RESEARCH BRIEF
March 27, 2025

INSURANCE RESEARCH COUNCIL
Affiliated with The Institutes

Personal Auto Insurance Affordability: Countrywide Trends and State Comparisons

Auto insurance is viewed as a necessity by many individuals, and almost all states require drivers to maintain minimum coverage. Therefore, the affordability of auto insurance continues to be an important public policy issue.

This Brief updates previous Insurance Research Council (IRC) work on auto insurance affordability, showing trends in auto insurance affordability through the most recent data in 2022 and including projections for 2023 and 2024. This Brief also shows the wide range of affordability across states. These differences in affordability are ultimately driven by underlying costs, and examining the cost drivers in different states can uncover opportunities for improving affordability for all consumers.

The IRC calculates an index to measure the affordability of auto insurance. The affordability index is the ratio of average auto insurance expenditures to median household income. It measures the proportion of household income going to pay for auto insurance, where a higher index indicates less affordable insurance. Data for median household income are from the U.S. Census Bureau. Average auto insurance expenditures data are published by the National Association of Insurance Commissioners (NAIC)[1]. While some studies of affordability estimate insurance costs by gathering rating quotes for minimum coverage, the NAIC measure provides an estimate of what consumers spend per insured vehicle. As such, the data reflects differences among states in terms of coverage requirements, policy selections, tort laws, and other factors.

The goal of calculating an affordability index is not to establish a particular threshold level at which auto insurance becomes affordable or unaffordable. Such a threshold would be subjective, as different parties can reasonably disagree about what would constitute affordable insurance. Rather, the index is a tool to measure and compare auto insurance affordability over time and across jurisdictions.

[1] National Association of Insurance Commissioners, *Auto Insurance Database Report 2021/2022*, January 2025, (https://content.naic.org/sites/default/files/publication-aut-pb-auto-insurance-database.pdf).

This analysis looks at the affordability of auto insurance for the overall population and does not address the issue of affordability among underserved populations. Affordability trends among minority and lower income consumers is an important topic but requires the examination of more granular data than the countrywide and statewide data presented in this analysis. Moreover, it is important to note that affordability for traditionally underserved consumers is ultimately determined by underlying costs, just as it is for the overall population.

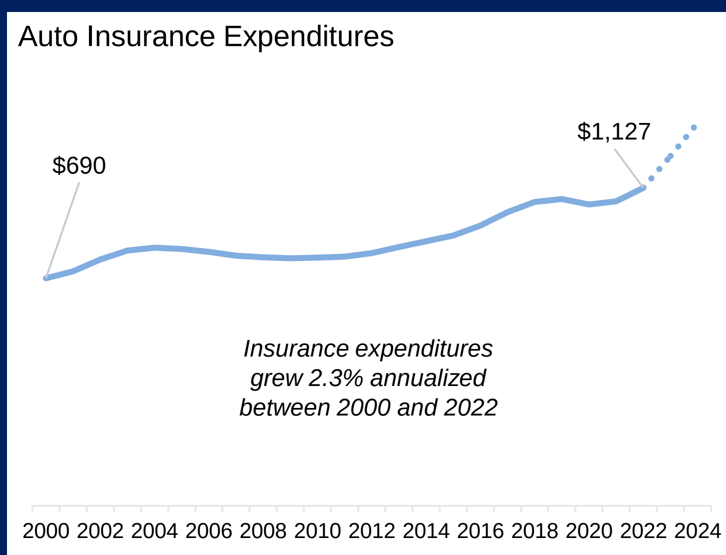
Trends in Auto Insurance Losses, Premiums, Expenditures

In 2022, the most recent year for which data are available, the average auto expenditure per vehicle was $1,127, a 6.1 percent increase from 2021. Between 2000 and 2022, insurance expenditures grew 2.3 percent annualized.

To reflect the more recent escalation in insurance claim costs and resulting premium increases, this Brief incorporates projections for 2023 and 2024. The auto insurance landscape has changed dramatically in the years since the onset of the COVID-19 pandemic. Insurance losses soared in 2021 and 2022 as miles travelled began to recover, boosted by high rates of overall economic inflation, rising severity in injury claims from deteriorating driving behavior and legal system abuse, and escalating vehicle repair and replacement costs from supply chain disruptions. As a result, personal auto losses increased 14 percent annualized between 2020 and 2024. In comparison, personal auto premiums rose 9 percent annualized.

With Losses Soaring Since 2020, Expenditures on the Rise

Source: S&P Global with 2024 projections



Source: IRC calculations based on data from NAIC and BEA, with 2023 and 2024 projections from Insurance Information Institute

Countrywide Trends in Affordability

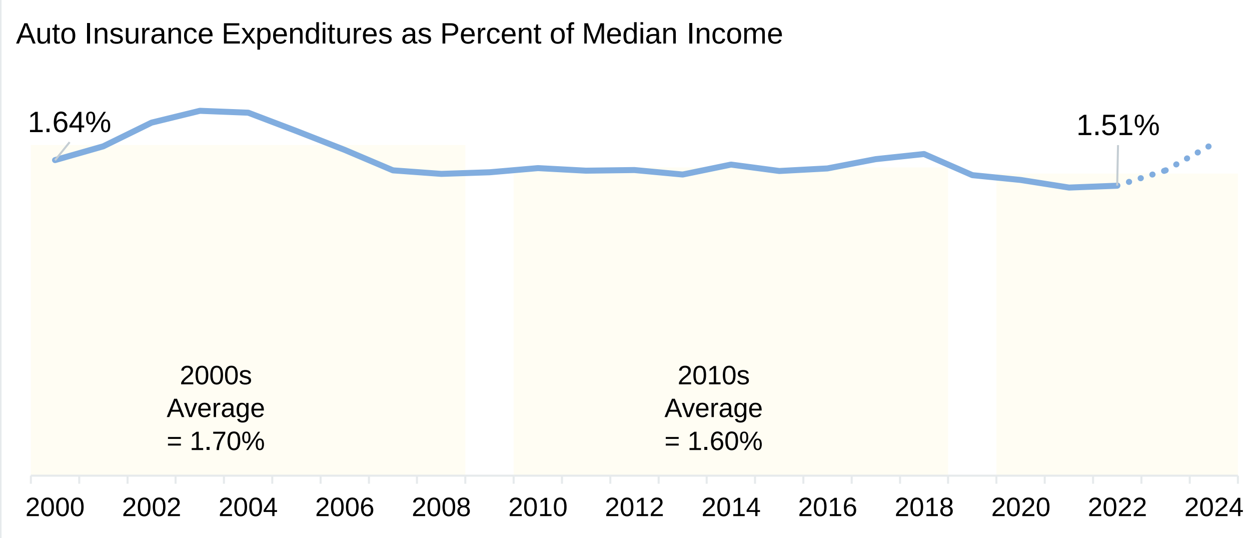
Insurance affordability depends not just on the level of insurance expenditures but also the extent to which spending on insurance fits within a household's budget. Thus, insurance affordability is measured by the ratio of auto insurance expenditures to median household income, or the share of a household's budget that is spent to insure a vehicle.

In 2022, the most recent year for which data are available, average expenditures were $1,127, and median household income was $74, 580. Thus, U.S. households spent 1.51 percent of their income per vehicle on auto insurance, a slight increase from the previous year.

Looking at long-term trends, auto insurance affordability improved over the past two decades. Between 2000 and 2022, median household income grew somewhat faster than auto insurance expenditures, causing the expenditure share of income to decline from 1.64 percent in 2000 to 1.51 percent in 2022. In other words, auto insurance was somewhat more affordable in 2022 than in 2000.

With the recent increases in insurance costs, affordability is projected to deteriorate in 2023 and 2024. The expenditure share is projected to increase to approximately 1.6 percent in 2023 and 1.7 percent in 2024, a significant increase from the low in 2021 but still below the peak of 1.9 percent in 2003.

Affordability Is Better Than in 2000s, Even With Recent Increases



Source: IRC calculations based on data from NAIC and BEA, with 2023 and 2024 projections from Insurance Information Institute

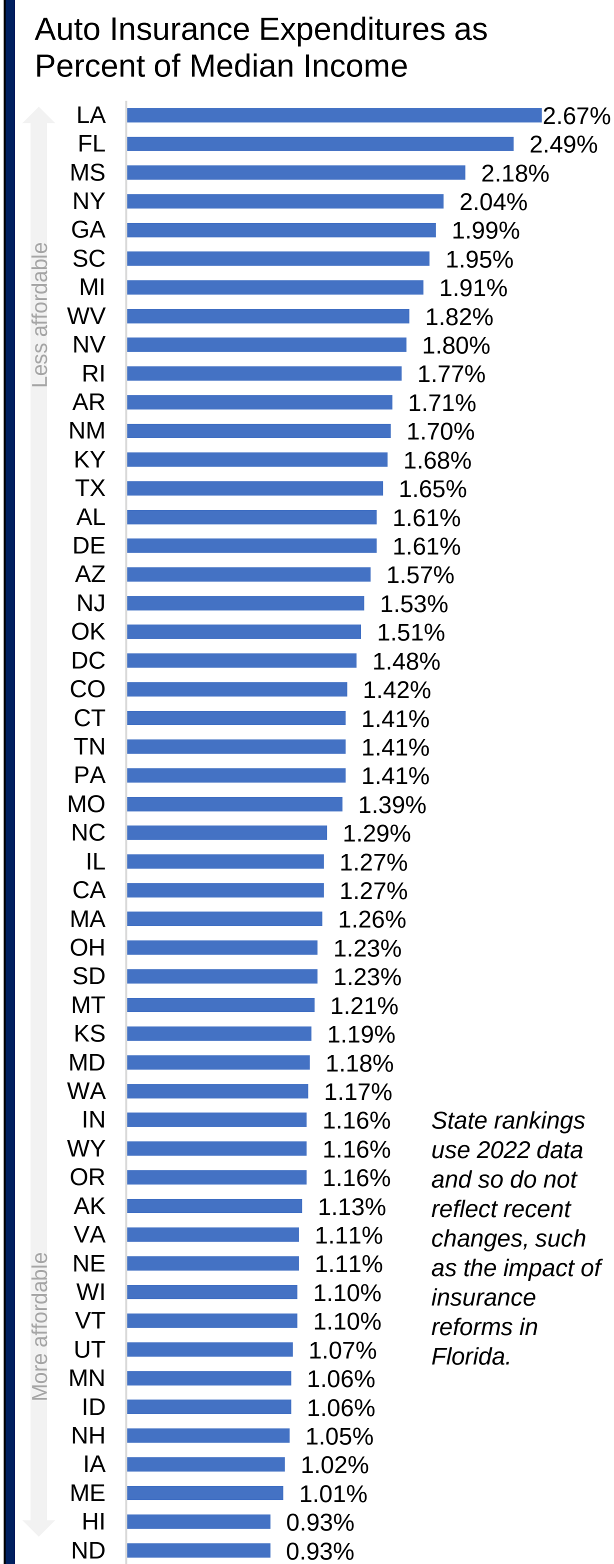
State Affordability Rankings

Across jurisdictions in the United States, auto insurance affordability ranges widely. In 2022, auto insurance was most affordable in North Dakota, where households spent 0.93 percent of income on insurance. Other states with low expenditure-to-income ratios included Hawaii, Maine, Iowa, and New Hampshire. The least affordable state in 2022 was Louisiana, with an index value of 2.67 percent. Rounding out the top five least affordable states were Florida, Mississippi, New York, and Georgia.

Because the index is a ratio, some states exhibit high average insurance expenditures but rate lower on the affordability rankings because of above-average median income. Other states are high in the ranks of least affordable states by having low median household income. For example, Mississippi's auto insurance expenditures were 6 percent below the countrywide average, but its median household income is the lowest in the nation; as a result, Mississippi was the third least affordable state for auto insurance in 2022.

Although Florida was the second least affordable state for auto insurance in 2022, the state has made recent progress in improving affordability. In 2022 and 2023, Florida passed several key reforms that have led to significant decreases in claims lawsuits, increases in the number of insurers in the market, among other positives. For more information see the Insurance Information Institute's research, [Trends and Insights: Florida Reforms Bear Fruit as Premium Rates Stabilize](#).

States Differ Dramatically in Auto Insurance Affordability



Cost Drivers

The affordability of auto insurance is ultimately determined by the key underlying cost drivers. The specific factors driving high insurance costs can vary from state to state.

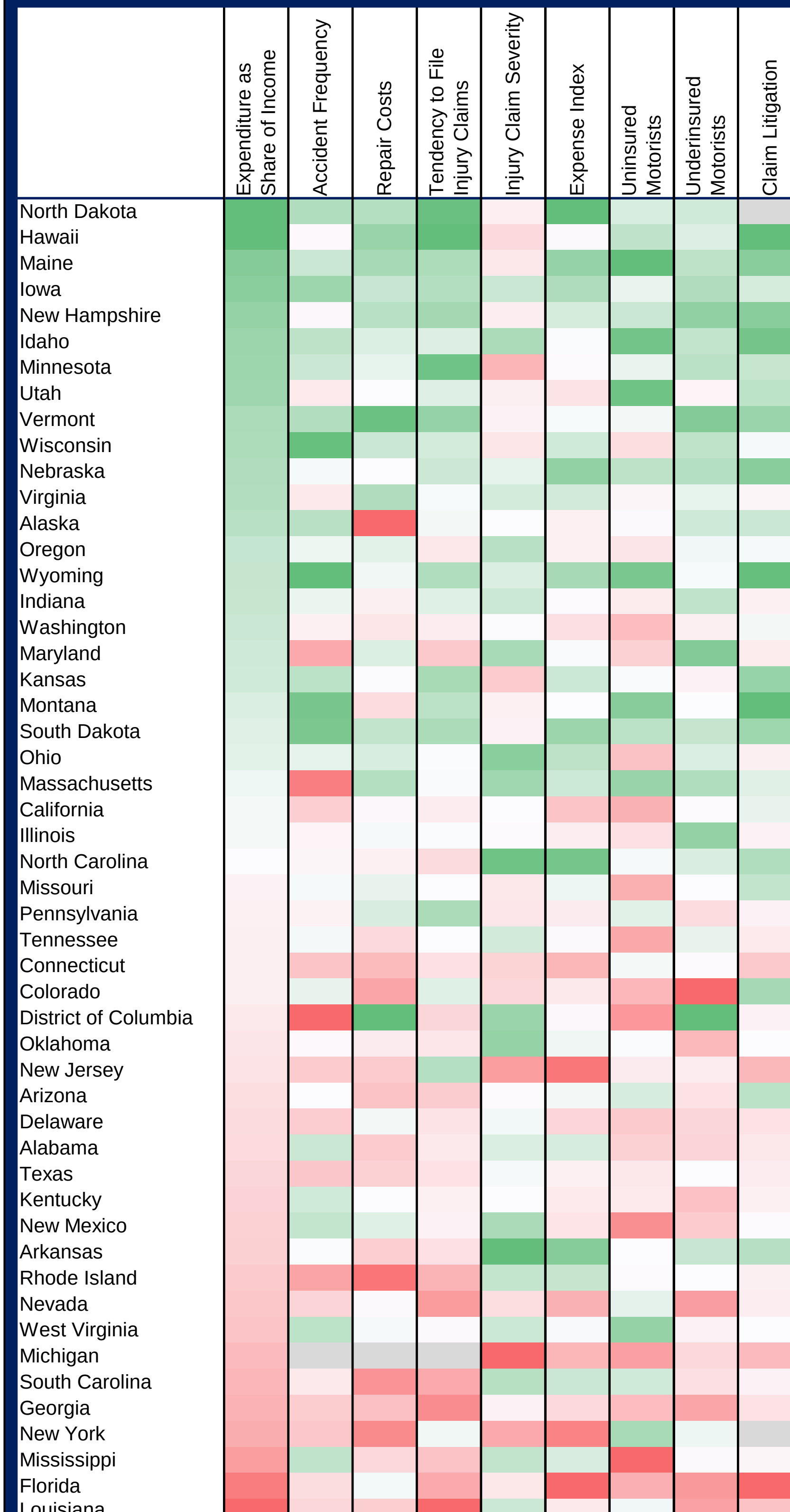
The table lists many of these key cost drivers, with color-coding to represent where each jurisdiction rates relative to the rest of the country. Full descriptions of each driver are on the following page.

The red highlights show that the states with higher expenditure-to-income ratios tend to have less favorable rankings with respect to these cost drivers, while the green highlights illustrate the more favorable rankings among the more affordable states.

This visual evidence shows the importance of these factors in determining overall auto insurance affordability. Cost driver analysis can provide direction for policymakers in individual states exploring ways to improve the affordability of auto insurance in their specific jurisdictions.

Cost Drivers by State in Order of Affordability

(see notes on next page)



Cost Driver Descriptions

Accident frequency: Varying traffic density, road conditions, and other factors lead to more frequent accidents in some states. Differences in accident frequency are approximated by showing each state's number of property damage liability claims filed per 100 earned car years. The source is the Fast Track Monitoring System; data are from 2023.

Repair costs: The cost of repairing vehicles varies across states. The table shows the median claim payment amount for private passenger auto property damage liability and collision claims combined. The source is the Fast Track Monitoring System; data are from 2023.

Tendency to file injury claims: The propensity to file an injury claim tends to be higher in less affordable states. The ratio of bodily injury (BI) liability claim frequency to the frequency of auto property damage (PD) liability claims provides a measure of the likelihood an injury claim being filed that accounts for differing accident rates. The source is the Fast Track Monitoring System; data are from 2023.

Injury claim severity: The amount paid per claim for auto injury insurance claims is a key cost driver. Because the mean payment is highly influenced by the policy limits in a given state, the median payment is shown. The source is the Fast Track Monitoring System; data are from 2023.

Expense Index: The amount insurers spent to process, investigate, and litigate claims (loss adjustment expenses) as a percent of incurred losses. Based on the five-year average from the NAIC's Report on Profitability by Line by State in 2022.

Uninsured motorists: High rates of uninsured motorists can be both a symptom and a cause of a system with affordability challenges. The data shown are from IRC's study *Uninsured and Underinsured Motorists: 2017 – 2023*, with 2023 being the latest year available.

Underinsured motorist: High rates of underinsured motorists can be both a symptom and a cause of a system with affordability challenges. The data shown are from IRC's study *Uninsured and Underinsured Motorists: 2017 – 2023*, with 2023 being the latest year available.

Claim litigation: Claim litigation reflects the percentage of personal auto claims with litigation, based on data from NAIC's Market Conduct Annual Statement Scorecard and measured by the ratio of suits opened to claims closed without payment multiplied by the ratio of claims closed without payment to the total claims closed.

About the Insurance Research Council

The Insurance Research Council (IRC), affiliated with The Institutes, is an independent, nonprofit research organization supported by leading property and casualty insurance companies and associations. IRC provides timely and reliable research to all parties involved in public policy issues affecting insurance companies and their customers. IRC does not lobby or advocate legislative positions.

2025 Members

Acuity Insurance
Allstate Insurance Company
American Family Insurance
American Property Casualty Insurance Association
Amica Mutual Insurance Company
Auto Club Enterprises
Celina Insurance Group
CSAA Insurance Group
Erie Insurance
Grange Insurance
The Hanover Insurance Group
The Horace Mann Companies
Liberty Mutual Group
National Association of Mutual Insurance Companies
Nationwide Mutual Insurance Company
Ohio Mutual Insurance Group
Sentry Insurance
State Farm Insurance Companies
United Services Automobile Association
Utica National Insurance Group
Wisconsin Insurance Alliance

2025 Advisory Board

Michael Robon, Chair, Liberty Mutual Group
Brigette Arnall, Allstate Insurance Company
Gavin Blair, Hanover Insurance Group
Jon Bloom, Erie Insurance
Debbie Brancel, American Family Insurance
Kelly Carty, State Farm Insurance Companies
Erin Collins, National Association of Mutual Insurance Companies
Michael Gillerlane, AMICA Mutual Insurance Company
Linsay Hohmann, CSAA Insurance Group
John Ittner, The Horace Mann Companies
Michel Leonard, Insurance Information Institute
Timothy Parker, Nationwide Mutual Insurance Company
Robert Passmore, American Property Casualty Insurance Association
Lincoln Tomlin, Auto Club Enterprises
Tony Trenzeluk, Sentry Insurance
Matthew Veibell, United Services Automobile Association
Donya Wilson, Grange Insurance