New York Auto Insurance: A Market-Based Approach to Affordability and Fairness

How Free-Market Reforms Can Lower Costs and Eliminate Discriminatory Pricing for All New Yorkers

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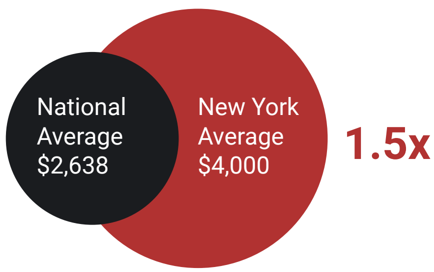
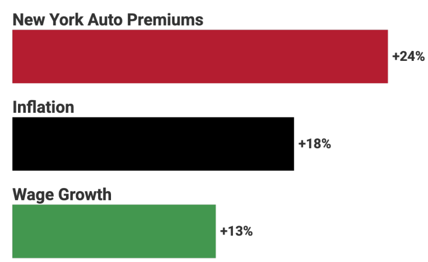
Executive Summary

The State of New York has some of the highest auto insurance costs in the United States. The average New Yorker now pays over **$4,000** per year for full coverage—roughly **1.5 times** the national average of **$2,638**, according to Bankrate.[i] Between 2020 and 2024, premiums in New York rose approximately **24 percent**,[ii] outpacing both **inflation (18 percent)**[iii] and **wage growth (13 percent)**.[iv] For a family earning $60,000 a year, auto insurance alone consumes nearly **7 percent** of household income. For those earning $40,000, that figure climbs to **10 percent**.[v]

Average Annual Full-Coverage Premiums in New York vs. the United States



Premium Growth in New York Compared with Wage Growth and CPI, 2020–2024



These costs do not fall evenly. Minority communities bear a disproportionate share of the financial burden. Studies show that Black drivers pay **1.46 times** more for car insurance premiums than their white counterparts.[vi] [vii]In predominantly African American neighborhoods in New York City, residents pay as much as **83 percent** more for coverage than those in predominantly white neighborhoods—even when risk profiles are comparable.[viii]

Insurance companies rely on non-driving factors like zip codes, credit scores, and educational attainment to set premiums, and these metrics serve as proxies that penalize communities already struggling with systemic economic disadvantages. In effect, this is a modern-day version of redlining.

New York's auto insurance crisis is multi-faceted and many years in the making. It requires a complex solution, starting with the will to tackle entrenched special interests—including the state's powerful trial lawyer lobby, members of which are profiting off a tsunami of litigation borne in part from the rise in staged accidents and motor vehicle fraud.

Conservative principles—personal responsibility, free enterprise, limited but effective government, and equal treatment under the law—demand that we confront a system where working families and communities of color are forced to subsidize inefficiency, fraud, and opaque corporate pricing.

The Scope of the Problem: New York's Insurance Affordability Crisis

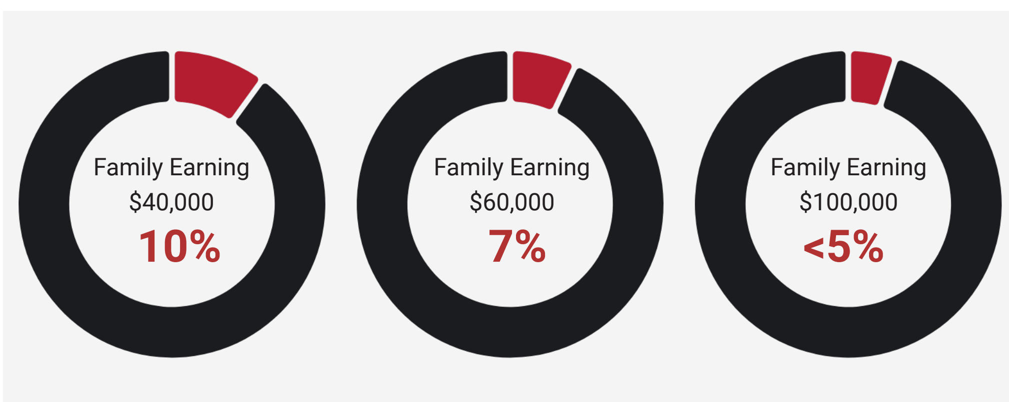
New York families are confronting a mounting affordability crisis, and auto insurance is one of its fastest-growing pressures. While housing, healthcare, and energy costs dominate the public debate, auto insurance premiums have quietly surged to levels that threaten household stability across the state.[ix]

According to Bankrate, the average annual premium for full coverage in New York is estimated to be $4,031 in 2025, compared with a national average of about $2,638.[x] Even minimum coverage—the most basic legal protection—costs over $1,700, more than 50 percent higher than the national average. The financial analytics site ValuePenguin reports that New York drivers experienced an average premium increase of 13.5 percent in 2024, the fifth highest in the nation.[xi]

The New York State Department of Financial Services (DFS) has approved multiple rounds of rate hikes ranging from 3.6 percent to 22 percent, culminating in an average statewide increase of 13.5 percent in 2024.[xii] These are not one-time adjustments; they reflect a structural trend that compounds year after year, eroding the purchasing power of working- and middle-class families.

For those at the lower end of the income spectrum, the figures are especially stark. A household earning $40,000 per year now devotes roughly 10 percent of its income to auto insurance alone—before paying for gas, maintenance, or a car loan. At $60,000, the burden is nearly 7 percent.[xiii] Only families earning $100,000 or more see the cost fall below 5 percent of income. In practical terms, mandatory auto insurance has become a regressive fixed cost—taking a far larger share from those with the least financial flexibility.

Percent of Earnings Spent on Auto Insurance by Household Income

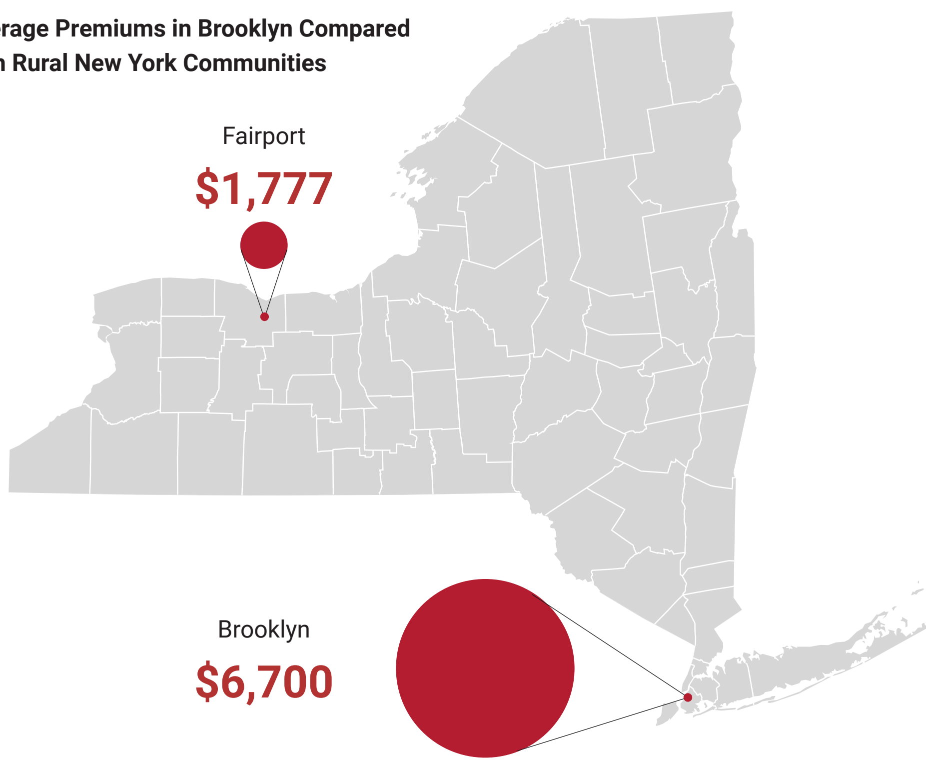


Young drivers face even higher barriers to entry, as elevated insurance premiums make it especially difficult for them to afford coverage. A male driver aged 18 in New York pays an average of $9,901 per year for full coverage—nearly three times the premium of a 40-year-old driver. Even drivers in their early twenties face annual premiums averaging $6,600 to $7,800.[xiv] These costs keep many young adults from driving legally, reducing opportunities for work, school, and economic participation.

Geographic disparities further compound the problem. Residents of urban areas such as Brooklyn pay over $6,700 on average for full coverage, compared with roughly $1,777 in more rural areas like Fairport.[xv] Counties in the New York City metropolitan area, along with parts of Long Island and the lower Hudson Valley, face the highest insurance costs in the state, while upstate and western regions pay roughly half as much for the same coverage.

The motor-vehicle-insurance component of New York's Consumer Price Index climbed nearly eight percent year-over-year in early 2025, while overall inflation rose at less than half that rate.[xvi] From 2022 through 2025, the CPI for car insurance rose much more steeply than the general CPI measures, illustrating how insurance costs have become a major and separate driver of household inflation. Meanwhile, wages in New York rose roughly 13 percent between 2020 and 2024—much slower than the 24 percent grow in premiums.[xvii] This widening gap means insurance consumes an increasingly large share of household income each year.

Average Premiums in Brooklyn Compared with Rural New York Communities



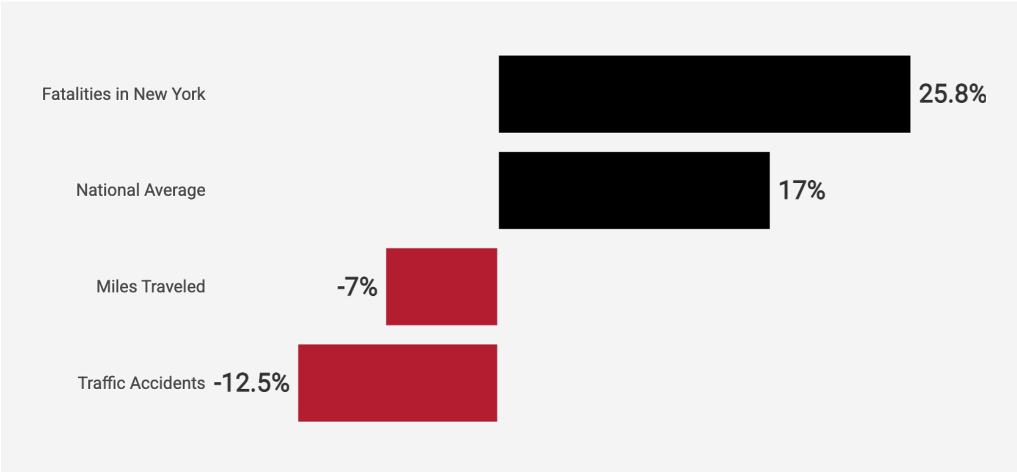
Fraud and Litigation: The Real Cost Drivers

While non-driving rating factors deserve scrutiny and reform, it would be misleading to ignore the real cost drivers that have pushed New York's premiums among the highest in the nation. The state's auto insurance market suffers from a confluence of factors that drive up costs for everyone: rampant insurance fraud, an aggressive litigation environment, high accident and claims frequency, costly vehicle repairs, and increasingly volatile weather-related claims.

New York ranked second in the nation for staged car crashes in 2023.[xviii] Governor Hochul's proposals to tackle fraudulent claims and staged accidents address a genuine problem. Insurance fraud increases premiums for policyholders, and aggressive prosecution of fraud rings is both justified and necessary.

Reform opponents may try to attribute the auto-insurance cost problem simply to an increase of accidents on the road. However, a June 2024 report from state Comptroller Thomas DiNapoli's office disproves this claim, finding that motor vehicle fatalities rose 25.8% from 2019 to 2022—far exceeding the national average rise of 17%—and reaching a 10-year high of 1,175 deaths.[xix] This occurred despite a 7% decrease in overall miles traveled, a drop in the number of licensed drivers, and 12.5% fewer total traffic accidents during that same time period.

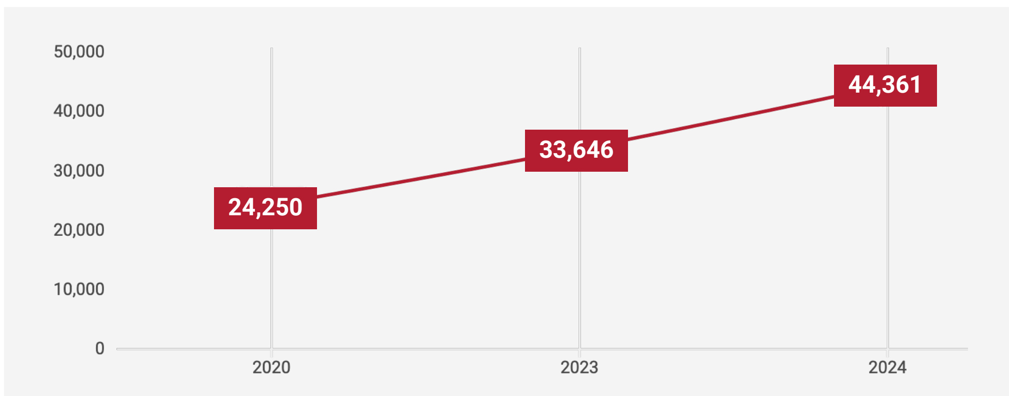
Comparison of Fatality Trends, Vehicle Miles Traveled, and Total Traffic Accidents in New York from 2019–2022



New York's no-fault insurance system, originally intended to expedite medical payments and wage recovery for crash victims while preventing minor accidents from overloading the courts, has instead fostered an environment prone to fraud and abuse.

This phenomenon has been growing unchecked for more than a decade. A 2016 report in the Touro Law Review found that suspicious no-fault insurance fraud cases had jumped 848%, rising from 400 to 9,991 between 1991 and 1999, adding roughly $200 to the average household's car insurance premium.[xx]

Reported Incidents Between 2020 - 2024



The problem has now reached crisis proportions. According to the New York State Department of Financial Services (DFS) 2024 annual report, insurance carriers reported 44,361 incidents of suspected motor vehicle insurance fraud in 2024, an all-time high and increase of approximately 83% since 2020.[xxi] Also in 2024, DFS reported that the number of no-fault claims rose to 38,846 – a 15.5% increase in just one year. In 2023, no-fault fraud accounted for roughly 88% of all reported suspected motor vehicle fraud incidents, with reports rising from 33,646 to 38,846 – again, over a single 12-month span. According to the American Arbitration Association, the value of no-fault claims filed in 2024 totaled more than $1.1 billion across 473,543 cases, the majority of which were medical claim.[xxii]

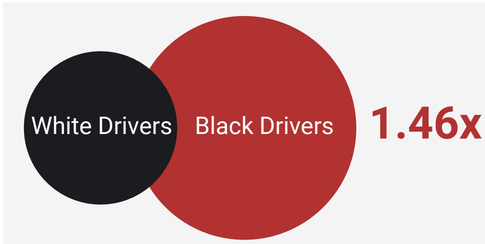
What does this mean for drivers? It means higher premium costs across the board driven by the hidden "accident fraud tax" that is built into their rates. The Federal Bureau of Investigations estimates that staged accidents now cost the insurance industry $20 billion annually, driving up insurance rates by an average of as much as $300 per year for every insured vehicle.[xxiii]

If this trend is allowed to continue unabated, New York drivers will continue to be penalize, with the greatest burden falling on drivers of color, who pay disproportionately higher rates.[xxiv]

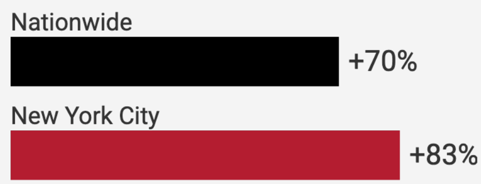
The Discriminatory Impact: How Non-Driving Factors Penalize Minority Communities

As a former president of the National Bankers Association, a chapter president of the Nashville Branch of the N.A.A.C.P, and a co-founder of Black Wealth 2020—a consortium of national Black organizations focused on increasing the collective wealth of Black America—I have spent decades examining public policies that undermine the advancement and fair treatment of African Americans. The high cost of auto insurance in New York is one such policy failure that demands attention from leaders across the political spectrum.

Average Premiums for Black Drivers Relative to White Drivers



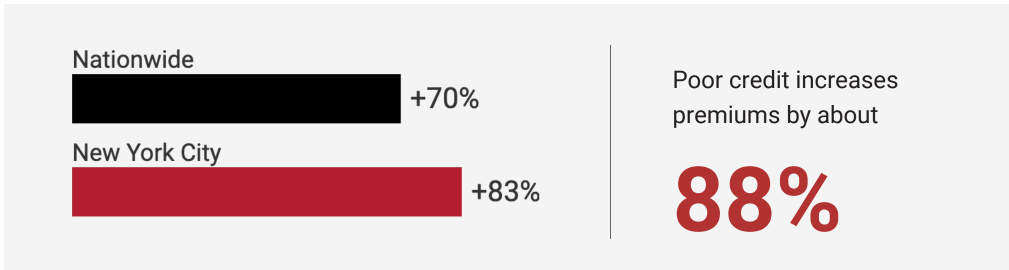
Average Premiums in African American Neighborhoods Nationwide vs. NYC



The data is unambiguous. According to multiple studies, Black drivers pay 1.46 times more for car insurance premiums than their white counterparts nationally. Additionally, African American neighborhoods face insurance premiums that are 70 percent higher than similarly situated white neighborhoods, regardless of driving history.[xxv] In New York City, people of color living in predominantly African American neighborhoods pay 83 percent more for coverage than their counterparts in neighborhoods with fewer African American residents, according to research cited by the New Economy Project.[xxvi]

The mechanism behind this disparity is not overt racial discrimination—insurance companies are legally prohibited from pricing based on race or ethnicity. Instead, they rely on non-driving factors as proxies including, credit scores, zip codes, educational attainment, and occupation. These factors correlate strongly with race and income, producing outcomes that are discriminatory in effect, even if not in intent. As a conservative who strongly believes in equal treatment under the law, I find this unacceptable. A system that penalizes people for where they live or their credit history—rather than for how they drive—violates the basic principle that individuals should be judged on their own merits and actions.

Average Annual Full-Coverage Premiums by Credit Profile



Consider the credit score factor: Drivers with poor credit in New York pay an average of $7,590 annually for full coverage—nearly 88 percent more than drivers with good credit, who pay approximately $4,031.[xxvii] The Consumer Federation of America has described this as a “poverty surcharge,” in which families with the least financial flexibility pay the highest cost required to stay insured and legally drive.[xxviii] For a worker earning $40,000 annually with poor credit, insurance premiums can approach 19 percent of take-home pay—comparable to the cost of an additional car loan payment or several months of rent.

Women of color bear a particularly heavy burden, earning less on average while paying some of the highest insurance premiums of any demographic group. A 2024 analysis found that Black drivers paid an average of $1,031 for insurance compared to $705 for white drivers nationally—a 46 percent difference.[xxix] A 2017 ProPublica analysis found the disparity persists even at similar income levels, with middle-income individuals in Black neighborhoods paying, on average, 194 percent more than those in white neighborhoods.[xxx]

These are not the hallmarks of a free and fair market. Rather, they reflect a system to which opaque algorithms perpetuate historical disadvantages under the guise of actuarial neutrality. Unlike the blatant discrimination of the Jim Crow era, today’s inequities are concealed behind algorithmic pricing models.

But the outcomes—communities of color paying more for the same product—are real and just as harmful to economic mobility.

Conclusion

The disparities in auto insurance coverage in New York are real, persistent, and deeply rooted in structural inequities. Drivers of color pay disproportionately more than white drivers, and these gaps are reinforced by how premiums are calculated—using non-driving proxies such as zip code, credit history, and educational attainment—with a no-fault framework that has become fertile ground for fraud and abuse. While the system was initially intended to help accident victims receive timely relief for damages and injuries, it has instead been exploited by fraudsters. The result is a costly and regressive burden on households that are already navigating economic stress, with urban communities bearing a disproportionate share of the impact.

These affordability challenges certainly did not arise by accident, and they will not be resolved overnight. Still, it is critical to begin somewhere, and Governor Hochul's executive budget proposal for 2026-27 represents the most meaningful and serious attempt in decades to address the some of the core drivers of rising costs and unequal pricing. By targeting fraud and staged accidents—an outsized cost driver in New York—the reform package seeks to curb a structural leak in the system that has inflated premiums across the board. While these reforms would not be a silver bullet, they could, according to the Citizens Budget Committee_a nonpartisan, nonprofit civic think tank_reduce premiums for New York drivers by roughly 10 percent, or about $200 per year.[xxxi] Reining in this "out-of-control" factor is essential not only for reducing costs, but also for restoring some measure of equity for all New York drivers, particularly people of color.

The benefits of reform could reach well beyond individual households. Statewide premium reductions would easethe affordability crisis, relieve the state's overburdened court system, and create a foundation for future reforms that further restrict discriminatory pricing and promote fair access to coverage.

If included in the final state budget, these reforms would signal a shift away from entrenched practices that have limited opportunity and financial security for Black and brown New Yorkers. They will establish an important precedent: public policy can and should align with free-market principles while protecting consumers from inefficiency, fraud, and opaque pricing.

This is a pivotal moment. The path ahead will require vigilance, robust implementation, and ongoing evaluation, but taking these first steps is both a moral and practical imperative. If pursued with discipline and transparency, these reforms can lay the groundwork for a more affordable, fair, and sustainable auto insurance system in New York—one in which coverage costs reflect true risk, rather than legacy burdens, or biased proxies.

Endnotes

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