

Commercial Auto Insurance Trends to Watch For in 2021



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If your business uses vehicles for any part of your operation, whether owned, leased, or rented, it's imperative to have the right commercial auto insurance policy. But beyond making sure you're covered in case of an accident, keeping up with what is happening in the market can help you be proactive about managing your risk. Here are some things to know about commercial auto insurance right now:

It's a hard market.

Auto insurance hasn't been profitable for carriers for the past decade. This has led to premium increases, tougher renewals, and stricter policies for businesses. Unfortunately, industry experts see this trend continuing due to a variety of factors ranging from litigation to deteriorating public roads.

The pandemic changed everything.

Yes, COVID-19 has even impacted commercial auto insurance. You may think fewer cars on the road in 2020 would have contributed to fewer accidents or claims, but that was only true for a short period of time when much of the country was in lockdown. Here is what really happened:

- Fewer vehicles on the road *increased* accident severity, perhaps because drivers were emboldened to be more reckless on emptier roads. According to the National Safety Council, vehicle fatalities in 2020 increased by 8% from 2019 and by 24% compared to 2007.

- Businesses (like yours, perhaps) added more delivery drivers and in-home services, leading to an increase in vehicles on the road, added exposure for businesses, and increased chance of claims. And the trend is forecasted to continue. The Department of Transportation estimates an additional 2.6 million vehicles will be registered in 2021.
- Distracted driving incidents became more prevalent. While many factors can lead to a crash, distracted driving is one of the most common causes. And while eating, drinking, texting, and talking on the phone are included, stress can also be distracting.

Elevated accident and claims costs.

All these additional accidents are costing more as well. Even though vehicle technology has made them safer, it has also made repairs more expensive. According to a report from AAA, vehicles equipped with driver assistance systems often cost twice as much to repair as those that aren't.

Healthcare inflation also plays a part. Injuries from a car accident often require multiple healthcare providers and visits—and all the costs that come with them.

Finally, commercial auto claims have increased in size and impact in recent years. Litigation funding, in which a third party finances a lawsuit, is becoming more common. This can drive up the cost of settlements as well as the litigation itself. Additionally, settlement verdicts are rising steadily as a result of **social inflation**. All of this adds up to a costly defense if you face a claim.

What you can do.

You can combat all the challenges facing the commercial auto insurance market by taking extra steps to minimize your business's risk and exposure. Here are some things to consider:

- New vehicle technology not only makes vehicles safer but can also help you promote safe driving habits among your staff. Equipping your vehicles with telematics software can help you monitor vehicles and driving behavior. You can then use the data you collect to improve efficiency, reduce expenses, bolster security, and encourage safe driving habits. Widespread adoption of technology like this can ultimately affect the whole commercial auto industry.
- Review your driver safety policies and update them if needed. Make sure your drivers know and understand them. Now is a great time for refresher safety training courses for existing drivers.

- If you have added or expanded deliveries and home services, your new drivers may lack experience. Make sure your new drivers are trained in safe practices and are aware of your policies.
- Discipline drivers who engage in risky behaviors. It is important for drivers to know there are consequences, even if they don't get into an accident.
- Review your fleet management practices and make updates as needed.
- Talk to your insurance agent or broker for more risk management ideas and to ensure your commercial auto policy is ready for whatever the market brings.

You don't have to respond to this changing risk landscape alone. We are here to help. For more information and guidance, contact your VGM Insurance Account Manager or reach out to us today at info@vgminsurance.com or **800-362-3363**.

