

How Car Insurance Became an Expensive Blindspot

P&C Specialist looked at three key components of auto insurance inflation to see how they have changed pre to post pandemic.

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With all eyes on core inflation and questions around whether the Federal Reserve's tightening will be enough to keep downward pressure on prices, the cost of auto insurance has been rising sharply over the last several years. The reasons are well established: rising premiums from carriers as they worked to combat higher accident frequency, more severe claims and, of course, inflation.

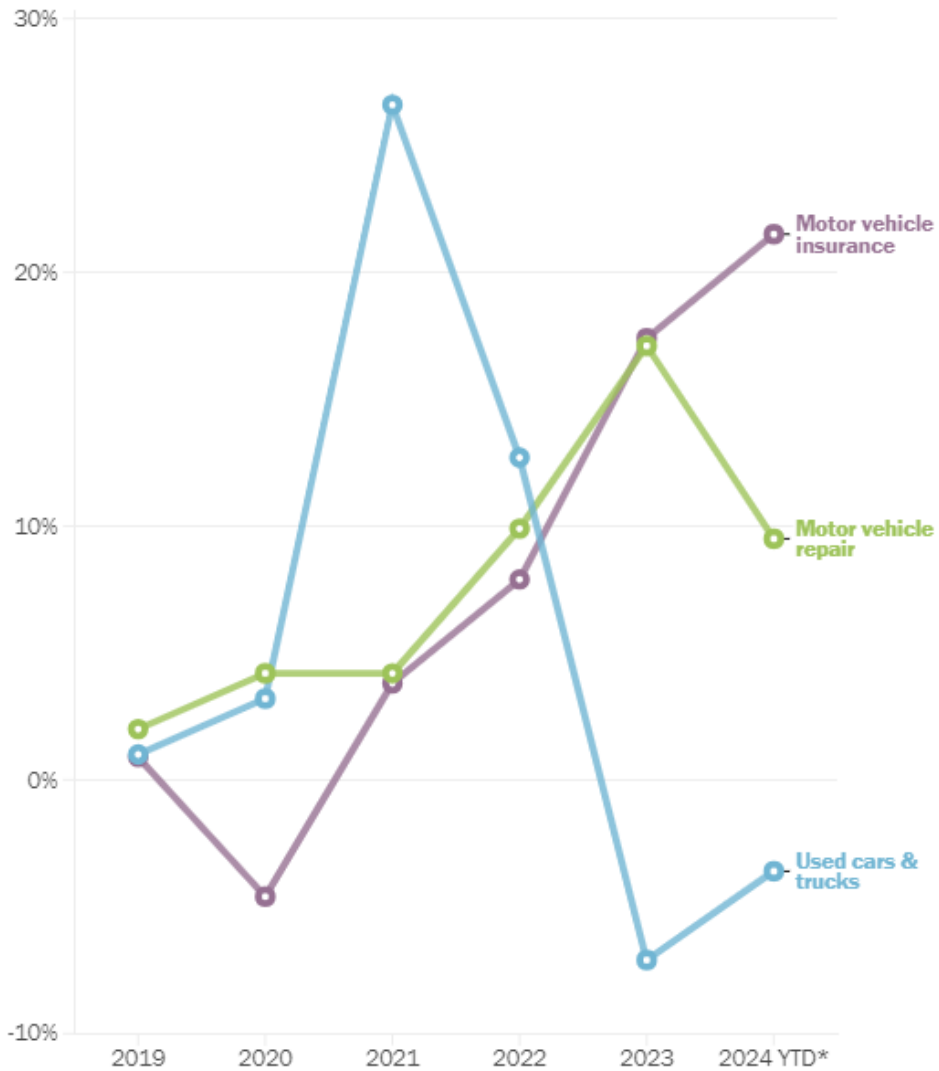
One more component that has received relatively little attention is the shortage in auto mechanics. Despite a slight increase in mechanics last year, there's still a chronic shortage: The industry needs up to 800,000 more technicians in the next five years, per a study by **TechForce Foundation**.

From 2020 to 2022, postsecondary auto program graduates dropped by 20%. Many mechanics are retiring annually from the baby boomer-heavy profession and fewer young people are entering. The average annual pay of \$49,690, which is 20% below the national average wage, could be one reason.

P&C Specialist broke down three key components of auto insurance inflation to understand how they have changed from 2019, before the pandemic, through early this year.

Rising auto insurance inflation

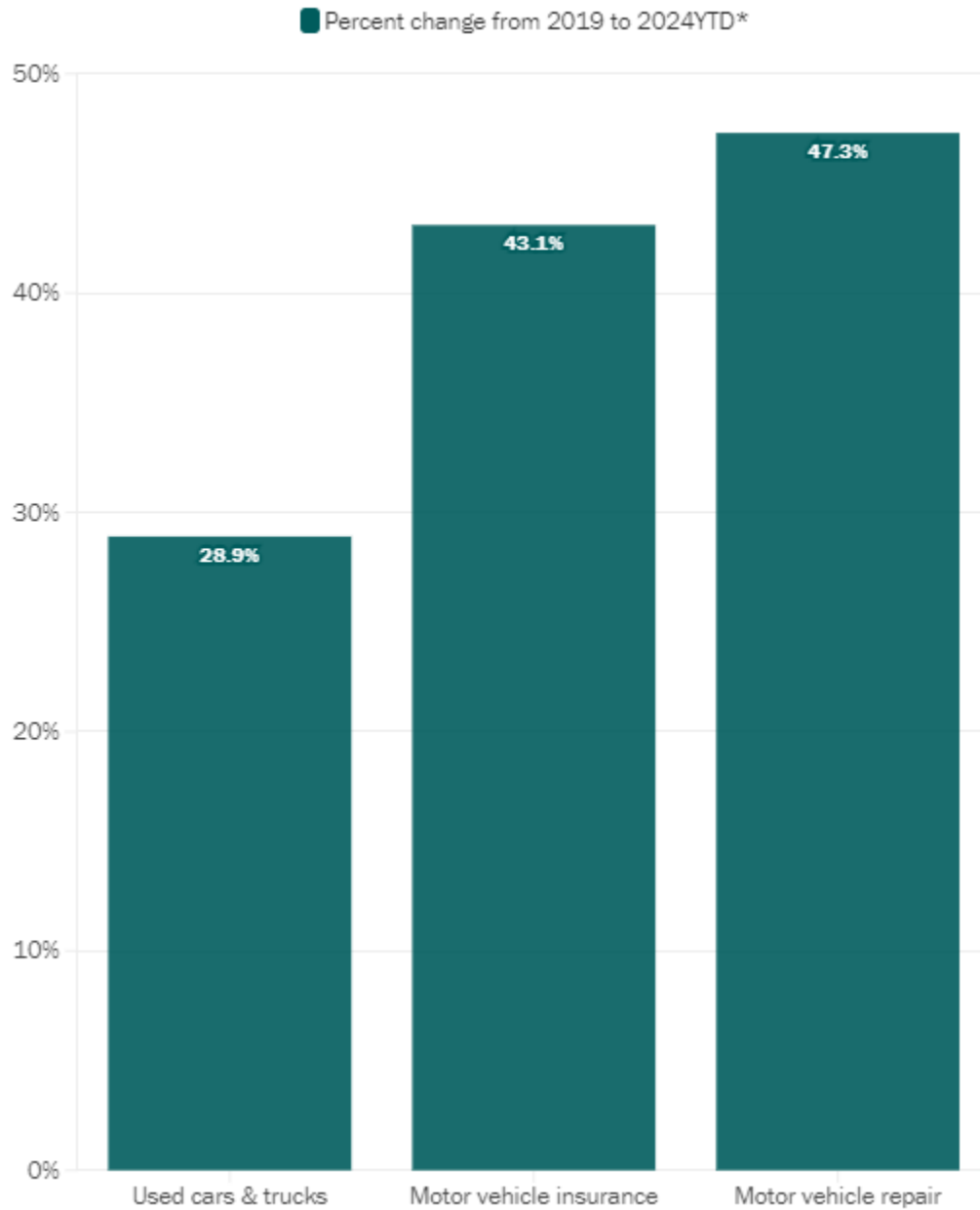
12 month percent change averages



Source: Bureau of Labor Statistics • *2024 YTD percent avg till April.

The cost of auto insurance in the U.S. rose more than 22% in the 12 months that ended in April. It's up even more over the five years since January 2019.

Car repair inflation tops

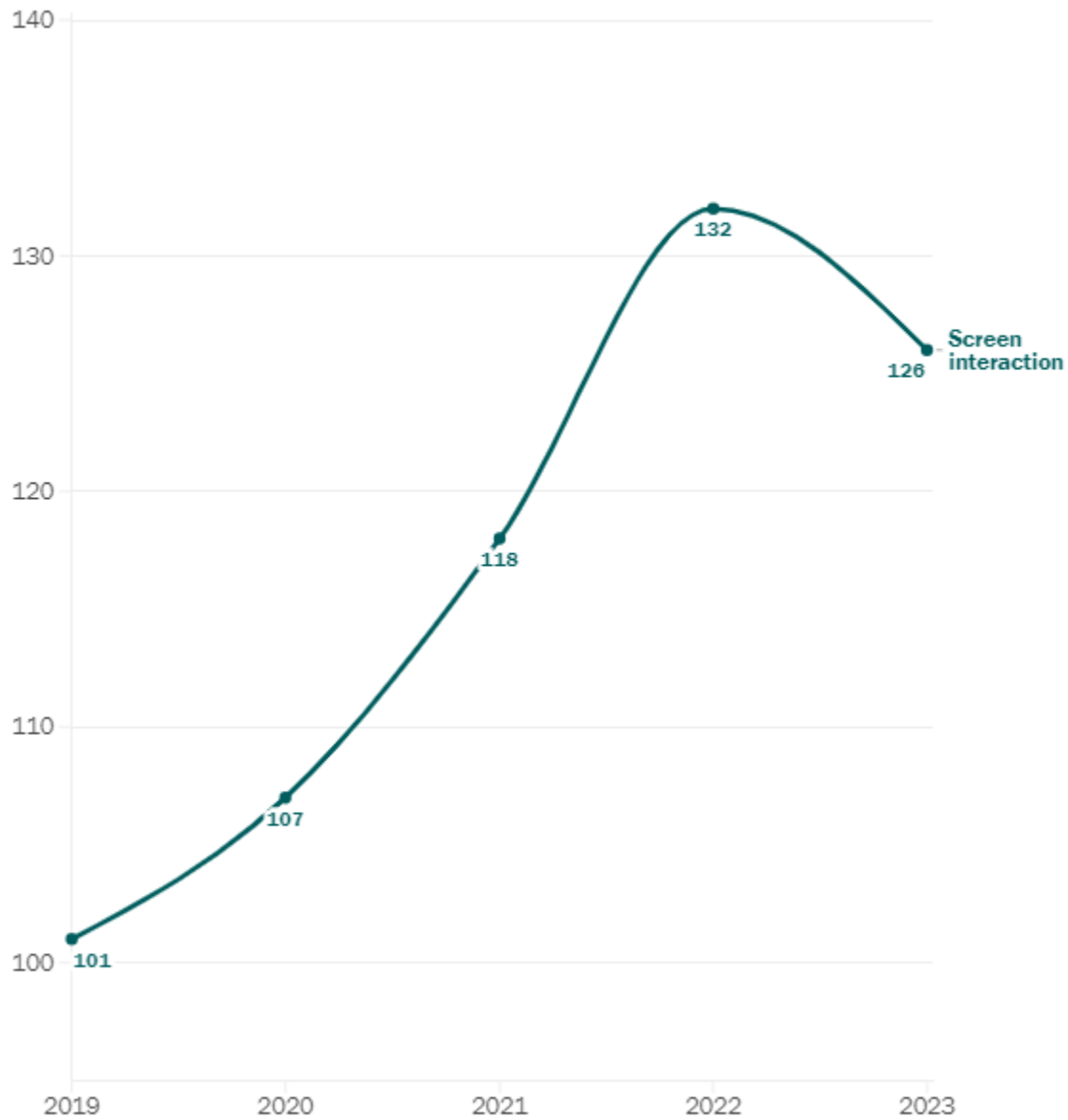


Source: Bureau of Labor Statistics • *2024 YTD index avg till April.

With advanced features such as cameras and sensors, cars cost more than ever to repair. So much so that the motor vehicle repair component of the consumer price index is up 47.3% from January 2019 through April, more than motor vehicle insurance and used car inflation.

Distracted driving: Increased texting

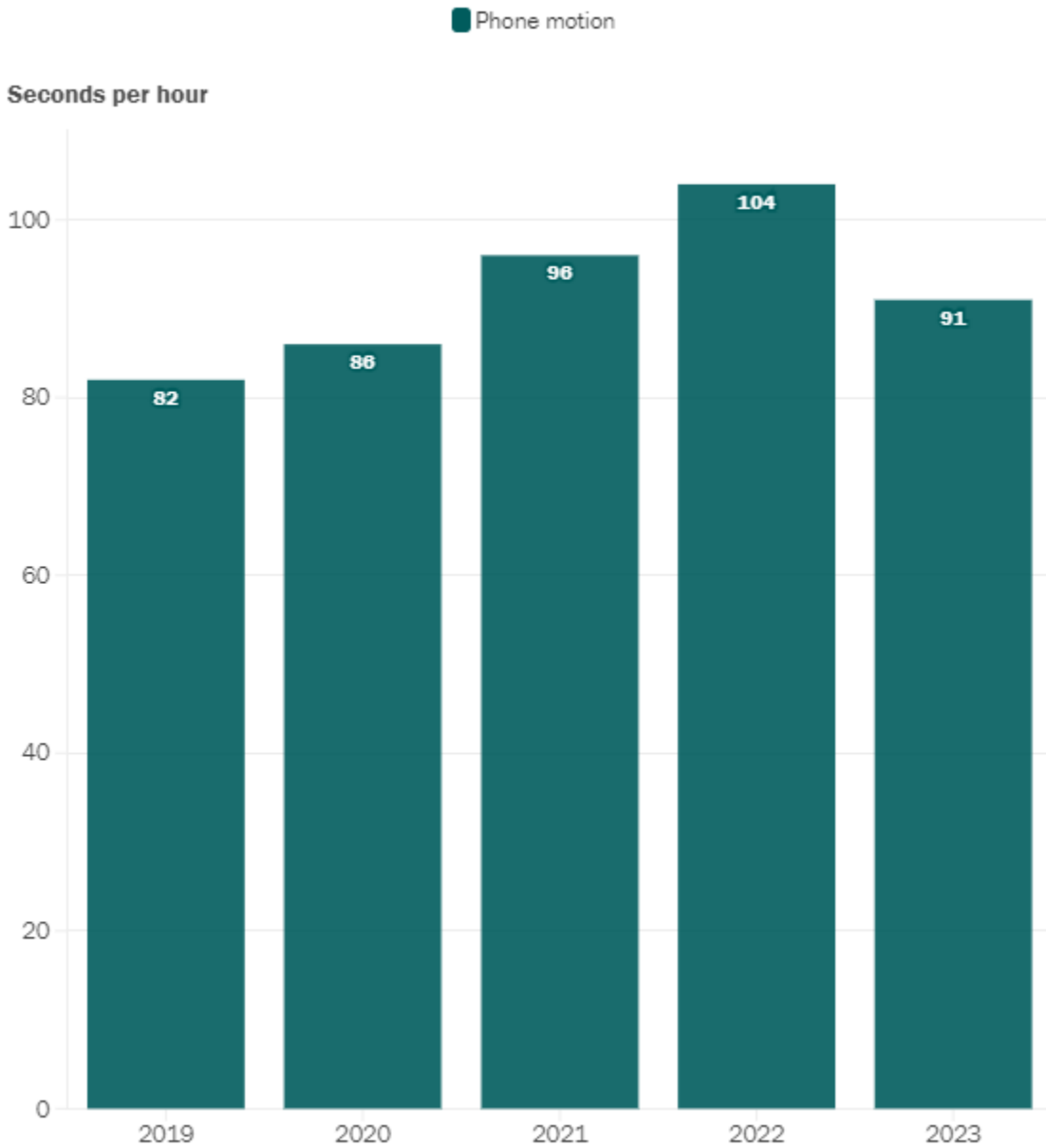
Seconds per hour



Source: Cambridge Mobile Telematics

Distracted driving has been blamed for rising auto accident frequency, another factor driving up auto insurance inflation. In fact, cell phone screen time has only increased since 2019.

More handheld phone distractions



Source: Cambridge Mobile Telematics

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Along with texting, phone usage for other things while driving has also jumped. Phone motion distraction, which CMT defines as phone handheld activity while driving, rose steadily from 2019 to 2022 before dipping last year.