

Why are my Auto Insurance rates going up?



New car prices

12.2% Increase in 2021 according to labor Department Data The National Auto Dealers Association reported that the average new car price surpassed **\$45,000** in January. The pandemic caused a shortage of computer chips, which are essential components in modern cars. This shortage has led to a decrease in the production of new cars, which has driven up their prices. The typical monthly payment for a new car is now **\$717**, which is **37%** higher than five years ago.

Cost of Repairs

23% jump in vehicle repair in the last year, an inflation rate nearly four times higher than overall price increases. This is caused by a shortage of workers and an increase in high-tech vehicles, creating higher costs for even simple routine repairs. The cost of raw materials, such as steel and aluminum, has increased, which has led to a heightened cost of producing cars. This increase in production and labor costs has been passed on to consumers in the form of higher prices.

Social Inflation

The insurance industry uses the term “social inflation” to describe the rising costs of insurance claims when those costs can’t be accounted for by overall inflation rates. Social inflation is driven by societal shifts such as increased litigation, and it leads to higher insurer claim payouts and loss ratios, ultimately resulting in higher premiums for policyholders

Used car prices

40.5% Increase from January 2021 to January 2022. Some used cars are selling for more than their owners paid when the vehicles were brand new. The pandemic has caused a surge in demand for used cars, as people have been hesitant to use public transportation and have turned to personal vehicles instead. This increased demand has driven up the prices of used cars *Iseecars*, a used-car sales website, posted a list of 15 car models that are now more expensive than their original price The Ford Bronco Sport sold for **16.4%** more than its average price new. The Toyota Tacoma sold for **12.2%** more than new.

COVID-19

As result of stay-at-home orders, in 2020 auto insurers refunded premium to clients. According to Insurance Information Institute, the relief measures shaved off 15 to 25% off customer’s premiums during one or more months in the spring of 2020 returning about \$14 billion to policyholders.

From most accounts, we have returned to pre-pandemic levels of traffic. However, dangerous driving behavior is on the rise and has been since the pandemic, according to a newly released study from AAA. Since 2020, there has been a nearly 11% increase in deadly crashes.

Legislative Changes

In March of 2022, the Washington Insurance Commissioner, Mike Kreidler, adopted a rule temporarily banning insurers from using credit information to set auto, home, and renter insurance rates. This resulted in increases for most customers with good credit. On Aug. 29, 2022, this order was overturned. We are now seeing carriers returning to use credit in their pricing models.

13.7%

Increase in full coverage of car insurance in the last year. The average cost on a national basis for car insurance is \$2,014. The return of premium in conjunction with the increased cost of repairs, labor rates, the cost of new and used cars, the severity of accidents, and larger jury awards has put pressure on insurance companies to raise their premiums to cover their rising costs