The Real Story on Auto Insurance During the Pandemic

About the Industry | Auto Insurance

March 5, 2021

IN THIS ARTICLE

As plaintiff trial attorneys continue to exploit and manipulate the insurance industry for their own financial gain, it is important to understand the facts of how auto insurance is working for the benefit of consumers.

Lawyers in Nevada filed class actions in mid-February 2021 against 10 auto insurers, alleging that they have not done enough to help policyholders during the pandemic; claiming work to date was not "meaningful," and that the rates charged violate state law against excessive premiums.

FACTS:

- In 2020 insurance discounts, rebates and policyholder dividends amounted to more than $14 billion nationally.
- The insurance industry has made more than $280 million in philanthropic contributions during COVID-19 to support communities.

> “The plaintiffs’ bar is leaving no stone unturned during the pandemic,” said Stef Zielezienski, executive vice president and chief legal officer at the American Property and Casualty Insurance Association. “The insurance industry is working to rebuild communities and yet this type of lawsuit abuse has the opposite effect.”

The real auto insurance story

- In 2020 auto insurance premium rates fell nationally for the first time in a decade. Insurers’ net income after taxes fell 26.1 percent through the third quarter of 2020, compared with the same quarter in 2019. A major factor was the pandemic-related discounts.
- Accidents did decline in 2020; unfortunately, it is also true that traffic fatalities and claims increased. According to the National Highway Traffic Safety Administration, fatalities rose 4.6 percent in the first nine months of 2020, despite vehicle miles traveled having decreased. Fatalities in the third quarter of 2020 were 13 percent above the same period of 2019 – the largest such increase in more than a decade.
- Even before COVID-19, auto damage claims were rising faster than general inflation, and auto insurance premium increases trailed inflation. Fatalities had been declining as cars became safer – but safety technology is expensive, making repairs more costly and driving up the size of policyholder claims.

> "The rate is lower because people are driving less,” said Triple-I Chief Actuary James Lynch, noting that during lockdown periods in the spring driving was down as much as 50 percent. Fewer cars on the road should lead to fewer accidents, and this expectation is what led insurers to proactively provide discounts and other policyholder benefits during the pandemic. Many auto insurers have built these discounts into premium rates for 2021, Lynch said.

Out-of-control litigation costs everyone

Even as insurers have given $14 billion back to policyholders – while rising accident severity dented their net incomes – they have kept their promises to pay claims and have generously supported communities through philanthropy. Defending themselves against frivolous litigation would only add to their expenses, and lower premiums are unlikely to be the result.

Please click on the file name below to view the article in PDF format. You will need Adobe Acrobat Reader to view the file.

Download auto_insurer_suits_030921.pdf

You can download Adobe Acrobat Reader, free of charge, from the Adobe website (**https://www.adobe.com/products/acrobat/readstep.html**).

Note: Printer fonts may vary by browser and version of Adobe Reader.

Back to top