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.

S&P Global Market Intelligence

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.

"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.

US private auto key measures of growth and profitability	2019A	2020A	2021P	2022P	2023P
Direct premiums written growth (%)	2.9	-1.5	3.1	5.4	4.6
Loss and loss adjjustment 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 © 2021. S&P Global Market Intelligence. All rights reserved.

To request a copy of the 2021 U.S. Auto Insurance Market Report, please contactoressinguiries.mi@spglobal.com.

S&P Global Market Intelligence's FIG Research team provides independent forecasts and real-time analysis of the banking, insurance and financial technology sectors, across multiple geographies, leveraging the deep sector knowledge of its analysts. The FIG offering complements S&P Global Market Intelligence's broad universe of research sector coverage including energy, enterprise technology, leveraged loans, metals & mining and TMT (Technology, Media and Telecom).

S&P Global Market Intelligence's opinions, quotes, and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendation to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security.

About S&P Global Market Intelligence

At S&P Global Market Intelligence, we understand the importance of accurate, deep and insightful information. We integrate financial and industry data, research and news into tools that help track performance, generate alpha, identify investment ideas, perform valuations and assess credit risk. Investment professionals, government agencies, corporations and universities around the world use this essential intelligence to make business and financial decisions with conviction.

S&P Global Market Intelligence is a division of S&P Global (NYSE: SPGI), the world's foremost provider of credit ratings, benchmarks and analytics in the global capital and commodity markets, offering ESG solutions, deep data and insights on critical business factors. S&P Global has been providing essential intelligence that unlocks opportunity, fosters growth and accelerates progress for more than 160 years. For more information, visit www.spglobal.com/marketintelligence.

Media Contact

Amanda Oey S&P Global Market Intelligence +1 212-438-1904 amanda.oey@spglobal.com

SOURCE S&P Global Market Intelligence

https://press.spglobal.com/2021-09-30-Car-and-truck-insurers-confront-rapidly-rising-claims-costs,-according-to-S-P-Global-Market-Intelligences-annual-U-S-Auto-Insurance-Market-Report