

TRUCKING COMPANIES ARE BEING PRICE-GOUGED BY INSURANCE COMPANIES

Commercial auto liability policyholders are being price-gouged.

- For the last decade, Commercial Auto Liability insurance, which is dominated by trucking, has experienced some upward loss movement — *i.e.*, claims — due to increasing numbers of truck crashes, the growing “epidemic” of distracted driving and more drivers on the road.¹
- However, while some gradual premium increases might be expected, the data show that the insurance industry has been over-correcting through excessive reserving and unnecessary rate hikes for years.

A recent review of data from A.M. Best by the Consumer Federation of America finds that premiums have risen out of sync with losses.²

- In 2012, incurred losses jumped ahead of paid losses for the year, and they have grown at a faster pace than paid losses ever since. (An “incurred” loss is not what an insurer has actually paid out. It includes estimates of future claims and guesses about claims they don’t even know about yet called “incurred but not reported” or IBNR. As one might expect, these figures are extremely easy for insurance companies to exaggerate in order to justify rate hikes.)
- While the data show that paid losses turned higher in 2016 and then again in 2018, *paid losses have not come close to catching up with the incurred losses* insurers have been reporting over the past decade.
- A dramatic spike in incurred losses in 2019 has not materialized in paid losses in the years since then, with *paid claims actually falling in 2020 and 2021, due in part to the pandemic but also because the 2019 incurred losses appear to have been overstated.*
- The increase in losses recorded in 2016 has precipitated *an incommensurate growth in the premiums charged for commercial auto insurance.*
- Charting data for the past 23-year period shows that slopes in the premium increase trends are larger than the slope for the incurred loss trend line and significantly larger than the paid loss trend, illustrating that *premiums are rising out of sync with loss increases.*

The epidemic of distracted driving combined with more drivers on the road are significant contributors to rising commercial auto liability insurance rates.

- In early 2020, the *Wall Street Journal* reported³:

[C]ar insurers like Allstate have won approval from many state insurance departments for rate increases on a fairly steady basis since 2015, when a spike in traffic deaths caught the industry by surprise. At that time, more drivers were suddenly on the road with increased mileage amid the economic recovery and distracted driving was growing as a concern.

- In its Q3 2019 commercial insurance report, the Council of Insurance Agents and Brokers wrote⁴:

The possible causes for Auto's increased claims — distracted driving and more people on the road — have been discussed before, but they remain important as ever. For example, just last year an estimated 60% of all drivers in the United States used their phone while driving, going hand in hand with the second time U.S. motor-vehicle deaths surpassed the 40,000 mark.

To bring down rates and stop insurance industry price-gouging, the trucking industry must demand accountability from the insurance industry.

- Trucking companies should ask state insurance commissioners to do a better job of reviewing commercial auto liability rates and prevent insurers from price-gouging.
- Trucking companies should call on lawmakers to do more to ensure commercial auto insurance rates are subject to transparency and oversight, especially by requiring prior approval of commercial auto premiums.

For more information, see Center for Justice & Democracy, *Big Trucks: An Avoidable Public Safety Crisis* (November 2022), <https://centerjrd.org/content/study-big-trucks-avoidable-public-safety-crisis>

NOTES

¹ National Association of Insurance Commissioners, "Distracted Driving," September 22, 2021, <https://content.naic.org/cipr-topics/distracted-driving>

² Consumer Federation of America reviewed data from A.M. Best, *Best's Aggregates & Averages* – (Property/Casualty).

³ Leslie Scism, "Allstate, Chubb Profits Rise on Disaster Claim Decline, Premium Growth," *Wall Street Journal*, February 5, 2020, <https://www.wsj.com/articles/allstate-chubb-profits-rise-on-disaster-claim-decline-premium-growth-11580917889>

⁴ Council of Insurance Agents and Brokers, *Commercial Property/Casualty Market Report Q3 2019 (July 1 – September 30)*, <https://www.ciab.com/download/20368/>