



# What's Fueling Colorado Car Insurance Rates?

Colorado drivers are likely asking themselves “why are my car insurance rates going up?” New research shows that Colorado’s auto premiums have jumped 53% over the last 10 years.

A combination of inflation, market pressures, and unique legal factors are to blame for this increase.

## Inflation

Insurance claims inflation has continued to exceed the Consumer Price index (CPI). Vehicle damage claim costs rose nearly 50% from 2018 to 2022, and a report in April 2023 showed that auto body prices were up 4.5% higher than CPI.

Vehicles are more complex than ever before, requiring specialized and expensive labor associated with parts replacement and vehicle repair.

Longer repair times, due to backordered parts, longer delivery times, and skill shortages at repair facilities, have increased the need for replacement rental cars. This increased demand has led to higher rental car rates and higher claim costs.

## Driving Habits and Severity of Accidents

Between 2018 and 2022, the average bodily injury claim severity increased 40%, attributed to medical inflation, legal system abuse, and a rise in deadly accidents. Although the number of miles driven by US motorists has not returned to pre-2020 levels, accident severity is on the rise and notable shifts in driving habits are partly to blame.

Americans have embraced riskier driving behavior, such as impaired and distracted driving and speeding. More than 50% of drivers have reported driving more than 15 mph over the speed limit on a freeway, and impaired driving is up 23.7% for alcohol and 13.6% for cannabis.

754 lives were lost on Colorado roads in 2022, a staggering 57% increase from 2013. This is the highest number of deaths since 1981.

## Colorado's Legal System

### Transparency in Medical Damages

Under current law, Colorado juries are only allowed to see the medical bills initially charged after an auto accident, but never the amount actually paid to treatment providers. Medical bills are frequently negotiated and oftentimes, the amount paid is much lower than the amount initially billed. These “phantom costs” can result in higher jury awards that result in a windfall to the plaintiff at the cost of the insurance consuming public.

## Colorado's Legal System

### **Uninsured Motorists' Double Dipping**

Current law allows policyholders to access both medical payment coverage and UM/UIM coverage for the first \$5,000 in medical expenses. This can lead to increased settlements that exceed the limits of a policy and drive up premiums for all drivers.

### **Market-based Prejudgment Interest**

Colorado law mandates insurers pay 9% interest on lawsuit awards. Given that most investments don't provide a return of 9%, such a high statutory interest rate creates incentive to file a lawsuit and a disincentive to settle a lawsuit.

### **Vendor Lawsuits**

Third party vendors, such as roofers, are allowed to sue insurance companies without the knowledge or permission of the insured. Under current law, plaintiffs are entitled to treble damages, attorneys fees, and costs if the case is decided in their favor. These astronomical litigation costs are passed on to all consumers.

**During the past five years, premiums collected by insurance companies can't keep up with skyrocketing claim costs-costing all Colorado auto insurance consumers higher premiums.**

You can view additional resources here:



### **APCIA Releases New Study: Auto Insurance: The Uncertain Road Ahead; Highlights Continued Impact of Inflation and other Trends**

<https://www.apci.org/media/news-releases/release/76883/>



### **The State Insurance Report**

<https://www.finn.com/en-US/campaign/the-state-insurance-report>



### **Colorado's Auto Insurance Marketplace & Fact Sheet**

[http://www.rmiia.org/auto/Colorados\\_insurance\\_marketplace.asp](http://www.rmiia.org/auto/Colorados_insurance_marketplace.asp)