

Where the Auto Insurance Premium Dollar Goes

Typically, insurance companies spend more in claims, claims-related costs and overhead than they collect in premiums. The proceeds from investments along with money set aside as reserves and unearned premium reserves, generate sufficient investment income in most years to permit insurers to continue their insurance operations when underwriting losses exceed income from premiums.

Nevada Rates Among the Highest in the U.S.

Nevada has the seventh highest average auto insurance premiums in the nation. Accident trends, concentrated population in Clark and Washoe Counties, injury claims, uninsured and underinsured motorists, lawsuits and vehicle theft are the major causes of high auto insurance rates in Nevada. For example, Nevada ranks among the top 10 states with the highest crash rates and second in the nation in the number of deaths caused by drivers running red lights resulting in an accident. According to the Public Services Research Institute, 40 percent of all fatal crashes in Nevada are alcohol-related.

Additionally, medical and hospital costs are up. Nevada has the third highest average total hospital charge in the nation per admission. A higher percentage of bodily injury claimants are represented by attorneys, compared to other states.

Accident Frequency and Severity

The combination of accident frequency and severity influences the portion of your auto insurance premium that covers losses.

- The frequency of accidents is simply how many and how often accidents happen out of a specified number of cars on the road. The higher the frequency, the more insurers pay out in claims.
- The severity of accidents reflects the average cost of accidents. Rating territories are designated geographical areas used by auto insurance companies to accumulate statistics such as population density, traffic congestion and other factors affecting exposure to accidents. Records of the National Safety Council show that more than 80% of traffic accidents occur within 25 miles of drivers' homes. A territory's insurance claim record generally is affected by traffic patterns, road conditions, the quality of traffic law enforcement and local costs associated with auto repairs and hospital and medical services.