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 declined 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 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.

“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.