[Why isn’t car insurance cheaper as we all stay home?](https://uphelp.org/why-isnt-car-insurance-cheaper-as-we-all-stay-home/)

Los Angeles Times

Chris Norlin, like so many others, is hardly ever behind the wheel these days as he follows guidelines to stay at home and play hide-and-seek with the coronavirus.

Which naturally leads him to wonder: Why is he still paying so much for car insurance? His household’s two cars now sit idle in West Los Angeles, aside from the occasional run to the grocery store.

“Surely with all the sheltering at home and reduced driving, insurance companies will be paying out far fewer claims over the next couple of months,” Norlin, 54, told me.

It’s a fair point. Why should anyone have to pay the same amount to insure something when their risk is greatly reduced?

I reached out to every major vehicle insurer. Some have recognized the changed circumstances, others have not.

On Monday, Allstate said it will give its customers a 15% break on their monthly premiums for April and May.

The company said it will return more than $600 million to policyholders through credits to their bank accounts, credit cards or Allstate accounts.

“This is fair because less driving means fewer accidents,” said Allstate’s chief executive, Tom Wilson.

He also said the company will offer free identity-theft protection through the end of the year to any U.S. resident as people increasingly live their lives online. You don’t have to be an Allstate customer to qualify.

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Source: https://uphelp.org/why-isnt-car-insurance-cheaper-as-we-all-stay-home/ Date: July 21, 2024

American Family Insurance, a smaller Midwestern firm, announced a similar program Monday, pledging to return about $200 million to customers.

Other vehicle insurers still seem to be wrestling with doing right by policyholders versus doing right by shareholders.

I can always tell when companies aren't comfortable explaining themselves. They duck my questions and tell me to speak with an industry group instead.

That's what Progressive said when I asked if they planned to cut rates amid the pandemic, instructing me to take my query to the American Property Casualty Insurance Assn.

That's also what AAA said, steering me to the Insurance Information Institute. Others, including Geico, State Farm and Farmers, had nothing to say by the time this column was put to bed.

"Regulators and insurers are working to strike the right balance on expanding temporary arrangements to provide immediate relief for policyholders impacted by COVID," said David A. Sampson, CEO of the American Property Casualty Insurance Assn.

He added that "now is not the time for arbitrary and artificial calls for national rate decisions."

California Insurance Commissioner Ricardo Lara said Monday that he'll be reviewing "all insurance company actions" to make sure policyholders are being treated fairly.

If insurers refuse to charge fair rates, he said, his agency "will exercise its authority under California law so that drivers are not overpaying for insurance during this emergency."

Sean Kevelighan, CEO of the Insurance Information Institute, said that "insurers are working with urgency to help customers overcome financial challenges."

He said he expects other companies to follow the lead of Allstate and American Family and "consider premium relief as well."

That's nice. But what's to consider?

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Either risk is reduced or it isn't. If so — and that's clearly the case for many if not most people — then it makes no sense for policyholders to pay the same premiums they shelled out when using their vehicles on a daily basis.

"Insurers should definitely reduce premiums to reflect the dramatically reduced risk we and they now face, given that highways and streets are virtually empty," said Amy Bach, executive director of the advocacy group United Policyholders.

"Insurers seem to be very good at raising our rates when they perceive higher risk, but generally need to be forced to do the reverse," she told me.

"And when they add exclusions that reduce coverage, it feels like they rarely reduce premiums to make up for the shrunken protection."

Insurers typically reevaluate rates when coverage is renewed annually. If you're driving less, your mileage will reflect that, which could lower your premiums down the road.

But most people could use a break right now.

Norlin insures two cars with AAA, a 2019 Audi Q2 and a 2005 Volkswagen Jetta. Prior to the coronavirus outbreak, he paid about $2,000 a year to cover both vehicles.

Now the two cars aren't going anywhere and Norlin is working from home. He was surprised to learn that Allstate is offering refunds to its customers. He said he's received no such outreach from AAA.

I asked if that bothers him.

"Well," he replied, trying to be cool about it, "I want to give them the benefit of the doubt. I just want to know that we as consumers are getting a fair shake."

The fact that AAA, and most other insurers, didn't want to even address this when I contacted them suggests consumers may not be receiving that fair shake in all cases.

Call your insurer. I've heard anecdotally that some people have been successful in reducing rates by reporting lower mileage. It never hurts to ask.

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Wall Street analysts have noted that vehicle insurers probably will see higher profits this year because fewer claims are being submitted as a result of everyone staying put.

The industry has long known there's a correlation between the number of miles driven and the likelihood of getting into a crash.

"Insurers are profiteering at the expense of consumers and small businesses who are hard-hit by the coronavirus pandemic," said Rosemary Shahan, president of Consumers for Auto Reliability and Safety.

"It's obscene for insurers to charge the same amount in these dire times, especially when individuals, their families and small businesses are struggling just to stay afloat," she said.

Unless a vehicle insurer can prove that stay-at-home policyholders represent the same level of risk as those who drive — which they do not — I agree with Shahan.

Oh, and for what it's worth, AAA, Norlin says he'll remember who had his back during the pandemic. And who didn't.

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