

2021 Commercial Auto Insurance Market Outlook



For the past decade, the commercial auto insurance space has been largely unprofitable for carriers. In this environment, many carriers have elevated premium costs. Unfortunately, this hard market is expected to continue into 2021. As such, we predict that most businesses with commercial auto exposures will have a more difficult renewal process by way of greater premium rates (potentially even double-digit rate increases), lowered capacity and further policy restrictions. Insureds with large fleets or a poor loss history may experience more significant rate increases.

2021 Price Prediction

Overall:
+5% to +25%

Trends to Watch

- **Delivery exposures**—Due to the COVID-19 pandemic, some organizations have extended delivery services or hired delivery drivers for the first time. Doing so carries new commercial auto exposures.
- **Driver shortages**—In the midst of widespread driver shortages, many organizations have had to lower their driver applicant standards to fill open positions. These drivers often have fewer years of experience, making them more likely to be involved in an accident on the road. What's more, many organizations are having their experienced drivers work longer hours, leading to driver fatigue.
- **Distracted drivers**—Data from the National Highway Traffic Safety Administration indicates that up to 391,000 people are injured and 3,450 people are killed in crashes involving distracted drivers each year. As these incidents increase, commercial auto insurance costs have climbed in tandem.
- **Additional vehicles on the road**—The Department of Transportation estimates that an additional 2.6 million vehicles will be registered in the United States during 2021. This means a higher number of drivers will be on the road, increasing the risk of accidents and subsequent claims.
- **Elevated accident costs**—As accidents steadily increase, their associated costs have followed suit. First, the monetary value of technological advancements in commercial vehicles has elevated vehicle repair costs in the event of an accident. Second, because injuries from accidents often require several doctor visits or even surgery, this extends recovery time and increases overall medical costs.
- **Nuclear verdicts**—Such verdicts—which refer to jury awards in which the penalties exceed \$10 million—have become increasingly prevalent in the commercial auto space. As a result, attorneys are more inclined to go to trial. This extends litigation and significantly raises the cost to defend a claim.

Tips for Insurance Buyers

- Examine your loss control practices relative to your fleet and drivers. Enhance your driver safety programs by implementing or modifying policies on safe driving and distracted driving.
- Design your driver training programs to fit the unique needs of your business. Implement a driver- or employee-retention program to maintain experienced drivers.
- Determine whether you should make structural changes to your commercial auto policies by speaking with your insurance professionals.