

2023 Commercial Property Insurance Market Outlook

The commercial auto insurance market has faced substantial underwriting losses and diminished profitability for more than a decade. While the segment continues to face difficult market conditions, rate increases largely remained in the single digits in 2022, demonstrating signs of stagnation compared to double-digit rate jumps that took place in prior years. Nevertheless, several cost-driving trends remain pressing concerns in the segment, pushing claims frequency to pre-pandemic levels and increasing overall loss severity. Policyholders across industries and vehicle classes can still expect to experience rate increases going into 2023.

Developments and Trends to Watch

- **Social inflation and nuclear verdict concerns**—Although social inflation has affected many lines of commercial coverage in recent years, the auto insurance market has been particularly impacted. This is mainly due to trends in the trucking industry, including a surge in costly lawsuits and associated settlements. In particular, nuclear verdicts (jury awards exceeding \$10 million) have been on the rise. An analysis by the Insurance Information Institute and the Casualty Actuarial Society attributed nuclear verdicts and subsequent social inflation concerns as driving up commercial auto claim costs by \$20 billion throughout the last decade.
- **Increased accident frequency and severity**—The National Highway Traffic Safety Administration confirmed that more deaths have occurred on the road since the start of the COVID-19 pandemic, with 2020 recording the highest number of driver fatalities since 2007. Such fatalities jumped by an additional 10.5% in 2021 and another 0.5% in the first half of 2022 alone. Apart from increased fatal crash rates, road incidents that result in severe injuries have also contributed to elevated accident expenses. Additionally, certain technological advancements have made vehicles increasingly expensive to repair following accidents, further driving up commercial auto claim costs. These issues—combined with various car part shortages, rising labor expenses and inflated used and new vehicle prices—have led to prolonged vehicle repair times and, in turn, surging overall claim costs.
- **Driver shortage challenges**—The nation's driver shortage reached a historic high of more than 80,000 open positions in 2021, according to the American Trucking Associations. While this shortage didn't increase in 2022, it remained near the previous year's record at 78,000 open positions. Amid this shortage, many businesses have had to lower their driver applicant standards to fill open positions. This has led to more drivers with fewer years of experience and shorter driving records. Such factors can make these new employees more likely to be involved in accidents on the road, contributing to an increase in commercial auto claims.

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 your needs and the exposures facing your business. Regularly retrain drivers on safe driving techniques.
- Ensure you hire qualified drivers by using motor vehicle records to vet drivers' past experience and moving violations.
- Determine whether you should make structural changes to your commercial auto policies by speaking with trusted insurance professionals.



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