

March 28, 2022



WHY ARE AUTO INSURANCE RATES GOING UP? RECENT HEADLINES

FORTUNE

<https://fortune.com/2022/03/15/auto-insurance-rates-jump-20-percent-could-go-higher/>

Auto insurance rates jump as much as 20% in some states—and could go even higher

Insurance BUSINESS AMERICA

<https://www.insurancebusinessmag.com/us/news/breaking-news/>

Allstate reveals plans to raise auto insurance rates (5% Average across US 2022)

Bankrate

<https://www.bankrate.com/insurance/car/rate-increases-in-2022/>

Auto insurance rates are increasing in 2022. Here's how to prepare.

(Good article on why rates are increasing. It's not your driving record..)

Inflation

Perhaps the biggest driver of higher 2022 car insurance premiums is inflation. Between December 2020 and December 2021, the Consumer Price Index (CPI) rose 7.0%. This means that, on average, we are spending 7.0% more than we were a year ago for the same goods and services.

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Inflation pounded the new and used vehicle markets in 2021. The price for new cars and trucks rose by 11.8% between December 2020 and December 2021, while the used car and truck market saw a staggering 37.3% increase. Vehicles are also much more complex than they used to be, which adds to the overall cost of ownership. Even small accidents can cause hundreds or thousands of dollars worth of damage to delicate electronics that require specialized repairs.

Vehicle costs aren't the only thing struck by inflation. The cost of healthcare is also on the rise. The Centers for Medicare & Medicaid Services reports that healthcare spending increased 9.7% in 2020, the most recent year with available data. This means that when someone is injured in a car accident, the resulting medical costs are greater than what they were in previous years.

Because car insurance is designed to pay for the costs after an accident — including both property damage and medical costs — anything that raises these costs is likely to raise rates. Insurers need to make sure they have enough funds to pay claims, so when inflation hits, car insurance rates are affected.

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Supply chain disruptions

The last few years have created a perfect storm to disrupt supply chains. COVID-19 shutdowns caused decreasing demand in certain industries in 2020. With fewer people on the road and cars generally getting less use, there was a decrease in the need for vehicle parts. Then, an ice storm in February 2021 knocked out plants and factories across the South, the Suez Canal was blocked for six days in March 2021 and people began to return to a more normal level of driving, which caused increased demand but decreased supply. The auto industry has been one of the hardest-hit sectors. “Parts are more expensive, labor is more expensive and repair costs overall are more expensive,” Ellis says. Perhaps the most evident of these vehicle-related supply chain disruptions was the difficulty in obtaining semiconductors. Semiconductors, often called “chips,” are used in a wide array of vehicle applications, including driver assistance systems, entertainment systems and electronic mechanisms. In December 2021, over 50 business leaders — including executives from American Honda Company, Ford Motor Company, General Motors and Toyota Motor North America — sent a letter to Congress urging the governing bodies to encourage the U.S. to create its own semiconductor research, design and production methods, to increase the supply of semiconductors and available jobs.

Labor shortages

Along with supply chain issues making parts harder to find, labor shortages have made skilled workers harder to find as well. The Bureau of Labor Statistics reports that unemployment is at 3.9% as of December 2021 — sharply down from the April 2020 peak of 14.7%, but not yet back to pre-pandemic levels of 3.5%. The “Great Resignation” has also pushed workers to reconsider their career paths, with many labor shortages caused not by unemployment but by workers switching jobs.

Fewer workers can contribute to rising insurance costs. When fewer people do any given job, including vehicle repair and healthcare jobs, pay rates often increase as an incentive. For example, perhaps a mechanic used to repair bumpers for \$100. Now, that same mechanic is working longer days and taking less time off to make up for a reduced workforce. To compensate, the mechanic now charges \$300 to cover the same repair. Because the repair costs more, insurance companies may increase rates to prepare for higher claims expenses.

Changing driving habits

As we hunkered down at the start of the COVID-19 pandemic in early 2020, the country saw an unprecedented reduction in driving levels. Many households stopped commuting to work, school and activities. Streets were quieter and accidents were fewer. As a result, many insurance companies refunded some premiums to policyholders.

However, Friedlander points out that

“In 2021, we saw a return to pre-pandemic driving patterns which led to a significant increase in auto insurance claims and accident severity. In fact, the National Highway Traffic Safety Administration reported an 18.4% increase in fatal crashes during the first six months of 2021 compared to the first six months of 2020 — the highest percentage increase on record.”

This pendulum swing of driving habits may mean insurance carriers need to rebuild their claim reserves — the money set aside and earmarked for paying losses — which could mean higher premiums.

Average cost of car insurance in Virginia



Written by Cynthia Paez Bowman

Dec. 30, 2021

Virginia car insurance rates by company

Bankrate collected premium data from Quadrant Information Services for insurance companies in Virginia. Because each company has its own rating algorithm, prices vary for the same coverage:

Car insurance company	AVG RANK	Average annual premium for full coverage	Rank	Average annual premium for minimum coverage	Rank
Nationwide	4	\$770	1	\$357	7
USAA	2	\$890	2	\$294	1
Travelers	6	\$910	3	\$361	8
Progressive	7	\$945	4	\$364	9
Virginia Farm Bureau	8	\$984	5	\$366	10
State Farm	5	\$993	6	\$331	3
Erie	6	\$1,025	7	\$350	5
Alfa	6	\$1,043	8	\$331	4
Donegal	10	\$1,203	9	\$379	11
Geico	6	\$1,227	10	\$309	2
Mercury	9	\$1,239	11	\$353	6
Allstate	12	\$1,421	12	\$466	12
Cincinnati Insurance	13	\$1,584	13	\$475	13
MetLife	14	\$1,885	14	\$754	14
Kemper	16	\$2,386	15	\$946	16
Electric Insurance Company	16	\$3,308	16	\$918	15

<https://www.bankrate.com/insurance/car/average-cost-of-car-insurance-in-virginia/>

HISTORICAL RATES ACTIVITY IN VIRGINIA



HOWEVER DUE TO MANY FACTORS MENTIONED ABOVE RATES ARE EXPECTED TO INCREASE 5% OR MORE IN 2022.