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New Study Finds Improvement in Automobile Insurance Affordability at All Income Levels

MALVERN, Pa.—Dec. 2, 2013—Affordability of automobile insurance improved during the previous decade for both middle- and low-income consumers in the United States, according to a new study from the Insurance Research Council (IRC). All but six states experienced an improvement in auto insurance affordability from the 1990s to the 2000s, and all 50 states and the District of Columbia saw affordability improve from the period 2001–05 to the period 2006–10.

In the study, *Auto Insurance Affordability*, the IRC analyzed the latest auto insurance expenditure data from the National Association of Insurance Commissioners and income data from the U.S. Census Bureau to measure and track changes in auto insurance affordability. Using the ratio of average auto insurance expenditures to income, the IRC documented significant improvement in auto insurance affordability for middle- and low-income groups.

The IRC employed a multivariate statistical model to better understand the factors and conditions that may have contributed to the improvement in auto insurance affordability. Based on the model, greater affordability was found to be associated with more competitive auto insurance markets, less regulation of insurance prices, smaller residual markets, moderate compensation for injuries, lower rates of uninsured motorists, and lower unemployment rates.

“There has been increased interest from policymakers and others regarding auto insurance affordability over the past few years; and yet, little factual evidence has been brought to bear on the issue,” said Patrick Schmid, director of research for the IRC. “With this study, we now have an objective way to measure changes in auto insurance affordability in and among states. The findings show that affordability has been improving and points to several factors that may be driving that improvement.”

For more detailed information on the study’s methodology and findings, contact David Corum at 484-831-9046 or by email at irc@TheInstitutes.org. Copies of the study are available in electronic format for \$300 or in printed format for \$400. Visit IRC’s website at www.insurance-research.org for more information.

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