



# 2023 **AmTrust** Extended Auto Warranty Advisor

AmTrust Warranty & Specialty Risk reveals shifts in automotive warranty program claim severity as the industry landscape changes gears.



# Shifting Auto Landscape Shows **Greater Value** in Warranty Products

Innovations in the auto industry have led to an increased need for auto warranty products. Vehicles have more technology, including computer components, which require technical expertise to repair and replace. AmTrust Warranty & Specialty Risk continues to take on these new opportunities and create new product channels while helping our clients diversify into alternative product opportunities. With new technology and consumers keeping vehicles longer, it makes even more economical sense to have a warranty in place.

## Economic Impacts in Automotive Industry



**Consumers are holding on to vehicles longer**  
because of a lack of availability and cost of new vehicles



**Fewer new vehicles available**  
translates into higher priced used vehicles in the marketplace



**Increased parts and labor costs**  
lead to increase in claims amounts

## Supply Chain Constraints

“We are observing reduced availability of non-OEM parts leading to higher cost repairs and replacements. This increased parts cost, intertwined with rising labor costs are leading to steep severity trends across the entire Automotive F&I product suite.”

Anthony Lukaszewski  
AVP Underwriting AmTrust Warranty & Specialty Risk

## A Widening Gap

Guaranteed Asset Protection (GAP) coverage being sold today is reflective of inflated vehicle values, driven in part by inventory shortages, supply chain disruption, and rising interest rates. If and when the values of autos come down, the concern is that it will widen the difference between outstanding loan balances and primary insurance settlements, increasing severity and potential underwriting losses. AmTrust applies sensitivity modeling to navigate every turn of the GAP cycle, even the downturns.



# Vehicle Service Contracts

Though claim frequency has remained steady, rising labor rates, supply chain issues and material shortages have contributed to an increase in claim severity across both new and used vehicles.



**\$1,144**

average 2022 claim severity

resulted in a



**+15%**

increase over 2021



ASIAN

**\$1,105**

average total 2022 claim amount

**+18%**

over 2021



DOMESTIC

**\$1,155**

average total 2022 claim amount

**+14%**

over 2021



EUROPEAN

**\$1,595**

average total 2022 claim amount

**+17%**

over 2021

## Increased Value for Vehicle Protection

"In the last five years new car inventory has been constrained leading customers to see more value in retaining and protecting their vehicles; resulting in a sustained increase in used vehicle service contracts."

Bryce Segert  
Senior Account Executive AmTrust Warranty & Specialty Risk



# Appearance Protection

Inflation has caused increases in material and labor costs, and has led to fluctuating labor rates, creating a shift in the overall severity for appearance protection claims.



**\$421**

.....  
average 2022 claim severity

resulted in a



**+9.1%**

.....  
increase over 2021

## SOUTH



**\$429**

.....  
average total 2022 claim amount

**+13.6%**

.....  
over 2021

## NORTHEAST



**\$297**

.....  
average total 2022 claim amount

**+1%**

.....  
over 2021

## WEST



**\$427**

.....  
average total 2022 claim amount

**+6%**

.....  
over 2021

## MIDWEST



**\$365**

.....  
average total 2022 claim amount

**+1%**

.....  
over 2021



## ASIAN

**\$381**

.....  
average total 2022 claim amount

**+8%**

.....  
over 2021



## DOMESTIC

**\$393**

.....  
average total 2022 claim amount

**+10%**

.....  
over 2021



## EUROPEAN

**\$464**

.....  
average total 2022 claim amount

**+19%**

.....  
over 2021

# Tire & Wheel Protection

Although tire and wheel claims frequency has been decreasing due to a reduction in driving, rising parts and labor costs have led to increases in severity across all regions.



**\$330**

average 2022 claim severity

resulted in a



**+11%**

increase over 2021

## MIDWEST



**\$277**

average 2022 claim severity

**+13%**

over 2021

## WEST

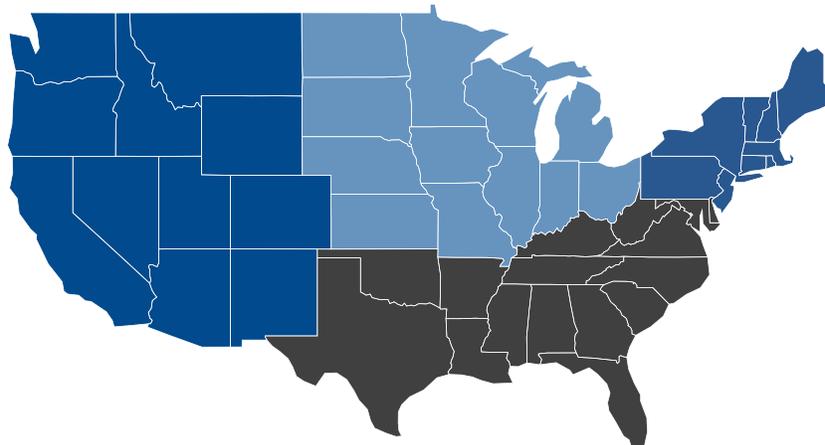


**\$336**

average 2022 claim severity

**+18%**

over 2021



## NORTHEAST



**\$382**

average 2022 claim severity

**+8%**

over 2021

## SOUTH



**\$306**

average 2022 claim severity

**+13%**

over 2021



## ASIAN

**\$318**

average total 2022 claim amount

**+12%**

over 2021



## DOMESTIC

**\$313**

average total 2022 claim amount

**+13%**

over 2021



## EUROPEAN

**\$390**

average total 2022 claim amount

**+7%**

over 2021

# Windshield Protection

Increase in claim severity for windshields is directly impacted by emerging ADAS sensor technology and changes in glass geometry. These manufacturing changes led to a shift from repair to replacement claims and contributed to higher labor costs, due to longer calibration times.



**\$760**

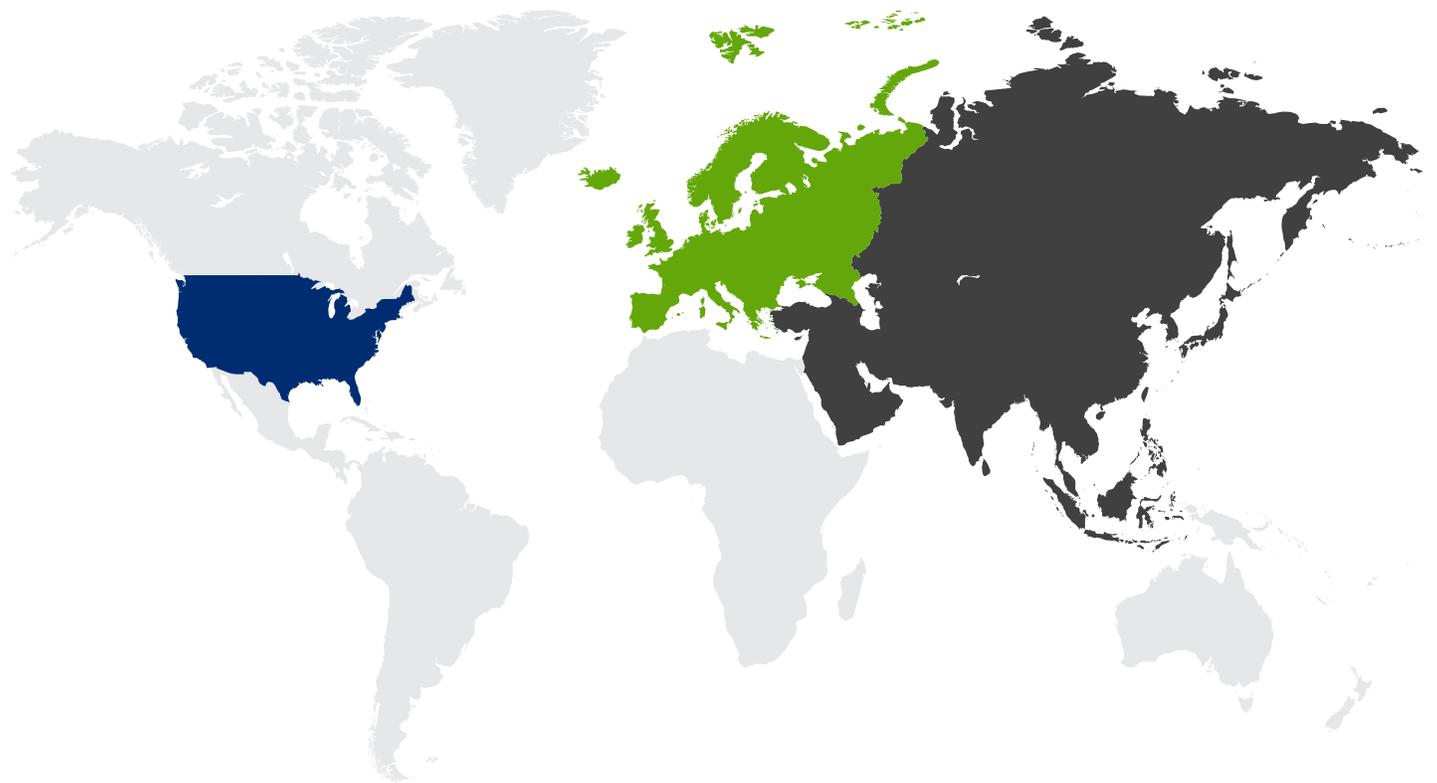
.....  
average 2022 claim severity

resulted in a



**+8%**

.....  
increase over 2021



ASIAN

**\$728**

.....  
average total 2022  
claim amount

**+8%**

.....  
over 2021

DOMESTIC

**\$485**

.....  
average total 2022  
claim amount

**+13%**

.....  
over 2021

EUROPEAN

**\$1,032**

.....  
average total 2023  
claim amount

**+8%**

.....  
over 2021

# Administrator Best Practices

High performing administrators follow these best practices to ensure balance in their claims severity:



1

## Gather & Compare

Gather and compare a detailed view with photographs and specifications of the vehicle to help accurately adjust the claim. Each detail in the write-up can provide a better understanding of the vehicle value than the VIN number alone; for example, updates or modifications to a vehicle could impact claim eligibility.



2

## Training

Training is a paramount practice of well-performing TPAs. Provide quarterly refreshers on coverages, terms and OEM changes.



3

## Analytics

Work with a carrier who provides data-driven feedback and program insights. Program modeling that uses predictive analytics to project future claims can help leaders make program decisions that may reduce severity impacts.



4

## Compare

Compare the Like/Kind/Quality (LKQ) prices for certain auto parts against the total cost for shipping and customer rental car fees.

## Closing Thoughts From Our President

“The trend in higher claim severity across the board is not surprising and aligns with the supply chain issues and the continued rising prices of parts and labor. We are focused on helping our partners adjust to market conditions and keeping their programs profitable throughout these challenging economic times.”

Bruce Saulnier  
President AmTrust Warranty & Specialty Risk

## Contact Us

AmTrust Warranty & Specialty Risk underwrites a full suite of insurance, extended warranty and service contract programs. Contact the AmTrust Team to rate your vehicle coverage needs. Email us at [contactwarranty@amtrustgroup.com](mailto:contactwarranty@amtrustgroup.com) or visit [www.amtrustsr.com](http://www.amtrustsr.com)



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