GRAMERCY
RISK MANAGEMENT

Focus on Commercial Auto

The Case for Rising Premium Rates

Insurance industry reports in 2019 continue to sound the alarm warning insurance buyers to expect higher commercial insurance rates as we close out 2019.

- Willis Towers Watson forecasts a steady +6% to +12% increase, according to the firm's *Insurance Market Realities – 2019 Spring Update*.
- As reported in the August 27, 2019 issue of Business Insurance, Fitch Ratings Inc. predicts ongoing price increases for commercial auto buyers as a result of substantial underwriting losses.
- *The Council of Insurance Agents & Brokers' Commercial Property/Casualty Market Report Q2 2019* points to an 8.4% increase in commercial auto as a contributor to an overall 6.2% jump in all commercial premiums for medium-sized accounts.

What's driving this?

In general, commercial auto is historically unprofitable as a class of business. The industry has been losing money on its commercial auto underwriting operations since 2011. Repair and medical costs are rising. Cell phone use and enhanced onboard vehicle technology results in more distracted drivers, and, the overall driving exposure is greater for the industry since there are more registered vehicles on U.S. roads than ever before.

What can insurance buyers do to reduce premiums?

- **Improve your loss experience**. Most commercial auto policies are experienced rated – more losses, less favorable underwriting.
- Its starts at the beginning – **hire qualified drivers**.
- Continue **monitoring your employees' driving records**. Employee don't always disclose violations.
- **Use GPS tracking**. It tracks the location of your vehicles, and, it can also indicate if there is speeding.
- **Maintain vehicles** and keep maintenance records.
- **Train drivers** – especially new hires and anyone operating a new vehicle.
- Instruct drivers what to do – and not do – if there is an accident.
- **Reassign or remove drivers** with a poor accident history.

Gramercy provides risk, claims and litigation management services to insurers and companies looking to improve their commercial insurance results. To see how we can help, contact David Mocklow at 516 962 4618 or dmocklow@gramercyrisk.com