

COMMERCIAL AUTO

LITIGATION, HUGE VERDICTS DRIVE INSURANCE RATES

COMMERCIAL AUTO insurance companies continue to post steep losses for liabilities like third-party injuries and property damage, which is driving continued rate hikes for businesses, particularly fleet operators, according to a new report from A.M. Best.

The line posted its 14th consecutive year of underwriting losses in 2024, with liability coverage alone accounting for \$4.5 billion in red ink. Those losses were slightly offset by physical damage coverage (part of a comprehensive package), which logged a \$1.5 billion underwriting profit for the industry last year.

As losses mount, some commercial auto insurers have left the market and those that remain have tightened underwriting standards, making renewals and securing new policies more difficult.

Commercial auto renewal rates jumped 8% in the second quarter of 2025 from the same period the year prior, according to Ivans Insurance Services. Even businesses with few claims are seeing significant rate hikes and tighter underwriting, meaning no organization can escape the growing exposure in case one of their drivers is in an accident.

What's driving the trend

Social inflation and nuclear verdicts – Courts are awarding increasingly larger jury verdicts, and plaintiffs' attorneys are more aggressively pursuing cases and pushing for trials over settlements, emboldened by favorable outcomes. This has led to more frequent and severe claims that outpace rate increases.

As well, third-party litigation funding is becoming more common, with external investors bankrolling lawsuits in exchange for a share of the settlement.

Vehicle repair costs – Modern vehicles are packed with sensors, cameras and advanced safety systems. Repairs require specialized parts and skilled technicians, many of whom are in short supply. The imbalance between demand and available workers has pushed labor costs higher.

Longer repair times – Parts shortages and limited repair shop capacity have stretched out repair timelines. The longer a claim stays open, the greater the legal exposure and ultimate settlement cost, according to A.M. Best, which estimates the commercial auto insurance industry to be under-reserved by \$4 billion to \$5 billion.

Driver shortage – As more experienced drivers retire, the labor crunch has meant fewer available drivers and more newbies, which can strain operations and increase risks.

More firms go to specialty insurers

Many traditional "admitted" carriers are pulling back from commercial auto risks. That has forced some businesses to turn to the excess and surplus market for coverage.

E&S carriers historically focused on unusual or higher-risk accounts that standard insurers avoided. But today, even businesses with relatively typical auto exposures are finding themselves placed with E&S carriers. These premiums are usually higher, and terms can be stricter.

What you can do

Focus on safety: Instill a strong safety culture from the top down and invest in driver training. Require all drivers to check their vehicles before each shift and leverage telematics to track driver behavior.

Stay proactive with repairs: Build relationships with qualified repair shops to reduce downtime.

Work closely with us: We can explore options across both admitted and E&S carriers to ensure you have the right protection at a competitive rate.

**PLAN AHEAD. CALL US
BEFORE YOUR POLICY IS
SLATED TO RENEW.**

