

WHAT DRIVES AUTO INSURANCE RATE INCREASES?

Rising costs and new technologies can bump up rates, but there are ways to save.

By Claire Vath

If you've had an auto insurance policy for any length of time, you've probably watched your insurance rates steadily increase, particularly over the past few years. According to the Bureau of Labor Statistics' Consumer Price Index, motor vehicle insurance rose 5.3 percent from July 2024 to July 2025 alone.

Statistics and monthly insurance bills tell only part of the story, however. Why is this happening at a seemingly accelerated pace? One reason is the high cost of new technology that's being integrated into new cars combined with rising labor costs for diagnosing and repairing vehicles after a crash, says Aaron Gregg, AAA insurance agent in Edison, New Jersey.

Other factors come into play as well, from driving practices to increased litigation over accidents

to the location where you live and work. Here's what to know about rate hikes and a few strategies for reducing your premiums.

Increased Vehicle Values

According to Kelley Blue Book, the average car price for a new vehicle in August 2025 was \$49,077.

Pricier vehicles come with more expensive parts and higher costs incurred in the event of an accident. If, for instance, you have a 2025 Honda Odyssey and a rock hits the windshield, you'll need an authorized dealership to replace the windshield and recalibrate the car's computer system for the head-up display, which projects driver information directly onto the windshield.

"You're talking a lot of money—up to \$2,000 for a windshield," says Gregg.



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Another example he cites is front and rear bumpers, which may have lane-departure or driver-assist sensors integrated into them. One sensor damaged in a minor accident can cost up to \$3,000 to replace and be reconfigured with the car's computer system.

"These are the types of factors making everyone's insurance rates go up," he says.



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EVs can be even more expensive to repair. Replacing a full battery pack in a Tesla, for instance, can run anywhere from \$12,000 to \$25,000 depending on the model, battery size and labor costs.

"Some insurance providers didn't plan for the types of claims costs tied to advanced vehicle technologies in both traditional vehicles and EVs, and customers are seeing huge rate increases as a result," Gregg says.

Demographics, Location and Driving Behavior

Several other key elements heavily influence auto insurance rates. "Age is a major one. We typically see higher rates for both young drivers and seniors," says Toni Heidel, AAA insurance agent in Florence, Kentucky. Young drivers often contribute to more distracted driving, and seniors may experience higher claim rates due to age-related factors that, according to the Centers for Disease Control, may increase their likelihood of a crash.

Credit scores, marital status, gender and driving habits also play a role in determining premiums. And insurers factor in claims data tied to your ZIP code, including accidents, thefts and weather damage, when setting rates. For example, Louisiana has one of the most expensive premiums for full-coverage auto insurance, with drivers paying an average of \$3,481 per year. This is largely due to high rates of underinsured drivers, claim litigation and injury claims.

ON THE PLUS SIDE

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Keeping Costs in Check

While inflation and labor costs may be out of your hands, there are a few strategies you can take to help control the costs of your personal premiums:

- **Bundle your insurance.** If you have auto, home or renters insurance policies, "consider putting them all together in one place to get a multi-policy discount," Gregg says.
- **Ask about discounts.** "The advantage AAA has that no one else has is that we offer our members a discount on auto insurance of up to 15 percent," says Maria Milonovich-Melgar, a AAA insurance agent in Tysons Corner, Virginia. "Also look at options like paying in full, using the AAADrive mobile app, and getting an advanced shopping discount by switching to a AAA policy before your old policy ends."
- **Practice safe driving.** "Sometimes it's impossible to avoid a crash," Milonovich-Melgar notes, "but driving with as much caution as

possible can help prevent one." Taking a defensive driving course not only shows your commitment to safe driving but may also earn you a AAA insurance discount, depending on your driving record and your policy.

• **Buy a car within your budget.** If you want affordable car insurance, you need to select an affordable vehicle. "You can't buy a \$100,000 car and expect low monthly car insurance payments," Milonovich-Melgar says.

• **Look at your deductible.** "You can save a bit on your policy by increasing your \$500 deductible to \$1,000," Gregg says.

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