cannot get enough premiums to cover the costs they are managing in their disaster-prone, saturated markets.

Entrenched Trends

COVID-19’s continued fallout

The post-pandemic world continues to affect drivers and insurers. Because recent losses and the pandemic added a layer of unpredictability to the auto insurance market, carriers have become extremely calculated in their risk selection and pricing. People who received mileage credits or refunds for not driving during 2020 are seeing higher premiums today. The average annual rate for a full-coverage auto policy in 2022 was almost $1,800; in 2023, that same policy costs $2,014, an increase of 14%.[107]

> **The average annual rate for a full-coverage auto policy has increased 14%.[107]**

Due to lingering supply chain issues and delays getting parts for auto repairs, the claims process is taking longer. This is forcing claimants requiring a rental car to have it for a longer period of time - and insurers are paying for those additional days.

Natural disasters

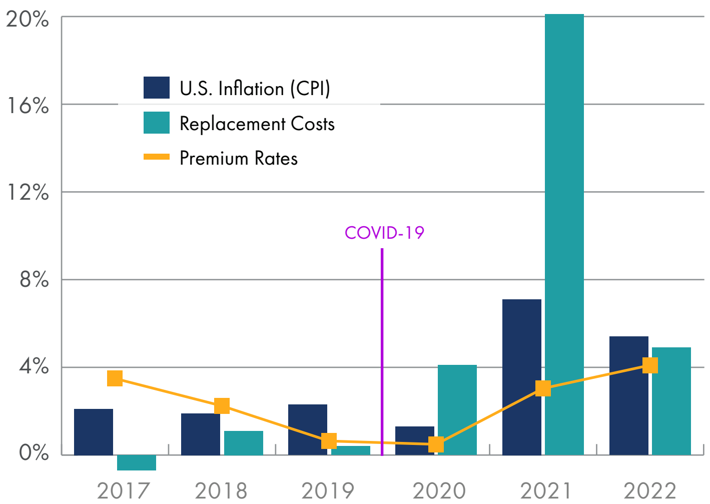
Natural disasters also impact auto insurance rates. Areas plagued by flooding experience vehicle damage, as well as property damage, causing auto premiums to rise. Auto insurance companies raise rates to compensate for the damage and offset claims to fix vehicles that will cost more to repair.

Economic inflation

Inflation is another issue that continues to impact auto insurance rates. Auto repairs, auto parts, and medical care for people involved in auto accidents all cost more, leading to a large uptick in insurance prices. It costs more to own, protect, and repair a vehicle today and with healthcare costs rising, auto insurers will increase premiums to compensate.

The hope is that inflation will ease and hard-to-find auto parts will become less challenging to locate, causing auto insurance rates to slightly fall. Until then, auto loss ratios continue to rise, and the larger insurers are assessing higher premiums to drivers.

Personal Auto



Source: Insurance Information Institute[108]

Riskier driving patterns

Premiums are also up due to newer drivers who drove on empty highways during the pandemic and are getting into more accidents because the volume of traffic has increased and they lack experience. Additionally, more drivers are engaging in risky behavior while operating their cars, and traffic injuries and deaths are up substantially. In fact, the National Highway Traffic Safety Administration estimated the first few months of 2022 saw more deaths from auto accidents than the last two decades.

The good news—total vehicle miles traveled have stabilized over the last six to 12 months, and claim frequencies remain flat. Claim severities are rising but at a slower pace.

Your Beacon of Opportunity

Auto Insurance

The best way to get optimal auto insurance rates from carriers is by maintaining a good driving record. Avoid speeding, maintain a safe distance between you and other cars, and avoid driving late at night if possible. Certain carriers may offer discounts if you sign up for a safe driving or defensive driving program.

If it is an available option, bundling your policies may result in discounts. Taking on a higher deductible will also reduce your premium spend, but be sure that you are comfortable with paying for the higher deductible should a claim arise.

Lastly, when it comes to teenage and younger drivers under your care, regularly reinforce the importance of safe driving. Look for discounts from carriers for good grades, or bundle their coverage with yours if it provides a discount. A BRP Private Client advisor can help identify ways that you can optimize discount opportunities from carriers.