

# Car and truck insurers confront rapidly rising claims costs, according to S&P Global Market Intelligence's annual U.S. Auto Insurance Market Report

NEW YORK, Sept. 30, 2021 /PRNewswire/ -- Sharply higher costs to repair and replace vehicles will cause insurance companies' underwriting profit margins to narrow significantly, projects S&P Global Market Intelligence's annual US Auto Insurance Market Report.

Published by S&P Global Market Intelligence's Financial Institutions Group (FIG) Research team, the report spotlights the unprecedented effects of Covid-19 on the personal and commercial auto insurance business. The analysis finds that the benefits from lower levels of motor vehicle travel may be as fleeting as they were significant. The number of automobile crashes is rebounding toward pre-pandemic levels, and the average cost to settle claims, is rising as costs for motor vehicle body work and used vehicles increase rapidly.

**S&P Global**  
Market Intelligence

"Auto insurers provided estimated premium relief of as much as \$16.4 billion to their customers in 2020 as Covid-19 curtailed commuting and leisure travel," said Tim Zawacki, principal analyst for FIG at S&P Global Market Intelligence. "In 2022, some of those customers may face higher auto insurance rates as carriers respond to a return to normal driving patterns and claims costs continue to climb."

Key highlights from the report include:

- Greater use of technology favors more stable and predictable auto insurance results over the long term. The various ways that technology will benefit the industry include increased consumer and trucker acceptance of telematics and the continued deployment of advanced safety equipment across the domestic vehicle fleet. But the industry must first navigate near-term volatility related to the pandemic.
- Combined ratios, the key measure of property and casualty industry underwriting profitability, will normalize in the personal and commercial auto insurance businesses in 2021 due to inflationary pressures and the year-over-year increase in the number of vehicles on the road. Over time, the outlook assumes resolution of the underlying supply chain disruptions that are driving the rapid inflation.
- Some auto insurers will continue to pursue sizeable rate increases in response to the adverse claims trends. The report projects growth in personal auto direct premiums written of 3.1% in 2021 and 5.4% in 2022. Commercial auto premiums are projected to rise 14.2% in 2021 before slowing to 8.4% in 2022.

<b>US private auto key measures of growth and profitability</b>	<b>2019A</b>	<b>2020A</b>	<b>2021P</b>	<b>2022P</b>	<b>2023P</b>
Direct premiums written growth (%)	2.9	-1.5	3.1	5.4	4.6
Loss and loss adjustment expense ratio (%)	75.5	66.3	75.5	76	76.4
Combined ratio (%)	98.8	92.5	99.3	99.6	99.9

Data compiled Sept. 14, 2021.

A = actual results; P = projected results

Actual results based on the aggregation of disclosures in annual statutory financial statements, subject to certain proprietary adjustments.

Sources: S&P Global Market Intelligence; proprietary estimates

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To request a copy of the 2021 U.S. Auto Insurance Market Report, please contact [pressinquiries.mi@spglobal.com](mailto:pressinquiries.mi@spglobal.com).

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