Mid-Year Auto Insurance Trends Report

How climate change and inflation are driving auto insurance prices
About this report

Insurify’s Mid-Year Check-In examines car insurance rate increases and associated factors, comparing current prices to previous projections, and re-assessing predictions for the rest of 2023. This report will discuss:

- How much car insurance rates increased in the first six months of 2023
- How much more rates are likely to increase in the latter half of 2023
- How drivers are reacting to fast-changing prices
- The impact of rising auto body parts costs and climate change on the car insurance industry
- Insurance industry upheaval in California and Florida, two states affected by complex regulations and climate hazards

Insurify’s data researchers gathered and analyzed data from Insurify’s platform, sourced directly from partnering insurance companies, in conjunction with consumer price index data provided by the U.S. Bureau of Labor Statistics.

About Insurify

Insurify is America’s top-rated virtual insurance agent. It provides expert advice on insurance-related topics and empowers customers to securely compare, buy, and manage their auto, home, and life insurance policies from top national and regional insurers.

Insurify’s insurance experts and data scientists also provide consumers with data-driven insights, fresh perspectives on statistics, and information on general trends throughout the insurance industry.
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Car insurance prices already increased 17%

Car insurance prices increased an average of 17% in the first six months of 2023, according to Insurify’s database of more than 90 million car insurance quotes sourced directly from insurers on its platform.

This is more than double the 7% increase Insurify’s data scientists previously projected for the entire year. Insurify’s analysts predict prices to increase a further 4% through the end of the year, meaning a compounded 21% increase over the course of 2023.

Drivers may be responding to these increases by dropping coverage to keep costs low — the number of drivers buying full-coverage policies has declined more than 50% in 2023.

Source: Insurify
Auto insurance rates across the U.S. are escalating for a number of reasons. Namely, current insurance rates are not keeping up with insurer losses.

There has been an increase in the frequency and severity of accidents, riskier driving behaviors like distracted driving, and injuries and fatalities on the road, which are, in turn, increasing the number of litigated claims for insurers.

These trends, combined with the increasing costs of replacement parts, rising labor expenses, and escalating medical costs for treating accident victims, are leading to higher costs for insurers, who are increasing rates to cover those costs.

What’s driving prices up in 2023

Allie Feakins  
SVP of Insurance at Insurify

Vehicle repair and maintenance costs have outpaced inflation and show no signs of slowing, leading insurers to increase auto insurance prices to keep up with the cost of higher claim payouts.

Given the lag between regulator approvals and actual rate increases, consumers can expect rates to increase over the next 12 to 18 months. It’s more important now than ever to comparison shop.

Mark Friedlander  
Director of Corporate Communications  
Insurance Information Institute

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Drivers in New Mexico, Nevada, New Jersey, Michigan, and Indiana are seeing the biggest surges in their car insurance premiums. On average, these states saw an increase in rates of more than 33% between 2022 and 2023.

Each state’s insurance department regulates insurance rate increases. Typically, insurers can only increase rates once that division has approved the rate hike. Last year, insurers in states across the U.S. applied for rate increases — in some cases multiple times — as a result of rising inflation and associated costs.
States with the most expensive car insurance

Michigan has the highest car insurance rates, according to Insurify’s quoting data. The average car insurance policy costs $231.50 a month, or $2,766 a year. Michigan drivers saw a 31% increase in rates between 2022 and 2023.

Nevada, New York, Florida, and Washington, D.C., rounded out the top five states with the most expensive car insurance rates.

Your location heavily influences your car insurance rates — it’s an indication of weather patterns, crime rates, population density, and other variables that signal risk levels. Your state also dictates how much coverage you’re legally obligated to purchase, as well as legislation related to insurance lawsuits.

Top 10 states with most expensive car insurance rates

- Michigan $2,766
- New York $2,568
- Nevada $2,568
- Florida $2,412
- Washington, D.C. $2,190
- South Carolina $2,092
- Maryland $2,010
- Louisiana $1,968
- Connecticut $1,950
- Delaware $1,848

Source: Insurify
Insurers are experiencing record-breaking losses

Severe climate catastrophes and an inflation-related surge in repair and replacement costs led to **record-breaking losses in 2022**. Those losses are, in turn, driving insurers to increase their rates.

Overall, the property and casualty insurance sector saw a **net combined ratio of 111.8%** in 2022. The net combined ratio is the total sum of losses and expenses incurred by a company divided by how much it’s earned in premiums. A combined ratio of 111.8% shows that overall, the insurance sector spent more on paying claims and other expenses than it earned from premiums.

State Farm, the largest P&C insurer in the U.S., **posted a net combined ratio of 127.9%** in 2022. This trend stayed in place in the first quarter of 2023, where it posted the largest net underwriting loss for an individual P&C entity, at $2.87 billion.
Auto body parts are more expensive, driving up car insurance rates

The consumer price index for motor vehicle maintenance and repair has shown double-digit increases beginning in September 2022. The CPI is an indicator of auto body price increases, which directly affect insurer losses. The price of auto body parts affect insurer costs to fix policyholders’ cars. The higher the cost of repair, the higher the cost of claims, and the greater the losses for the insurer.

Source: Insurify’s analysis of the consumer price index for motor vehicle maintenance and repair, sourced from the Bureau of Labor Statistics
How rising auto parts prices affect drivers

The increase in the consumer price index for motor vehicle maintenance and repair has affected vehicle repairs, automobile insurance prices, and ultimately, consumers.

Consumers are paying more for auto repairs due to increased costs. With repair rates rising, people may put off car maintenance, which can lead to even more damage and higher expenses.

Repair expenditures also raise the financial risk for the insurer. To counterbalance these rising expenditures, auto insurance premiums often rise, increasing consumers’ insurance prices.

This may strain household budgets and make car ownership unaffordable for some. The impact itself depends on your location, vehicle type, and insurance policy. But drivers can try to reduce costs by searching for discounted auto parts and repairs through platforms like GoodCar.

Emile Ashikyan
Marketing Analyst at Infopay Inc.
Worsening climate catastrophes are pushing auto insurance rates higher

In addition to homeowners insurance, **worsening climate conditions** are now also affecting auto insurance.

The high number and cost of claims associated with severe weather events, like Hurricane Ian, have **driven insurers out of states like Florida and California**, where there is an above-average proportion of counties with a high climate risk.

**Proportion of counties with high or moderate natural disaster risk**

Source: Insurify’s analysis of FEMA Risk Ratings
The frequency and severity of natural disasters have led to some geographical areas experiencing different types of weather events from what they’ve seen before. More vehicles are being caught and destroyed in fires and floods, and ice is sticking around longer, increasing the likelihood of collisions. This has led to auto insurers paying a higher number of — and a higher price for — customer claims. As a result, customers are seeing higher premiums as insurers increase prices to cover these losses.

Insurers are also running into issues with reinsurance, which is insurance for insurance companies. Reinsurance companies typically step in to cover claims when claims reach a catastrophic volume. However, as a result of the increased number of severe weather events, reinsurance companies are having more losses transferred to them than they anticipated. Faced with an unpredictable market, reinsurance companies are opting not to share in the risk of the auto insurance market as a whole.
Drivers will see higher prices through the end of the year.

Drivers will turn to comparison shopping to find cheaper car insurance options.

Drivers with violations on their record will have a harder time securing coverage.

Drivers in certain states will have fewer choices.

Insurers will continue to increase premiums to cover the higher price of fulfilling claims as long as inflation stays high and the price of auto body parts increases.

Policyholders will likely see price increases at renewal time, prompting them to shop around for other cheaper auto insurance policies.

As insurers continue to see losses, they will prioritize customers with lower-risk profiles and significantly increase rates for, or in some cases refuse to provide policies to, drivers with high-risk driving records.

With insurers limiting their business operations and, in some cases, entirely exiting states like California, Florida, and Georgia, drivers in those states will have fewer options for insurance companies.
Case Study: California

Auto insurance premium hikes are on the way for California drivers after a two-year freeze on rate increases. Insurers are also pulling homeowners coverage in California, citing concerns about climate change, repair costs, and Prop 103 regulations.

Background

- **Proposition 103**, a ballot initiative passed in 1988, regulates California’s insurance industry. The landmark law significantly affects the state’s insurers and policyholders.

- Under Prop 103, insurers need prior approval from the California Department of Insurance to raise rates.

- In early 2023, some auto insurance companies pulled back coverage, saying the Proposition 103 and increasing car repair costs make business unsustainable. **GEICO** closed all its California offices, **Progressive** stopped advertising in the state, and **State Farm** stopped giving car insurance quotes over the phone.
Why are insurance companies leaving California?

California auto insurers are still feeling the fallout of a more than two-year-long freeze on insurance rate increases. Proposition 103 requires regulator approval to raise premiums, but insurance companies say **the current rates are unsustainable**.

Financially strained insurers cite the high price of parts, a **labor shortage**, and the increase in traffic accidents post-pandemic, and say the current premiums don’t reflect 2023 costs.

California’s insurance industry was further rattled when two major insurers, State Farm and Allstate, stopped homeowners insurance sales in the state. In addition to pointing to more frequent **natural disasters** due to **climate change**, home insurers say rates haven’t kept up with the rising cost of repairs and inflation.
The future of California auto insurance

Policyholders should expect higher premiums as regulators lift COVID-19 moratoriums on insurance hikes.

After blocking rate increases for more than two years, the Department of Insurance approved 6.9% increases for Allstate, Progressive, GEICO, Mercury, and State Farm. According to Consumer Watchdog, California’s 2.1 million GEICO policyholders face an average annual premium increase of $125.

With major insurers halting homeowners coverage in the state due to financial losses, auto insurance could soon follow.

The impact of climate change

Californians could see more climate change-related increases in the coming years. The California Climate Insurance Working Group, enacted by state legislation, makes recommendations to reduce the cost of wildfires, extreme heat, and flooding.

If the group successfully reduces the financial strain of climate change on insurers, it could serve as a model for other states ravaged by natural disasters — like Florida.
Case Study: Florida

Auto insurance rates continue to climb in 2023, and a homeowners insurance crisis is causing major insurers to halt coverage in the state.

Legislative Changes

On March 24, 2023, Gov. Ron DeSantis signed HB 837 into law. Proponents of Florida Tort Reform say HB 837 will reduce frivolous lawsuits and financial strain on the insurance industry. Opponents say the changes take power away from policyholders by making it more difficult to hold insurers accountable for denied or underpaid claims.

Background

- **Personal injury protection (PIP)** coverage, also called no-fault insurance, covers medical bills and lost wages if you or your passengers are injured in a car accident, regardless of fault.

- Florida is one of 13 states that require PIP insurance. In no-fault states, policyholders sue their own insurers if they believe a claim is wrongfully denied or underpaid.

- Florida’s insurance companies are strained. Multiple insurers have been declared insolvent, and major companies like Progressive are scaling back coverage in the state.
HB 837: Implications for insurers and drivers alike

HB 837 has significant implications for insurers and policyholders, including:

The end of one-way attorney fees

- **Policy change:** HB 837 ended one-way attorney fees designed to level the financial playing field between policyholders and insurers.
- **Before:** Customers who sued insurers for denied or underpaid claims were entitled to attorney fees if they received any amount of recovery.
- **After:** Plaintiffs are responsible for their legal fees, which proponents say will reduce frivolous litigation.

Modified comparative negligence

- **Policy change:** Pure comparative negligence previously allowed plaintiffs to claim damages even if they were at fault for the majority of the accident. HB 837 has now modified this comparative negligence.
- **Before:** If plaintiffs were found 99% at fault for an accident, they could still claim damages for the remaining 1%.
- **After:** If a plaintiff is 50% at fault or more, they can’t recover any damages.

Capped medical coverage rates

Medical coverage caps at 1.7 times the Medicaid rate, which is below what some specialists, like spinal surgeons, charge. If a policyholder is awarded medical compensation from suing an insurer, it might not be enough to cover the care required to recover, leaving the plaintiff with a major out-of-pocket expense.

Negligence doesn’t equal bad faith

Mere negligence or a mistake by insurers doesn’t equate to “bad faith,” protecting companies from lawsuits for minor errors in the claims adjustment process.
Methodology

To create Insurify’s 2023 Mid-Year Auto Insurance Trends Report, the research team at Insurify examined more than 90 million rates from car insurance applications in its proprietary database over the past five years.

Insurify driver applications originate from all 50 states and Washington, D.C., and include information on the exact coverage specifications of each driver's quoted policies.

The premiums recorded on Insurify's comparison platform are quoted via integrations with insurance companies. Average premium costs by location reflect the median value of all premiums that insurance companies quoted to drivers within that subset.

All statistics and percentages in this report are based on Insurify surveys and customer data, unless otherwise stated.

Unless otherwise noted, liability-only premium averages correspond to policies with bodily injury limits between state-minimum rates and $50,000 per person, $100,000 per accident; property damage limits between $10,000 and $50,000; and no additional coverage. Full-coverage premium averages correspond to the same bodily injury and property damage limits in addition to comprehensive and collision coverage deductibles of $1,000.

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