

What goes into calculating rates?¹

All topics discussed below are non-inclusive. Availability, eligibility, and state-specific requirements vary

Inflation

Inflation² has affected the prices of many goods including groceries, gas, housing and cars. And because cars (both new and used) are now more expensive to get, repair and replace, it ends up affecting insurance rates.

Rising Car Repair Costs

Supply chain disruption and labor issues that started during the pandemic have impacted vehicle repair costs. This includes longer times to repair a car involved in an accident, and new technology³.

Electric Vehicles

Electric vehicles⁴ may reduce gas consumption, but they can be more expensive to acquire, repair and replace, which can contribute to the increase of insurance rates.

Accidents due to Distraction

You are encouraged to reconsider using your phone while driving and resist the temptation of other driving distractions⁵. If you have a teen, consider talking with them about safe driving habits.

Weather Catastrophes

When severe weather strikes⁶, it can impact the insurance industry and potentially affect premiums. For example, State Farm paid \$12 billion⁷ in catastrophic claims during 2023, compared to \$7 billion⁸ paid in catastrophic claims during 2022.



Sources: 1. [Why Are Insurance Rates Going Up? - State Farm®](#), 2. [Historical U.S. Inflation Rate by Year: 1929 to 2025](#), 3. [Latest Car Safety Features Becoming Must-haves - State Farm](#), 4. [Electric Car Insurance - Get an online quote - State Farm](#), 5. [Driving Distractions and How to Avoid Them - State Farm](#), 6. [Ways to Stay Safe During a Severe Storm or Wind Event - State Farm](#), 7. [Why Is My Car Insurance So High in 2025? - Forbes Advisor](#), 8. [2023yearendresults-final](#), 8. [2022-year-end-results](#)

How is car insurance calculated?

Risk is calculated by using the probability of a particular event occurring and the potential impact of that event. This allows insurance companies to assess the amount of risk being insured and adjust rates accordingly.

Higher risk = higher rates
Lower risk = lower rates



Some factors that could affect car insurance rates*

**State-specific factors may vary*

- Age
- Location
- Driving record
- Claims history
- How often you drive
- Credit characteristics
- Vehicle
- Your policy coverages, limits, and deductible selections

Ways you may be able to lower your car insurance rates

- Maintain a good driving record & practice safe driving habits
- Take advantage of discounts, such as Drive Safe & Save®*
 - *Discounts may exceed 30% & vary state-to-state (NY capped at 30%). Not available in CA, MA & RI. Discount available in NC, depending on facts. Setup required.
- Consider bundling*
 - *Availability and amount of discounts and savings vary by state
- Think about adjusting policy coverages, limits or deductibles

Some Factors Driving Insurance Rates



Litigation Costs

[Litigation costs and advertisements](#)¹ are growing and driving up insurance claims and settlements.



Vehicle Prices

New car prices are more than [\\$10,600 higher than 5 years ago](#).²



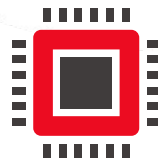
Vehicle Parts

Inflation has hit vehicle parts hard, with a [15.1% increase in prices](#).³



Inflation

[Top 3 contributors to inflation](#) are used cars, vehicle maintenance and repairs, and vehicle insurance.⁴



Pricier Tech

Vehicle replacement parts went from [15% in 2019 to 51% of the cost for 2024](#) as tech advances.⁵



Medical Costs

Bodily injury claim payouts [increased by 35%](#) from 2023-2025.⁶

Sources: 1. [Triple-I's New Issues Brief Suggests Link Between Attorney Advertising, Mass Torts, Third-Party Litigation Funding and Rising Insurance Costs](#) | III, 2. [When Will New Car Prices Drop?](#) - Kelley Blue Book, 3. [Recent Price Trends in the Motor Vehicle Parts Industry](#) : U.S. Bureau of Labor Statistics, 4. [Transportation Consumer Price Index – March 2025](#) | Bureau of Transportation Statistics, 5. [Enlyte's 2025 Trends Report Examines 'The Year of Generative AI'](#) | Enlyte, 6. [Rising Healthcare Costs Are Driving Up Your Auto Insurance Rate](#) | Bankrate