THE CASE FOR RAISING AUTO INSURANCE MINIMUMS

JANUARY 2026 UPDATE

AMERICAN ASSOCIATION FOR JUSTICE®

The Association for Trial Lawyers

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Executive Summary

Auto insurance minimums in most states remain significantly outdated. They have barely changed in decades, even as the cost of medical care and vehicle repairs has climbed sharply. Over 40,000 people are killed and more than 2 million are injured in motor vehicle crashes each year. Outdated property damage limits mean that even minor crashes can leave drivers with thousands of dollars in uncovered repair or replacement costs.

The economic cost of these crashes exceeds $340 billion a year, but only 54% of these costs are paid by insurance companies. Crash victims end up paying 23% of crash costs, while the rest falls to charities, health care providers, local governments, and thus taxpayers. Since our series of reports in 2024, the case for updating these limits has only grown stronger.

Over the past year, California, Virginia, North Carolina, and Utah have implemented long-overdue increases in their minimum coverage levels. These updates reflect a growing national recognition that today's limits no longer meet real-world costs.

At the same time, the auto insurance industry remains financially strong, reporting record profits in 2023 and 2024. There is no economic justification for keeping outdated limits that shift crash costs onto families, hospitals, and taxpayers.

States that have raised minimums experience premium increases that are typically smaller than the national average. Nor do those states show any evidence of increases in the number of uninsured drivers.

Modern minimums provide more stability, reduce uncompensated losses, and ensure that crash victims—not health care providers, charities, or taxpayers—receive the protection the system was designed to deliver.

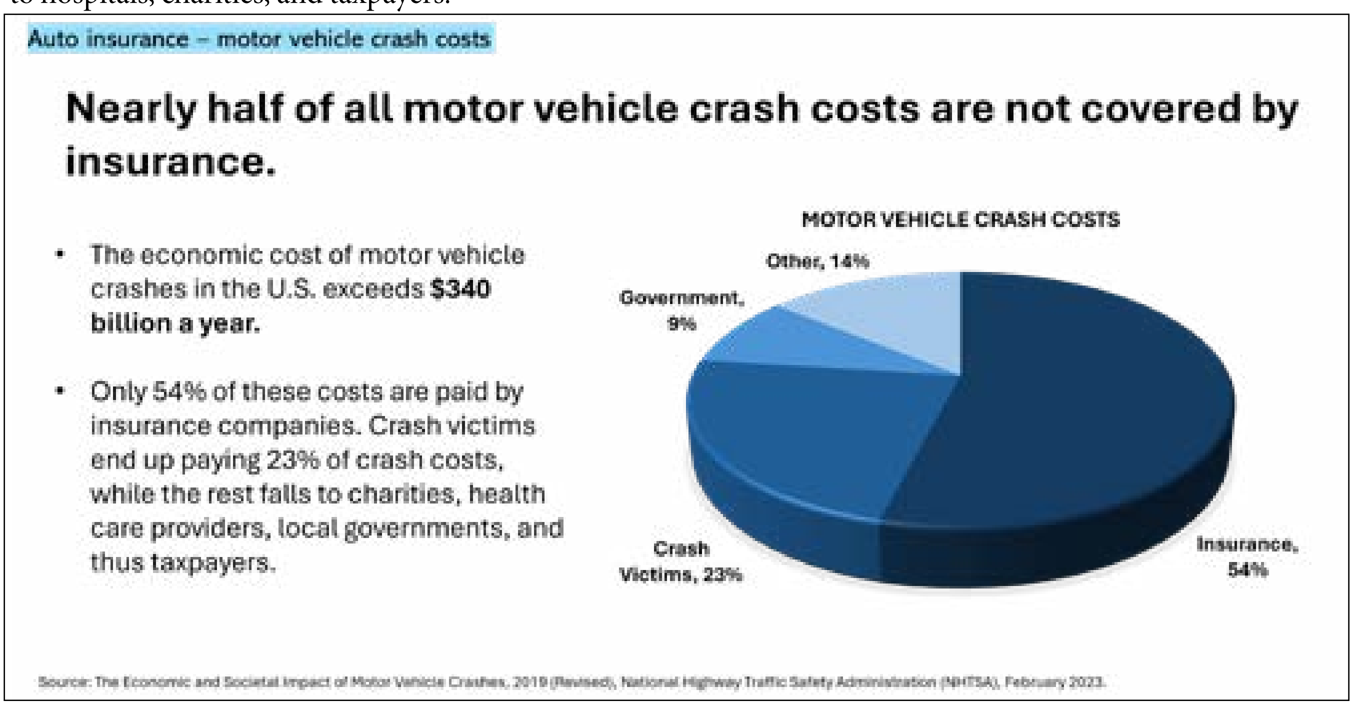
The conclusion of this 2026 update is clear: states have a public responsibility to act. Raising auto insurance minimums is not just reasonable—it is long overdue.

Minimum Levels of Insurance Remain Severely Out-of-Date

In 48 states and the District of Columbia, drivers are required by law to carry auto insurance to protect themselves and others after a crash. Each state sets its own minimum coverage levels—typically three amounts covering bodily injury or death to one person, bodily injury or death to two or more people, and property damage. These limits vary widely: Florida's minimums are the lowest ($10,000/$20,000/$10,000), while Alaska and Maine require the highest ($50,000/$100,000/$25,000).

Most of these limits were set decades ago and have not kept pace with the rising cost of medical care, vehicle repair, or lost wages. Property damage limits are especially outdated. In many states, the minimum requirement still covers only $10,000–$25,000 in property losses—barely enough to replace an older used car. The average new vehicle now costs over $50,000, and repairs have become so expensive that one in five collisions now results in a total loss.[1] When the at-fault driver's coverage runs out, victims must turn to their own insurers, savings, or loans to pay for remaining costs or a new car.

The result is a system that no longer reflects the real cost of a serious crash. Nationwide, only 54% of the $340 billion in annual motor-vehicle crash costs is paid by insurance. Crash victims absorb about 23%, and the remainder is shifted to hospitals, charities, and taxpayers.[2]



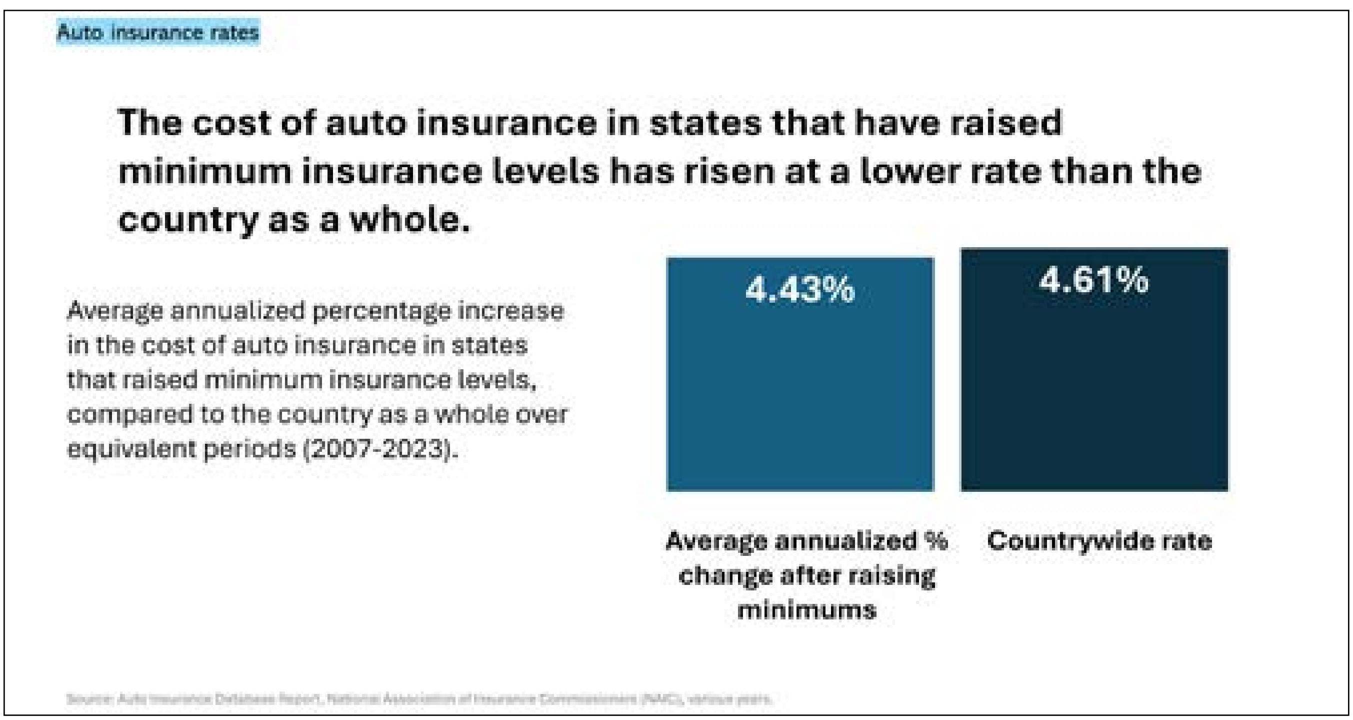
In many states, the law still requires only $25,000 in coverage per injured person or $50,000 per crash—amounts that can be exhausted by a single hospital stay or the replacement of one newer vehicle. When coverage ends, the unpaid costs do not vanish; they fall on families and public systems that were never meant to bear them.

This widening gap between outdated legal minimums and real-world expenses undermines the basic purpose of mandatory insurance. Minimum coverage was meant to guarantee financial protection after a crash. Today, it too often guarantees the opposite—coverage that runs out long before the bills do.

Raising Minimums Does Not Increase Premiums Disproportionately

Despite the clear mismatch between legal minimums and real costs, raising coverage levels has often been met with warnings that premiums will soar or that more drivers will go uninsured. The evidence tells a different story. States that have updated their minimum limits in recent years have seen only modest premium adjustments, typically smaller than national averages.

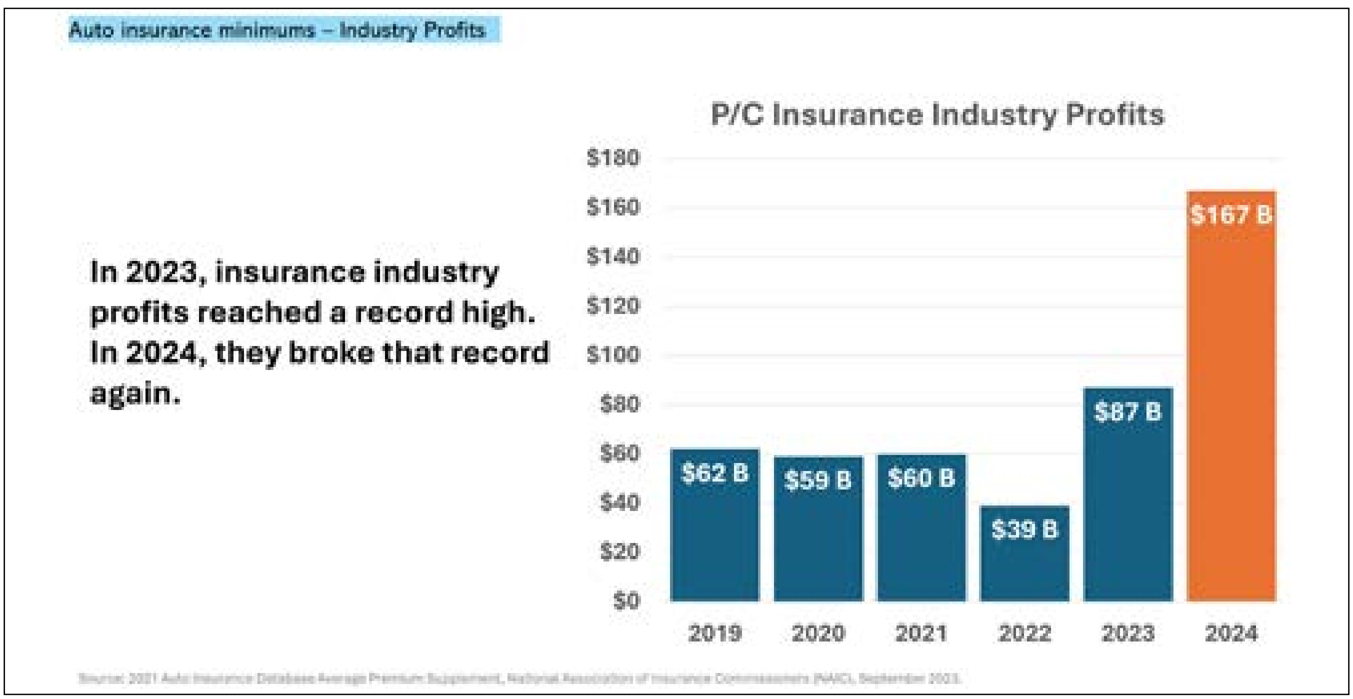
Available data show no consistent link between higher minimums and rising uninsured-driver rates, even as several states have raised their coverage requirements. Industry studies find that the biggest factors in premium increases are the frequency and severity of auto accidents, as well as the resulting increases in vehicle repair and medical costs.[3]



Experience across multiple states shows that higher minimums can be adopted without driving large premium increases. While insurance costs have risen nationwide for many reasons, updated limits make that coverage more meaningful—ensuring that the dollars drivers already spend provide real protection. The result is a system that better reflects the true cost of crashes and reduces uncompensated losses for victims and taxpayers.

Insurance Industry Profits Show There Is Room for Higher Minimums

Industry data show that insurers are thriving even as they warn of higher costs. The property-casualty sector earned $87 billion in profits in 2023—the most profitable year on record—and then surpassed it in 2024 with $167 billion in profits. These outcomes undermine claims that modest increases in required coverage would threaten affordability.



Conclusion

Many state minimum auto insurance limits no longer reflect the real cost of modern crashes. Evidence from recent state updates shows that raising those minimums modestly increases premiums—typically by less than national averages—and does not increase the number of uninsured drivers. Outdated property damage limits mean that even minor crashes can leave drivers with thousands of dollars in uncovered repair or replacement costs. With strong insurer profits, stable markets, and rising crash costs, the conditions for action are clear. Updating outdated minimums is not a financial risk; it is a practical step to restore fairness and ensure that every driver carries coverage that truly protects against today's losses.

Methodology

Data on the average auto insurance cost (expenditures) per insured vehicle were taken from the NAIC's Auto Insurance Database Report and Auto Insurance Database Premium Supplement (various editions). The average cost refers to the total written premium for liability, collision, and comprehensive coverages divided by the liability written car-years (exposures). The average cost is an estimate of what consumers in the state spent, on average, for auto insurance. Increases in the cost and premium data for states that raised auto insurance minimum levels during this period were annualized (wherein the inflationary effect is converted into an annual percent change) and then compared to the countrywide data for the same respective periods.

ENDNOTES

1 *Kelley Blue Book Report: New-Vehicle Average Transaction Price Hits Record High in September, Surges Past $50,000 for the First Time Ever*, Kelley Blue Book, October 13, 2025, https://mediaroom.kbb.com/2025-10-13-Kelley-Blue-Book-Report-New-Vehicle-Average-Transaction-Price-Hits-Record-High-in-September,-Surges-Past-50,000-for-the-First-Time-Ever; *How the Economy and Supply Chain Disruption Are Forging a New, More Complex Auto Industry Reality*, CCC, 2025, https://www.cccis.com/reports/crash-course-2025/q3#:~:text=INTELLIGENT%20SOLUTIONS%20INC.-,Total%20Cost%20of%20Repair%20Trends,%25%20year%2Dover%2Dyear.&text=SOURCE:%20CCC%20INTELLIGENT%20SOLUTIONS%20INC.,-Part%20dollar%20contributions.

2 *Fatality Facts 2021*, Insurance Institute for Highway Safety and the Highway Loss Data Institute (IIHS HLDI, May 2023, https://www.iihs.org/topics/fatality-statistics/detail/state-by-state; *The Economic and Societal Impact of Motor Vehicle Crashes, 2019 (Revised)*, National Highway Traffic Safety Administration (NHTSA), February 2023, https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/813403.

3 *Cost Trends and Affordability of Automobile Insurance in the U.S., Journal of Insurance Regulation,* 2019.

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The American Association for Justice—formerly the Association of Trial Lawyers of America (ATLA)®—works to preserve the constitutional right to trial by jury and to make sure people have a fair chance to receive justice through the legal system when they are injured by the negligence or misconduct of others—even when it means taking on the most powerful corporations.

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