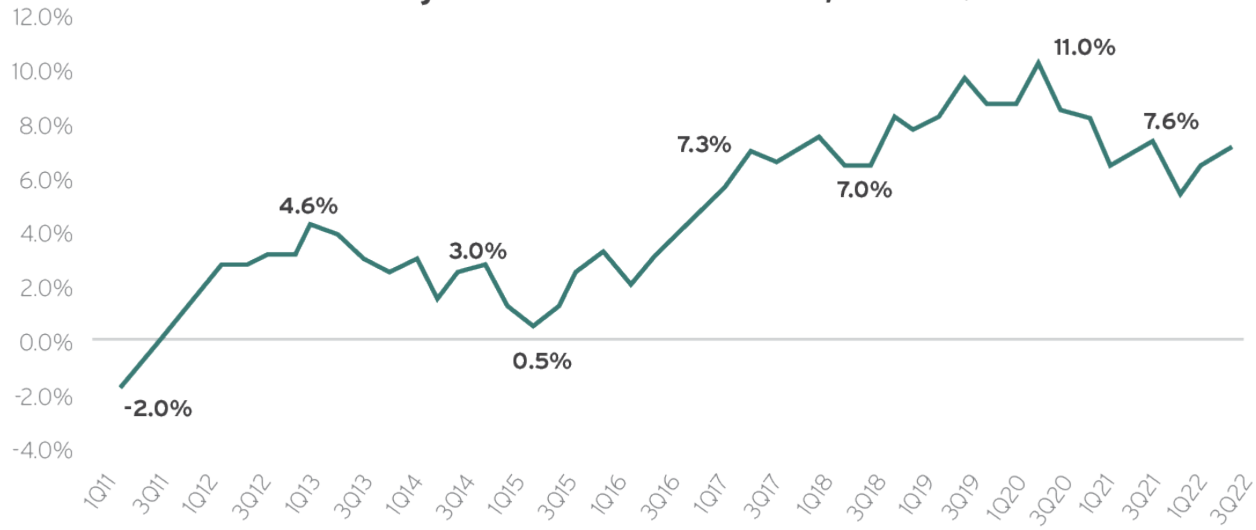
P&C Market Outlook

2023

Commercial Auto Insurance

The commercial auto insurance market has faced substantial underwriting losses and diminished profitability for more than a decade. In fact, a recent report from credit rating agency AM Best revealed that the segment has encountered more than $20 billion in total underwriting losses since 2011. These losses have occurred despite underwriters elevating commercial auto premiums for 45 consecutive quarters, dating back to the third quarter of 2011.

Premium Change for Commercial Auto, 2011–Q3 2022



Source: Council of Insurance Agents & Brokers

A multitude of factors has led to this poor underwriting performance, including social inflation and nuclear verdict concerns, surging accident frequency and severity, numerous road safety challenges and a widespread driver shortage. While the segment continues to face difficult market conditions, AM Best reported that rate increases started to slow down amid strengthening reserves and a combined ratio falling below 100 at the conclusion of 2021—the lowest ratio in more than 10 years. According to industry data, rate increases largely remained in the single digits in 2022, demonstrating signs of stagnation when compared to double-digital rate jumps that took place in prior years. This deceleration can be attributed to a reemergence of insurers that had previously been inactive in the market as well as the implementation of telematics and other vehicle technology among usage-based insurers to collect additional driving data and ensure more accurate premium pricing.

Nevertheless, several cost-driving trends remain pressing concerns in the segment, pushing claims frequency to pre-pandemic levels and increasing overall loss severity. With this in mind, policyholders across industries and vehicle classes can still expect to experience rate increases going into 2023. Further, insureds with larger fleets or poor loss history may be more vulnerable to ongoing rate jumps, lowered capacity and potential coverage limitations.

2023 Price Prediction:

+3% to +15%