



# INSURANCE

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## OFFICE OF CENTRAL OHIO

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### Why Is My Car Insurance So Expensive?

There are a multitude of reasons why your car insurance premiums seem to be rising annually. The most common are:

- **Increased Cost of Claims:** The average repair bill for a traditional vehicle today runs \$4,437, according to auto insurance processing company CCC Intelligent Solutions. For an electric vehicle, the average fix is 49% higher, or \$6,618. Insurance companies watched the average insurance claim soar 64% from 2018 to 2022. Example: A Toyota Camry, redesigned and upgraded its front bumper back in 2018, it went from having 18 parts to 43, including sensors for the advanced driver-assist system. As a result, it now costs 43% more to repair a Camry.

Additionally, snarled supply chains, parts shortages and a tight labor market that's led to rising wages for auto mechanics, further increase repair costs. And with longer repair times, there is increased demand for rental cars which has led to those costs escalating as well.

- **More Fatalities:** From 2018-2022 the number of deadly automobile accidents rose more than 16%. Large increases in speeding among young men, faster vehicles, heavier vehicles, increased road rage, distracted driving (i.e. texting) and impaired driving are all contributing to this. Why does this affect your insurance? Because according to recent statistics, insurers are paying out an average of \$1.5 million in liability claims per death.
- **More Drivers on the Road:** As driving increases, so does the chance of car accidents—and the odds that insurance companies will have to fork over more payouts. The National Safety Council reports that the number of miles driven in May 2023 increased by 2.5% compared to May 2022. Annual mileage is 30% higher than in 2020, when the country was largely locked down.
- **Companies trying to remain solvent:** Auto insurance is unprofitable for most insurance carriers. Between 2020 and 2023, auto rates have gone up 17% while the vehicle cost index has increased by 30%. Regulators are trying to keep insurance premiums low enough for drivers to afford them while also keeping insurance companies solvent, so they can keep paying claims. The Insurance Information Institute says auto insurers paid \$1.12 in claims in 2022 for every dollar they collected in premiums. In 2023, that ratio is expected to have been \$1.09.