

Insights into auto rate increases

Discussing and educating customers about premium increases

Countrywide auto insurance rates are on the rise. In fact they are increasing at a rate that the industry hasn't experienced in more than a decade. According to the Zebra, national car insurance rates in 2019 were higher than ever before, with an average annual premium of \$1,470. Rates in 2019 were 23% higher than in 2011, and they've risen consistently every year since 2013. There are **5 primary factors** contributing to the increase. Below are the factors with reference to where the information and statistics were obtained.



1. Gas prices

- Record low gas prices are leading to record consumption levels. This means people are driving more miles, which is leading to more accidents. According to the National Safety Council, an estimated 40,200 people died in accidents involving motor vehicles in 2016, a 6% rise from 2015. Miles driven played a major role in this increase.
- Data reported by the Federal Highway Administration shows that U.S. driving topped 1.58 trillion miles in the first six months of 2017, continuing a streak of steadily increasing vehicle miles traveled that began in 2011.



2. Rising employment

- Robert Hartwig, president of the Insurance Information Institute (III), stated the improving economy is putting people on the road for longer hours and more miles. He said, "People drive to and from work and drive to entertainment." He added, "When they are out of work, they curtail their movement."



3. Distracted drivers:

- According to a recent AT&T survey of subscribers, over 70% of drivers admit to using their smartphones while driving & 61% of respondents stated that they text behind the wheel. Even more disturbing 37% check e-mail, 28% surf the web, 27% use Facebook & 17% take selfies.

All this has led to more accidents and in some cases some very severe & costly occurrences.

- According to research released by AAA Foundation for Traffic Safety, a February 2016 report found about 87% of drivers engaged in at least one risky behavior behind the wheel within the past month, including using handheld cell phones or not wearing seat belts.

Source: CNBC News.



4. Increased cost of insurance claims:

- Increased cost of vehicle repairs:

"Today's cars are more sophisticated, which makes them more expensive to repair. Cars have improved safety technology and are installed with high-tech computers. Body shops must use advanced diagnostic tools that require specialized training by technicians, which increase labor cost."

Source: "Dealing With the Rising Cost of Car Crashes" National Underwriters Property & Casualty, Property Casualty 360. Jan. 28, 2016

- According to the Insurance Information Institute, from 2008 to 2016, figures show that average paid bodily injury liability claim increased by 15%, from \$14,067 to \$16,141.
- According to the National Safety Council, In 2017, 273 million vehicles were registered and 40,231 people were killed nationwide. The council also noted that motor vehicle deaths remained steady in 2017 after two consecutive years of increases greater than 6.5%.

"Auto insurance rates have increased by 23% from 2011 to 2019."

— The Zebra



5. Low interest rates:

Over the last decade for every dollar in auto premium the insurance industry has collected from policyholders it has paid out approximately \$1.01 between paying claims & overhead expenses. The industry's profit has been driven by investment income. P&C insurance companies primarily invest in US bonds. Interest rates today are at historical lows which is challenging for industry profitability. Today companies are focused on improving their operating performance which requires companies to address rates.

These combined factors are leading contributors to the increases in rates across the country. It is the responsibility of the insurance agent to be prepared to discuss premium changes with their customers and educate them on options to assist in ensuring that customers are adequately covered in the event of a loss.

Offering a customer a **policy review** prior to policy renewal to look for coverage gaps and discuss any potential premium increases will help your retention. While reviewing the policy, look for potential discounts to help lower their auto premium.



Potential discounts (not all inclusive) to help lower auto premium include:

- MyJourney®
- The customer would get the enrollment discount of up to 10% and at their next renewal they could be eligible to receive an adjusted discount of up to 30% going forward¹. They can enroll any time prior to the renewal process date. They will need to download the app, register, and accept terms and conditions. They must also participate for 6 months in order to keep the discount. The enrollment discount will range from 5-10% and that is just for participating in the program. Depending on how the customer drives, the enrollment discount is replaced at the first renewal with a MyJourney discount ranging from 0-30%.
- ExpressIT® Automatic Payment Plan²
- Multi-Policy Discount
- Multi-Vehicle Savings
- Package Policy — discounts
- Deductibles: An additional way to decrease premium is to increase the deductible on a policy

1. Discounts provided on certain coverages in your auto policy, including Bodily Injury, Property Damage, Medical Expense, Uninsured and Underinsured Motorists, Comprehensive and Collision. Renewal discount based on your driver score generated by the mobile app used in the My Journey program. Discount percentage levels may vary by state.
2. Not available in all states for retail.

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