



## **INCREASED COST OF AUTO CLAIMS**

There are several factors affecting the cost of auto claims these days. Inflation isn't a new risk for insurance carriers. Over the last decade, there has been a steady increase in claim costs, particularly related to advances in automotive technology and the rise of extreme weather events. Supply chain constraints in the past few years led to further increases in claim costs related to parts and intermediate materials, wage pressures, and increased demand for used vehicles.

A significant driver of this increase is the widespread integration of advanced driver-assistance systems (ADAS) into newer vehicles, which are packed with cutting-edge technologies. ADAS, for instance, is integrated into newer vehicles to help drivers navigate and park more safely.

The advances in technology have created an acute shortage of skilled auto technicians, threatening to escalate costs and operational delays further. The U.S. Bureau of Labor Statistics forecasts a 4% reduction in auto technician roles by 2029. As vehicle complexity increases, the demand for advanced technical skills outstrips supply, leading to elongated repair times—averaging over 15 days in 2023, up from 12 days in 2019 based on industry reports. All of this inflates costs both for insurers and their customers.

In the near term, this means that tech-enabled automotive parts will be more expensive to repair or replace in the event of an insurance claim. When these vehicles need repairs, the estimates can be 50% to 100% higher than for older cars. Even routine fixes like replacing a windshield can cost over \$1,000 due to the need to recalibrate embedded sensors. In 2019, the average labor rate for repairs was under \$50 an hour in the U.S., according to Mitchell Auto Repair Software. At the end of 2023, it was close to \$60 an hour. The significant increase in labor rates over this period reflects broader trends in the industry, including rising costs of living, higher operational expenses for repair shops, and increased demand for skilled labor. (RSM Auto Body Express 8/7/24). Additionally, as parts supply has slowed, car rental expense associated with claims has surged.

Recent Tariff Affects- Experts warn that the cost of auto repairs will likely rise due to 25% tariffs imposed on imported autos and auto parts. That's because many parts used in repairs come from other countries and will be subject to the tariffs. "I anticipate (tariffs) are going to have a big effect on parts more than anything else," said Skyler Chadwick, director of product consulting at Cox Automotive. "Anyone who walks into a parts department understands that it's a United Nations. What I mean by that is that you can't walk through a parts department without seeing stickers from Canada, Mexico ... Parts is one of the most globalized areas of a dealership or the automotive industry, even when it comes to building an automobile." (USA Today 4/8/25).

In summary, rising costs associated with auto repairs are driven by multiple factors that include advancing technologies, labor shortages, global supply chain disruptions, and tariffs. For insurers and consumers alike, understanding these trends is essential to adapt effectively. Industry stakeholders must invest in skilled labor development, streamline supply chains, and embrace innovative repair solutions to mitigate these challenges. Only by addressing these systemic issues can the industry ensure a more sustainable future for auto claims.