Allied Solutions®

Strategic Risk Summary

Q3 2025

The State of Vehicle Protection and Insurance

This report explores the true impact of insufficient vehicle coverage and provides strategic insights to help lenders mitigate risk, reduce losses, and strengthen portfolio protection.

Auto lending is facing new challenges that go beyond inherent risks of doing business. Burdened by fragile finances, borrowers are making the tough choice to reduce insurance coverage - or cancel it entirely. This puts lenders is a tough spot to balance borrower sensitivity with portfolio protection.

Key factors impacting uninsured collateral risk:

- Florida has the highest full-coverage auto insurance rates in the U.S. at **$3,865 annually**.[1]
- The Uninsured Motorist (UM) rate has peaked in recent years with an estimated **14%** of all motorists driving uninsured.[2]
- In tandem, delinquency rates and charge-off ratios are drastically increasing.

The Whole Picture of Vehicle Protection and Insurance

Let's zoom out at take a look at the macro economic indicators and impacts to uninsured collateral and delinquencies.

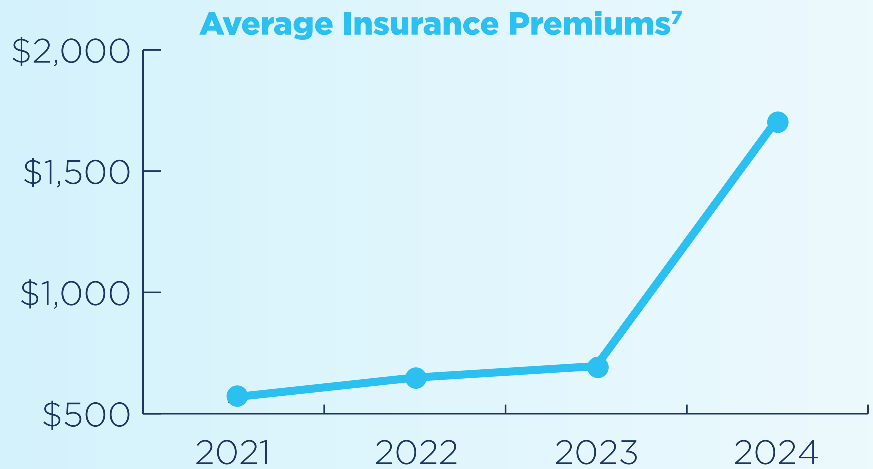
	2021	2022	2023	2024	2025
Average Vehicle Loans[3]	$39,721 (New)	$40,290 (New)	$40,851 (New)	$41,572 (New)	Q1 $41,720
	$27,291 (Used)	$27,768 (Used)	$26,420 (Used)	$26,468 (Used)	Q1 $26,144
Average New Loan Term (Months)[3]	69.66	68.73	68.64	67.59	68.64
Total U.S. Consumer Debt Balance (Trillions)[4]	$15.58	$15.85	$17.05	$15.85	$18.04
Average FICO Credit Score[5]	714	714	715	715	715

While FICO scores remain steady year over year, the amount of debt varies by tier. Better credit habits yield more credit.

Average Debt by FICO Score[6]				
Poor	**Fair**	**Good**	**Very Good**	**Exceptional**
$45,282	$67,488	$92,936	$106,734	$164,302

The data offers both good news and bad. The good news: rates are dropping slightly, bringing down monthly payments, and terms are even shortening - if only by a couple months.

These insights are trending the right way but don't account for the deluge of uninsured collateral being driven. Borrower finances remain fragile across credit tiers. Insurance is **33% higher than 36 months ago**, and the peak in premium rates are a headwind for protecting collateral. The strain on borrowers is evident by a surge in delinquencies and under and un-insured vehicles.



	2021	2022	2023	2024
Premium	$567.88	$648.77	$695.93	$1,715

Strategically Safeguarding From Deeper Losses

With all-time high LTV ratios, longer loan terms, and ongoing inflation and elevated interest rates, vehicle values remain volatile. A July 2025 report from Edmunds found that among car shoppers trading in their vehicles:

- 32.6% carried $5,000–$10,000 in negative equity in Q2 2025
- 23.4% owed more than $10,000
- 7.7% owed over $15,000.[8]

Borrowers are starting their loans already upside down — owing more than the vehicle is worth. The widening gap between loan balance and ACV has brought a 48% rise in GAP claim severity.[9]

Restored vehicle inventory combined with stubbornly inflated values are turning the tide on losses for both borrower and lender. High LTVs bring greater delinquency risk as borrowers starting out a loan with negative equity tend to fall behind on payments.

As deficiency balance risk rises, GAP waivers are no longer a nice-to-have – they are becoming the standard to safeguard borrowers from upside down loans and cushion against deeper losses.

*With more than **$25.7 million** recovered, Allied Solutions reduces losses through GAP claim expertise—**averaging $5,323 per claim** with resolution in just 17–22 days.*

Taking the High Road to Vehicle Protection and Insurance

As a leader in data-driven vehicle protection and insurance, Allied Solutions is dedicated to providing risk mitigation solutions that are efficient, compliant, and borrower sensitive. Our philosophy is to not wait on the borrower to initiate insurance verification. The aim of our program is to **proactively search for and validate existing insurance** with less borrower interaction, only placing lender coverage as a final course of action to protect the collateral. Our smart program has the lowest false placement rate in the industry, and it's because we track each auto loan from onboarding through billing.

How It Works

1. **Loan onboarding**
2. **Borrower insurance changes**
3. **Digital insurance search**
4. **No insurance found**
5. **Borrower receives digital alerts**
6. **Insurance status remains un- or under-insured**
7. **Vehicle protection insurance is placed**

Is your vehicle protection program solving or creating confusion for your borrowers?

When informing borrowers about their obligation to provide proof of insurance, simple, streamlined communication will create clarity and build trust. The majority of your borrowers don't need lender-placed protection. That's why it is so important to curate a positive experience for the few that do. Because in times of crisis, borrowers need to feel protected, not punished. Allied helps lenders deliver protection and profit—never one at the expense of the other.

Safeguard your auto portfolio with a sound vehicle protection program.

Learn more about a program that keeps your borrowers informed and your portfolio protected: Learn More

What's Next? Portfolio Protection Predictions

Natural disasters will continue to contribute to increased insurance claims, uninsured or under-insured collateral, and higher operational risks.

Used car prices will continue to impact ACV (actual cash values) and claim severity.

Interest rates will be slow to descend as inflation remains high.

Credit scores will boomerang as inflated scores from the pandemic era return to normal.

Stricter regulations emphasize borrower sensitivity as a top consideration for insurance tracking and placement.

Delinquencies will rise for the sixth year in a row.

Increased demand for real-time carrier updates.

Direct GAP waivers will provide essential non interest income.

Predictive indicators of consumer financial health - including diminished savings and payment defaults - will play a larger role in forecasting uninsured collateral risk.

Sources and Citations

[1] https://www.forbes.com/advisor/car-insurance/most-expensive-states-for-car-ownership/

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[3] Experian. State of Auto Finance Market. 2019- 2024.

[4] Federal Reserve Bank of New York. Household Debt and Credit Report. Q1 2025.

[5] Experian. What is the Average Credit Score? 2024.

[6] https://www.experian.com/blogs/ask-experian/research/consumer-debt-study/

[7] AAA. Your Driving Costs. 2021-2024.

[8] https://www.edmunds.com/car-buying/being-upside-down.html

[9] According to Allied Solutions data. 2020-2024.

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