



LEO J. SHAPIRO & ASSOCIATES LLC.

August 29, 2008

## Auto Insurers Prosper with High Gas Prices

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Americans who are doing less driving have steadily increased over the past 12 months as the price of gas escalated. In early August, 90% of motorists said that they were cutting back on their driving. This is above the percentage in July (83%), even though the price of gasoline dropped by \$0.30 a gallon between July and August.

As Americans cut back on driving, there are fewer cars on the road, but not fewer cars in the garage or parked in driveways or on the curb. Most Americans are keeping their cars but just driving them less. The more time that cars are parked, the greater the profits of auto insurers.

Auto insurers also benefit as size differences in passenger vehicles narrow. Retirement of truck mounted sports utility vehicles and vans can bring down both injury and costs from collisions. If motorists drive more cautiously as vehicles downsize or to conserve fuel their car is using, improved safety will benefit insurers as well.

Windfall profits from the changes in driving now taking place will be corrected when the record demonstrates a decline in automotive casualties. While lower premiums that reflect the considerable changes in driving now taking place may be some time off, motorists who are altering their driving habits and also the cars they drive to cope with gas prices will be rewarded with lower automotive insurance costs.

A wild card in this picture is the condition of the American road system. Shrinking tax dollars from declining use of fuel may leave roads in poor repair. If the American road system is allowed to deteriorate, improvements in safety may be compromised, and potential savings in insurance premiums diminished. There may be no choice but to raise fuel taxes. This will make savings on auto insurance premiums even more important because motorists will be required to spend what they save to preserve the American highway system.

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*For more information on studies underlying this report,  
contact George Rosenbaum at [georger@ljs.com](mailto:georger@ljs.com)*