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Trends Indicate Auto Insurance is Becoming More Affordable for All Income Groups

MALVERN, Pa.— Personal auto insurance has become more affordable over time for all income groups, including low-to-moderate income (LMI) groups, according to a new report from the Insurance Research Council (IRC). In addition to documenting that auto insurance has become more affordable for both the nation as a whole and across states, the study also showed that the degree of improvement in auto insurance affordability is not being witnessed in other critical industries.

The study, *Trends in Auto Insurance Affordability*, used an auto insurance expenditure-to-income ratio to analyze auto insurance affordability. The report's findings do not prescribe a specific threshold at which auto insurance may be considered affordable. Instead, it examines trends in affordability, thereby reducing the inherent subjectivity involved in affordability analysis. The auto insurance expenditure-to-income ratio was calculated using insurance expenditure data from the National Association of Insurance Commissioners and, alternatively, from the Bureau of Labor Statistics Consumer Expenditure Survey. Both methods revealed dramatic improvements in national auto insurance affordability over the long-term for average and low-to-moderate income consumers. Currently, about 1.5 percent to 1.6 percent of income is spent on auto insurance in the U.S. (depending on the data set used) by the average consumer, which represents much lower figures than seen in previous decades. LMI consumers have also witnessed similar trends.

The study includes state estimates indicating that auto insurance affordability has also been improving in most states. All but five experienced improved affordability from the 1990s to the 2000s, and all but four have shown an improvement in affordability between the 2000s and the present. Affordability does vary across states, however. According to the report, auto insurance was least affordable in Louisiana (2.85 percent of income), Florida (2.45 percent), New York (2.42 percent), Delaware (2.18 percent) and Michigan (2.10 percent). The most affordable states were found to be North Dakota (1.03 percent of income), Iowa (1.05 percent), New Hampshire (1.06 percent), Virginia (1.07 percent) and Wyoming (1.08 percent).

The report compares affordability trends for auto insurance to the affordability trends for other industries whose products or services are considered necessities. Auto insurance was found to represent a smaller percentage of the average consumer's budget and LMI consumer's budget. It also has had largely unprecedented affordability improvements over time.

“There is a lot of interest in the affordability of auto insurance on the part of consumers, policymakers and regulators. This report adds to the discussion, showing that auto insurance is becoming more and more affordable,” said Elizabeth Sprinkel, senior vice president of the IRC.

For more detailed information on the study’s methodology and findings, contact David Corum at IRC@TheInstitutes.org or by phone at (484) 831-9046. For more information about how to purchase the report, visit the IRC’s website at www.insurance-research.org.

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NOTE TO EDITORS: The Insurance Research Council is a division of the American Institute For Chartered Property Casualty Underwriters (The Institutes). The Institutes are the leader in delivering proven knowledge solutions that drive powerful business results for the risk management and property-casualty insurance industry. Institute knowledge solutions include the CPCU designation program; associate designation programs in areas such as claims, risk management, underwriting, and reinsurance; introductory and foundation programs; online courses; research; custom solutions; assessment tools; and continuing education (CE) courses for licensed insurance professionals and adjusters through its CEU business unit. The IRC provides timely and reliable research to all parties involved in public policy issues affecting insurance companies and their customers. The IRC does not lobby or advocate legislative positions. It is supported by leading property-casualty insurance organizations.

