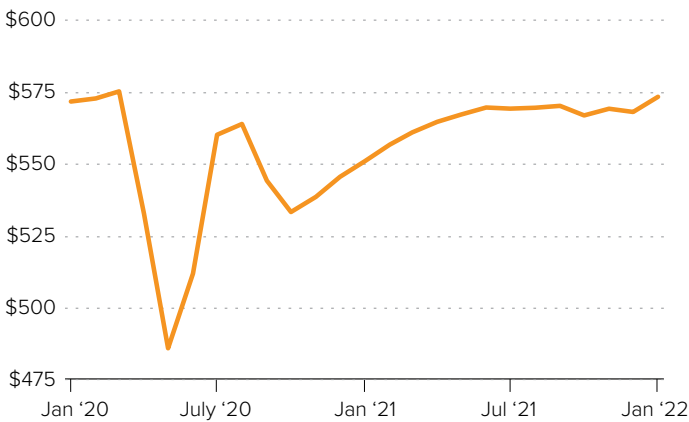


# What's Happening With Auto Insurance Rates

Recent news reports might create the impression that auto insurance rates are soaring. As the chart below shows, they have been returning to pre-pandemic levels as we begin 2022.

## Motor vehicle insurance premiums, all urban consumers, seasonally adjusted



[U.S. Bureau of Labor Statistics](#)

At the beginning of the pandemic, auto insurers – anticipating fewer accidents amid the economic lockdown – gave back approximately \$14 billion to policyholders in the form of cash refunds and account credits. Recent rate increases are from those pandemic lows.

But something interesting happened during the pandemic. While miles driven declined and accident frequency initially dropped, frequency and severity quickly started increasing again.



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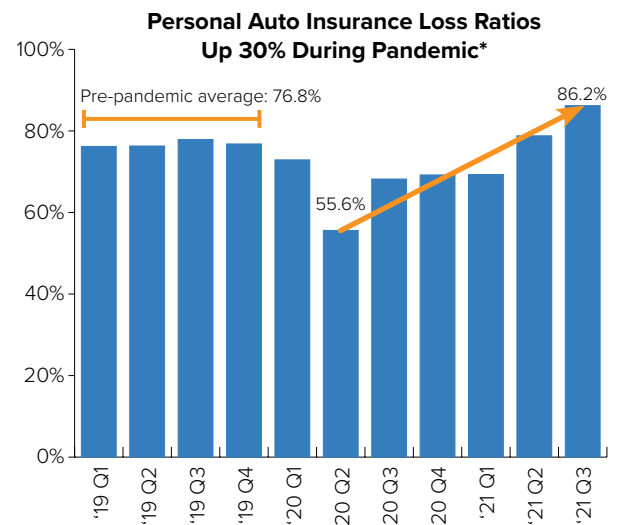
† [U.S. Department of Transportation](#)

‡ Triple-I analysis of [FRED data](#)

### Takeaways:

- Auto insurance premiums aren't "skyrocketing" - they have returned to pre-pandemic levels after \$14 billion was returned to policyholders in anticipation of fewer accidents.
- Accident frequency and severity are rising quickly.
- These factors - combined with replacement parts inflation due to supply-chain issues - have driven insurers' auto losses above pre-pandemic levels.
- Regulatory requirements constrain insurers' ability to respond to cost increases other than by raising rates. Regulators have to review all rate changes to ensure that they are appropriate and fair.

While insurers' personal auto loss ratios fell briefly and sharply in 2020, they have since climbed steadily to exceed pre-pandemic levels. With more drivers on the road and replacement parts costs continuing to climb, this loss trend is expected to continue.



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Any business needs to make a reasonable profit to survive. Personal auto insurance currently is barely a profitable line for the industry, and the factors outlined above will continue to put pressure on insurers to raise rates to ensure the coverage is appropriately priced.