

CAR INSURANCE

Car Insurance Rates Are Rising. Should You Switch Providers?

Car insurance rates are skyrocketing. If you have auto insurance, you've probably considered changing companies at some point. When is it a good idea, and when should you stay put?



(Image credit: Getty Images)

U.S. auto insurance rates rose an average of 11.2% during the past year, according to the latest [J.D. Power 2024 U.S. Auto Insurance Study](#). Given that fact, many drivers are approaching car insurance differently than in the past when they stayed with a company for years and years.

Instead, customers are actively looking for a car insurance policy that offers everything they need, within their budget. But even in the face of [skyrocketing premiums](#), trust also seems to play a big part in whether or not a driver will stay with a company.

"What's interesting in J.D. Power data is that even though high premiums negatively affect customer satisfaction, those negative influences can be offset by high levels of trust that insurers will come through when they are needed," said Breanne Armstrong, director of global insurance intelligence at J.D. Power.

Key findings in car insurance rates

Data from Insurify shows that the average driver now pays \$2,160 a year for a full-coverage auto insurance policy. That's up from \$2,019 in 2023. So, it's not surprising that drivers are considering switching insurers for better rates and lower premiums.

- Auto insurance rates soared 24% in 2023.
- In 2023, an average full-coverage policy cost insurers \$2,019 per year, which represents 2.6% of the median household income.
- On average, car insurance rates increased 638% more than wages increased in 2023.
- Although the insurance industry is beginning to stabilize in 2024, car insurance costs will likely see an increase of 7% in 2024, almost double the median year-over-year hike, according to Insurify.
- Over 20% of drivers reported their rates increased more than once per year.

Why are auto insurance rates rising?

With rates skyrocketing nationally, many people are questioning why.

- According to Consumer Price Index (CPI) data, the cost of repairing a car is up 6.7% for the year.
- According to the National Highway Traffic Safety Administration's latest estimates, the number of traffic deaths was up by around 7,000 in 2022, which has led to an increase in claims well above historic averages.
- In addition to car crashes, damage from natural disasters, such as hail, is also contributing to higher insurance premiums.
- Insurance companies have been scrambling to remain solvent. The Insurance Information Institute says auto insurers paid \$1.12 in claims in 2023 for every dollar collected in premiums.

Why switch auto insurance providers?

In the first quarter of 2023, Allstate increased rates by an average of 8.4% in 28 locations. From 2018 to 2023, Farmers Insurance cumulatively increased by 54.8%, followed by American Family Insurance at 50.3% and Liberty Mutual at 47.1%, according to a carinsurance.com report.

If you're thinking about switching car insurance companies to save money on your premiums, you are not obligated to stay with your current insurer, even if your policy isn't set to expire yet or you recently renewed your policy. You may have had the cheapest rate when you signed up, but over time, rates have jumped sharply, leaving you with the question of whether you should stay with your current provider or switch.

When it makes sense to switch car insurance providers

Beyond getting better rates, there are several other reasons to switch car insurance carriers.

- Your current insurer doesn't cover the area you recently moved to.
- You are no longer eligible for discounts that you previously received.

- An accident caused your premium to increase.
- You're dissatisfied with your insurer's customer service.
- You realized it would be better to bundle all your insurance policies with one company.
- Your credit has improved and you live in a state where insurers use credit-based insurance scores to determine premiums, so switching might save you money.
- You added a driver or car to your policy.

When it makes more sense to stay with your car insurance provider

There are several good reasons to switch car insurance companies, but there are also drawbacks.

- If you leave your current insurer, you may have to pay a cancellation fee.
- If you bundled your car and home insurance with one company, you may lose loyalty and multi-policy discounts if you switch.
- If you don't have another policy in place before switching, you may have a lapse in coverage. In most states, you need to meet the minimum car insurance requirements. In fact, New Hampshire and Virginia are the only two states that don't require car insurance.

How do you cancel a car insurance policy?

It's relatively easy to cancel an insurance policy. Some companies let you cancel by simply calling, while other insurers require you to provide notification in writing. You will likely receive a notification that your coverage is terminated a short time after you submit your cancellation request.

How do you save on car insurance without switching providers?

The biggest reason most people change car insurance carriers is to save money, but sometimes there are ways to save with your current insurer.

- Ask about any discounts your current or prospective insurance company offers.
- If you have more than one policy with an insurer, you can bundle your policies and typically qualify for a discount.
- When shopping for a new policy, get quotes from multiple companies. Insurers' criteria for determining premiums can vary.
- Many insurance companies offer safe driver discounts to policyholders with clean driving records.
- If you drive very little, consider a usage-based policy that lets you pay by the mile.

Bottom line

Many times you can save money by switching car insurance companies, but there are also times when it's not a good idea. Insurance companies vie for your business and offer an assortment of policy options, which can make it difficult to figure out the best company to meet your personal needs. Word of advice, do your homework prior to switching and don't let your current policy lapse.

NYSUT NOTE: Save money by shopping for insurance through NYSUT Member Benefits Trust-endorsed [auto and home program](#). Members have a choice of coverage from

multiple highly-rated carriers that offer competitive prices for stand-alone or bundled auto and home policies.

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