

BUSINESS

Pain in the wallet: Ohio drivers hit with big spike in auto insurance rates



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Columbus Dispatch

Published 6:05 a.m. ET Nov. 27, 2024 | Updated 6:05 a.m. ET Nov. 27, 2024

In 2022, the biggest 10 auto insurers raised rates for Ohio drivers by 10.9%, the largest increase in at least a decade.

That's turning out to be a relative bargain.

Those same big insurers, which control 80.7% of the Ohio market, socked motorists with an average 19.3% increase in 2023, according to state insurance documents that were recently released.

One company, USAA, an insurer for members of the military and their families, raised rates 32.1% last year. Erie increased rates by 30.3%.

After boosting rates by 17.5% in 2022, American Family raised rates another 26.6% in '23. Geico posted back-to-back rate increases of just under 20% for each of the last two years.

"As seen across the nation, the prices of goods and services have increased significantly in recent years. Insurers are experiencing higher costs to repair vehicles due to material and labor shortages, supply chain disruptions and inflationary pressures," USAA said in a statement. "As a result, some members will see a rate increase, whether driven by individual factors such as location or driving record, or as part of the broader economic trends.

"USAA's goal is to provide insurance that is competitively priced to cover expected losses and expenses. We take a long-term approach to minimize the financial impact on our members while maintaining our financial strength and commitment to service excellence — just as we have for over 100 years."

Erie, which raised rates by just 0.2% in 2022, made similar comments.

"Keeping a balance between insurance premiums and the cost of doing business is key to an insurance carrier's ability to continue meeting customer expectations and paying for claims," the insurer said. "While we need to ensure our rates match increasing costs, our auto insurance pricing in Ohio is still very competitive and Erie Insurance continues to maintain one of the strongest customer retention rates in the industry."

If misery does love company, Ohio drivers have plenty of that when it comes to skyrocketing auto insurance rates. It's piling on top of consumers who have been hit with higher costs of everything it seems in recent years, whether it's housing or groceries.

Nationwide, auto insurance inflation has been running at least twice the rate of every other category of inflation measured by the federal government's Bureau of Labor Statistics.

Auto insurance inflation jumped 14% over the past year through October, and that's after rates fell 0.1% that month, according to the government's latest read on prices.

What's to blame?

More accidents and more severe accidents since the pandemic have been a major factor in driving up costs for insurance companies, said Mark Friedlander, of the industry group the Insurance Information Institute.

Other factors include rising medical costs, an increase in stolen cars, more distracted driving and higher legal costs, he said.

"We're seeing these types of trends across the country," he said.

But it's more complicated than just blaming lousy driving.

Vehicle repair costs, for example, rose 45% from 2020 through 2022, three times the rate of inflation measured by the federal government, he said.

Supply chain problems and increasingly expensive parts for more technologically advanced cars have made repairs more expensive, he said.

In 2022, insurers paid out \$1.12 in claims for every dollar they collected in premiums, the highest in more than a decade, he said. In 2020, it was 92.5 cents.

Last year, premiums increased 14.3%, the highest in 15 years as insurers try to bring those numbers more into balance, he said.

That's starting to pay off with insurers paying \$1.05 for every dollar in premiums collected in 2023, he said.

"The trends we are seeing are moderating because the premiums are catching up with the losses," he said.

But one consumers group says there's another factor: corporate greed.

"The cost of parts and labor has gone up, but so has the greed of the insurance companies and their desire for massive profits," said Michael DeLong of the Consumer Federation of America. "Inflation played a role, but in recent months inflation has rapidly declined, while insurance premiums have kept going up. Some insurance departments lack a culture of standing up for consumers and standing up to the industry."

How does Ohio stack up when it comes to rates?

It's not very reassuring, but even with rapidly rising auto insurance prices, Ohio remains a relative bargain compared with other states.

The average annual cost across the country to insure a car with full coverage is \$2,458, according to Bankrate.com. Minimum coverage runs \$678 per year.

By comparison, Ohio drivers pay an average of \$1,499 per year for full coverage and \$412 per year for minimum coverage.

"That Ohio is very competitive is not a satisfying answer," said Judith French, director of the Ohio Department of Insurance.

Insurers submit their plans for rates to the department, where a team of experts work with the companies to make sure their plans are sound and that rates aren't excessive or even too low.

"I want low rates," French said. "It's more important to have rates that are financially accurate."

Like with the Insurance Information Institute, French blamed the increases in rates tied to the inflation costs of replacing and repairing vehicles and also for homes. "Insurance rates are catching up with those kind of inflationary increases," she said.

DeLong called on Ohio and other state insurance departments to do more to protect consumers in this period of rising rates.

"Those increases are going to cause substantial hardship for a lot of drivers," he said. "The Ohio Department of Insurance is supposed to make sure that rate increases are soundly based and that they aren't excessive; their approval of such big rate hikes suggests they aren't doing a good job. "

Drivers without insurance on the rise

The percentage of drivers without insurance getting behind the wheel in Ohio and across the country has been climbing in recent years, and it's not just because rates have been going up, Friedlander said.

In 2022, 17.1% of Ohio drivers didn't have insurance, he said. Nationwide, it is 14%.

He said families are choosing to go without coverage because of the pressure on household finances.

"Even though they know it's against the law and not an optional situation, they make the decision, 'I'll take a chance,'" Friedlander said.

Beyond the risk of having an accident, going without insurance likely means it will cost more should the driver try to get coverage again, he said.

"You're at higher risk, you pay more," he said.

What about homeowner insurance prices?

While the jump for homeowner rates wasn't as steep as it was for auto in 2023, the increases among the biggest companies were the highest since 2013, state data show.

The average increase among the top 10 insurers that control 75% of the market was 11.3% in '23, state records show.

Liberty Mutual's rates increased 19.8%, the most of any of the big carriers. Nationwide was second with an 18% increase.

Friedlander blamed the increase in Ohio on more powerful, costly storms that have battered the nation in recent years coupled with costs to rebuild homes running hotter than the

overall inflation rate.

Replacement costs related to homeowner insurance soared 55% between 2020 and 2022, almost four times the rate of inflation, according to the group.

Through mid-October, there have been 24 weather events with at least \$1 billion in damage, second only to the 27 events in 2023, according to the National Centers for Environmental Information.

What to do about rising insurance costs?

Ohio Department of Insurance Director French also counts herself as a consumer.

"As a consumer I was certainly shocked by the increase like every other consumer," she said.

When she and her husband were faced with big increases in their coverage, they went back to their insurance agent for a review of their policies to see what they could do to reduce their bill.

They found their son was still covered on their auto policies, something that no longer was necessary, she said.

"A lot of consumers buy their insurance and might not look at it closely for a long time," she said.

Policyholders hit with big increases in premiums would do well to shop around, Friedlander said.

The insurance business is competitive and there are plenty of national and regional companies that want more business, he said.

Beyond that, there are plenty of discounts available that can reduce costs such as bundling home and auto coverage and discounts for good students and good drivers.

Auto insurers also are using telematics, technology that allows insurers to track how a motorist drives. Using such technology often provides discounts to motorists, but some motorists may find it intrusive, French said.

"Consumers do have choices, she said. "These policies are complicated."

Consumers with insurance questions can contact Ohio Department of Insurance representatives at 800-686-1526, consumer.services@insurance.ohio.gov, and through www.insurance.ohio.gov.

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Rate increases for 2023 for Ohio's insurance companies with the biggest market share:

Auto

State Farm, 19.8%

Progressive, 18.5%

Allstate, 10.2%

Geico, 19.8%

Liberty Mutual, 19.1%

Nationwide, 19.1%

Grange, 18.1%

Erie, 30.3%

USAA, 32.1%

American Family, 26.6%

Homeowner

State Farm, 6.4%

Allstate, 7.2%

Liberty Mutual, 19.8%

Erie, 9.3%

American Family, 14.8%

Nationwide, 18%

Grange, 13.6%

USAA, 12.8%

Cincinnati Financial, 5.9%

Farmers, 16%

Source: Ohio Department of Insurance