

Market Outlook

Over the past decade, the commercial auto space has been largely unprofitable for insurance carriers. According to a recent report from AM Best, commercial auto underwriters saw more than \$22 billion in underwriting losses between 2011 and 2020, despite underwriters increasing premium pricing for 41 consecutive quarters. Various factors have led to this poor underwriting performance, including litigation trends, driver shortages, unsafe driving habits and surging accident expenses. In 2022, most policyholders are predicted to have a more difficult renewal process because of greater premium rates, lowered capacity and more stringent policy restrictions. Insureds with larger fleets or a poor loss history may experience greater rate increases.

2022 Price Prediction

Overall:
+10% to 25%

Developments and Trends to Watch

- **Nuclear verdicts**—Settlement verdicts for bodily injury claims have been rising steadily. Specifically, nuclear verdicts—jury awards in which the penalties exceed \$10 million—have become increasingly prevalent. Due to the rise in these verdicts, attorneys are more inclined to go to trial, extending litigation and significantly raising the cost to defend a claim. What's worse, the surge in nuclear verdicts over the years has contributed to many commercial auto insurance carriers restricting coverage offerings. As a result, insureds impacted by nuclear verdicts are less likely to have proper coverage for these events.
- **Driver shortages**—According to the American Trucking Associations, there is currently a driver shortage of more than 80,000 positions. This is largely fueled by the aging workforce, a declining interest in the profession and certain industry barriers. Amid this shortage, many organizations have had to lower their driver applicant standards to fill open positions, meaning these drivers often have fewer years of experience and shorter driving records. Such factors can make these new employees more likely to be involved in an accident on the road. Driver shortages have also forced some organizations to compete for experienced drivers.
- **Distracted driving concerns**—Data from the National Highway Traffic Safety Administration (NHTSA) indicates that up to 391,000 people are injured every year, and 3,450 people are killed in crashes involving distracted drivers. In addition to the loss of life, these crashes cost an estimated \$46 billion each year. As these incidents have become more prevalent, commercial auto insurance costs have climbed in tandem.
- **Rising accident costs**—A top culprit of surging accident costs (and commercial auto claims) is worsening crash severity. While fewer drivers were on the road in 2020 due to the COVID-19 pandemic, the NHTSA reported that the fatal crash rate reached its highest point since 2007. Besides fatal crashes, incidents resulting in severe injuries have also contributed to rising accident costs. This is because such injuries often require advanced treatment plans, influencing overall medical expenses. Another key culprit of surging accident costs is rising auto repair expenses, primarily stemming from the hefty price tag of repairing increasingly advanced vehicle technology and ongoing auto part shortages caused by the pandemic.

Tips for Insurance Buyers

- Examine your loss control practices relative to your fleet and drivers. Enhance your driver safety programs by implementing or modifying safe driving and distracted driving policies.
- Ensure you hire qualified drivers by using motor vehicle records (MVRs) to vet drivers' experience and moving violations. Disqualify drivers with an unacceptable driving record. Review drivers' MVRs regularly.
- Consider technology solutions, such as telematics, where appropriate to strengthen loss control measures.
- Prioritize organizational accident prevention initiatives and establish effective post-accident investigation protocols to prevent future collisions on the road.
- Determine whether you should make changes to your commercial auto policies by speaking with your broker.