



# 2025 MARKET OUTLOOK

## COMMERCIAL AUTO INSURANCE

For much of the past decade, the commercial auto insurance market has been challenging for both insurers and insureds—a trend that's expected to continue into 2025. Various factors have led to difficult market conditions, including widespread driver shortages, nuclear verdict concerns, inflation issues and distracted driving challenges. Altogether, these cost-driving trends have pushed claims frequency and exacerbated overall loss severity. As a result, most insureds can expect to encounter ongoing premium hikes. Further, policyholders with sizeable fleets or poor loss history may be more susceptible to double-digit rate jumps, reduced capacity and possible coverage restrictions.

## DEVELOPMENTS AND TRENDS TO WATCH

- + **Nuclear verdict concerns**—The commercial auto sector is particularly susceptible to nuclear verdicts (e.g., extremely high jury awards) due to the serious nature of accidents involving large commercial vehicles like trucks. According to the American Transportation Research Institute, trucking verdicts have increased by more than 50% each year for the past decade, with nuclear verdicts in the sector doubling during this time frame. Due to the rise in nuclear verdicts, attorneys are more inclined to go to trial, which typically extends litigation and significantly raises the cost of defending a claim. The ongoing surge in nuclear verdicts has caused many commercial auto insurance carriers to either decrease their risk appetites and restrict coverage offerings or exit the market altogether.
- + **Physical damage claims**—While the financial impact of an accident can vary based on the severity of a collision, steep repair costs continue to drive up the cost of claims overall. Technological advancements have made vehicles safer and more efficient. However, as commercial vehicles are outfitted with a variety of sophisticated components (e.g., backup cameras), they are becoming increasingly expensive to repair. According to a report from AAA, vehicles equipped with driver assistance systems often cost twice as much to repair as those that aren't. As such, losses associated with a collision are much more substantial, leading to rate increases and creating numerous challenges for insurers.
- + **Driver shortages**—While an estimated 3.05 million truck drivers were employed in the United States in 2023, the American Trucking Associations (ATA) estimates a shortage of roughly 82,000 by the end of 2024. Further, the ATA anticipates that rising freight demand and an aging workforce could cause the driver shortage to skyrocket to 160,000 open positions by the end of the decade. To help minimize this shortage, many businesses have adjusted their driver recruitment and retention strategies and, in some cases, have had to lower their driver applicant standards to fill open positions. These drivers often have fewer years of experience and shorter driving records. Such factors can make these new employees more likely to be involved in accidents on the road, contributing to an increase in commercial auto losses and related claims.
- + **Continued interest in alternative risk financing**—Electric vehicles (EVs) continue to gain traction in the U.S. auto market. By 2030, experts estimate there will be over 4 million EVs in U.S. fleets. However, EV adoption isn't without its share of challenges. In one Accenture survey, 35% of respondents cited high up-front costs and an unclear return on investment as challenges toward fleet electrification. That same survey found that 30% of respondents didn't currently have any EVs in their fleet. Infrastructure upgrades could also slow down EV initiatives for some fleets, as the change may require electrical system upgrades, specialized charging





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equipment and updates to the organization's IT systems. Further, because EVs tend to cost more than standard automobiles, their insurance rates are usually higher. However, other factors unique to EVs, like cyberthreats and battery problems, could also make insuring them costlier.

## TIPS FOR INSURANCE BUYERS

- + Examine your risk management practices relative to your fleet and drivers. Enhance your driver safety programs by implementing or modifying policies on safe driving.
- + Design your driver training programs to fit your needs and your business's exposures. Establish effective onboarding and educational initiatives for new drivers. Regularly retrain drivers on safe driving techniques.
- + Ensure you are hiring qualified drivers by using motor vehicle records (MVRs) to vet a driver's past experience and moving violations. Disqualify drivers with an unacceptable driving record. Review MVRs regularly to ensure that drivers maintain good driving records. Define the number and types of violations a driver can have before losing their driving privileges.
- + Evaluate and integrate advanced vehicle technology solutions, such as telematics, GPS tracking and dash cameras, to bolster your current loss control practices.

## CONCLUSION

The commercial auto insurance market faces challenges from nuclear verdicts, rising claims, driver shortages, and fleet electrification, leading to higher costs and premiums. Businesses, especially those with large fleets or poor loss histories, are experiencing significant rate hikes and limited coverage options. As the market evolves, policyholders must address emerging risks, like insuring electric vehicles, and adapt to changes in driver demographics and technology. The 2025 outlook indicates these challenges will continue, requiring businesses to adopt innovative risk management strategies.

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