



## ICT's Response to Consumer Groups Regarding Auto Rates During the Pandemic

December 14, 2020

It's true that driving dropped in April and May as the economy closed but once the economy opened in late May and June, cars were back on the road – and if you've been on our Texas streets and freeways lately, you know that traffic has increased tremendously from those months. During those early months of the pandemic, companies could project refund, discounts, credits for the short period when most were not driving, but can't base their future rates on a snap shot of a lockdown period.

Among the factors that influence the cost of auto insurance include: type of car, increased technology, location where the car is housed, deductible, coverages, driver's age, prior tickets and other driving behaviors, therefore, **miles driven is only one piece of evaluating the total cost.**

Consider that according to **TX Dot, accidents are still occurring at high rates on Texas roads, with 10 deaths daily according to a recent news story** is primarily due to distracted and faster driving resulting in fatalities. Also, the risks to vehicles don't go away because we're driving less -- the October 2019 Dallas area tornadoes caused about \$2 billion in insured losses to homes and vehicles. On November 30, we just closed the page on one of the most active Hurricane Seasons in history; **hail and flood damaged vehicles are covered under an auto policy's optional comprehensive coverage and nearly 80 percent of U.S. drivers opt to purchase comp coverage. After Hurricane Harvey alone, the industry paid over \$2.6 billion for flooded cars.**

Now consider that according to the National Insurance Crime Bureau (NICB), one motor vehicle theft was reported every 41 seconds in the United States in 2017 and the trend continues. In Texas, according to the Texas Department of Public Safety, more than 65,000 cars and trucks are stolen, and almost 200,000 are burglarized each year. **Theft and vandalism are covered under the comprehensive coverage of the auto policy and these risks are not eliminated due to the pandemic.**

As you can see, to assert that miles driven is the only factor to weigh when pricing insurance, eliminates coverage options available to consumer to protect their vehicle beyond collision. This along with the years of data that helps insurers competitively price products consider a broader data set than just looking at miles driven. Demanding that pricing occurs based solely on one factor does a disservice to consumers.

**TDI reports that insurers have returned over \$14 billion in refunds, dividends and discounts to customers around the country.** Moreover, consumer relief included grace periods for cancellations for nonpayment due to economic conditions. **Storms, auto theft, costs of repairs don't change because of the pandemic.** Companies cannot put themselves in a position where they risk their future ability to pay claims because of overestimating refunds,



discounts, and credits for the affected period. And another reminder, insurance is cyclical, while true that fewer cars were on the road for a few weeks in Spring 2020, a little over three years ago insurers were paying over \$2.6 billion for flooded autos after Harvey.

There's no one magic formula to apply to all carriers -- "X fewer miles = X amount of refunds, discounts, etc., must be given". Each company has to review their own customers' driving habits, risks, etc. and determine what they believe is the appropriate amount of refunds, discounts – essentially arriving at the appropriate rate for their customers. A competitive marketplace is good for consumers.

All that to say, despite the continued exposures insurers face, premium discounts, credits, and refunds, were one way insurers could directly and positively impact a large number of individuals and families. If a consumer has a question about their policy, they should connect with their agent or carrier to discuss options they may have to reduce their premiums. A higher deductible, removal of non-drivers (perhaps students who live on campus), reduced coverage limits can help in reducing their costs.