



More Tech, More Disposable

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Today's automobiles are becoming increasingly disposable, according to a new research report by insurance analyst CCC Intelligent Solutions. The report found that more than 20% of vehicles involved in road accidents are declared to be 'totaled' by the insurance carriers, rather than approved for repair.

We can easily understand one reason: today's autos come with a variety of expensive technology, and much of it is found on the vulnerable outside of the car. The Advanced Driver Assistance Systems (automatic braking and lane-keeping assistance) rely on external sensors and cameras that are easily damaged in crashes. To repair these fixtures, technicians have to install, test and calibrate the equipment, adding to the already high costs of the technology itself. The American Automobile Association has estimated that these high-tech driving aids now account for 38% of repair costs, which means that repairs are no longer about replacing fenders and door panels.

But new, expensive tech isn't the whole reason that cars are increasingly disposable. The value of used cars has declined since the peak of the pandemic, which (by the peculiar financial dynamics of the auto insurance industry) means that insurers are less incentivized to fix vehicles.

And beyond that, today's 'disposable' (written-off) cars are no longer broken up for scrap metal and parts. Buyers from emerging markets are now purchasing the discarded American cars and restoring them, so they can be sold in their domestic markets—without the high-tech safety equipment. Their lower labor costs (meaning lower costs of repair) have increased the value of totaled vehicles at auction, allowing insurance companies to recoup more of their outlays whenever they declare that a car is too expensive to fix.

The CCC study and others indicate that accident rates have not declined despite all the fancy new technology. The lesson may be that drivers need to make sure they have adequate insurance to cover the difference between a settlement from the insurance company and the cost of a new vehicle.

Sources:

<https://www.advisorperspectives.com/articles/2024/05/24/rise-of-disposable-car-chris-bryant>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:(215)325-1595) or you can [click here to schedule a meeting](#).

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