


Is GenAI responsible for stabilizing auto insurance premiums?

Article



The trend: Auto insurance rates will rise an average of 7.5% in 2025—a significant slowdown from 2024’s 16.5% hikes, per Lending Tree’s and ValuePenguin’s [“State of Auto Insurance in 2025.”](#)

What’s behind the change? This deceleration suggests insurers’ costs are improving. But according to The Zebra, the external costs impacting car insurance claims—such as repair



costs, the number of claims, and climate-related disasters—are continuing to rise.

This means insurers could be making internal changes to improve profitability in this challenging environment.

Is GenAI the answer? According to Bankrate, many auto insurers have adopted generative AI (genAI) solutions to help cut costs.

- Insurers are using AI to automate claims processing and fraud detection, reducing administrative expenses and improving accuracy in identifying suspicious activities.
- AI-driven underwriting processes analyze vast customer data to expedite policy approvals and [optimize pricing strategies](#).
- AI chatbots and predictive analytics are enhancing customer service, allowing insurers to better allocate resources and personalize interactions.

What to watch for: There's another potential challenge that could offset some of these operational gains—Trump's [proposed tariffs](#). Following his inauguration, Trump promised 25% tariffs on Canada and Mexico starting February 1, which could lead to costlier claims for auto insurers.

But the president appears to be walking back some of his campaign promises of sweeping tariffs, per Bloomberg. He's expected to delay broad tariffs on China his first day in office, which would have had immediate implications for car manufacturers—as many source parts from China.

We will continue to track the president's final decisions and how any changes impact insurers.

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