

RISING AUTO INSURANCE RATES AND DISTRACTED DRIVERS

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Auto Insurance rates are increasing even though vehicles have more safety features than ever. This increase in commercial auto insurance rates and premiums, especially for commercial operations, is due in part to more frequent large jury awards and settlements. The unfortunate reality is that multimillion-dollar demands have become routine even for auto claims that do not involve long-term injuries. Cases that previously settled for relatively small amounts are now in some instances resolving for two to three times those sums.

Further, large demands and large jury verdicts have become commonplace and in themselves have helped increase settlement expectations and values. The following are examples of some recent auto verdicts from around the nation:

- A Harris County, Texas, jury earlier this year awarded nearly \$90 million to plaintiffs who sued trucking company Werner Enterprises Inc. for a fatal 2014 crash, despite facts favorable to Werner.
- In New York City, a jury awarded \$71 million in 2017 to a woman who was seriously injured when the driver of her car fell asleep and struck another vehicle.

Distracted driving is one of the main causes for both increased frequency and severity of auto claims. According to the Centers for Disease Control and Prevention (CDC), each day in the United States, approximately 9 people are killed

and more than 1,000 injured in crashes that are reported to involve a distracted driver. The CDC describes distracted driving as driving while trying to do anything that takes your attention away from driving such as sending a text message, talking on a cell phone, using a navigation system, and eating. Any of these distractions can endanger the driver and others.

Adverse Factors Impacting Commercial Auto Premiums (Why are my auto insurance premiums so high?)

High Impact Factors

1. **Increase in litigation** from personal injury lawyers soliciting business from claimants. Over the last decade auto related lawsuits have quadrupled in some jurisdictions and awards have exceed \$40MM in commercial auto collision litigation taken to juries.
2. **Distracted Driving.** In 2017, 3,166 people were killed and 391,000 were in injured in crashes involving distracted drivers.
3. **Rising Medical Costs.** The medical cost trend for 2018 is projected at 6.5%, outpacing the growth of the economy and wages.
4. **Rising Auto Repair Costs.** The average cost of a vehicle repair in the US rose 2.7% in 2016, due to a 4.7% rise in labor costs and a 1.4% increases in parts costs.

High Frequency Factors

5. **Speeding.** In 2018, speeding was a contributing factor in 30% of all fatal crashes.
6. **Impaired Driving.** Drugs were present in 43% of fatally-injured drivers in 2015, including marijuana and amphetamines. 37% had alcohol in their systems.
7. **Increase Miles.** The annual number of miles driven in 2017 increased 7.3% from 2012 to approximately 3 trillion miles.
8. **Driver Fatigue.** Crashes caused by drowsy driving incur a total cost of \$109 billion per year.

Low Frequency Factors

9. **Fraud.** The Coalition Against Insurance Fraud registered a 14% increase of fraudulent claims from 2015 to 2016. Auto had the second-highest incidence rate behind medical insurance fraud.
10. **Driver Shortage.** Commercial driver shortfall continues to grow, with more less experienced drivers on the road.

These claim trends are putting significant pressure on auto liability underwriters to more carefully evaluate commercial fleets and to increase premiums. These adverse auto claim trends are not just impacting long haul trucking but are being seen across fleets of all sizes and types of vehicles.

Often safety programs on focus on preventing employees from being injured on the job rather than also addressing defensive driving skills and safe driving behaviors. But the claim trends suggest that the increase in frequency, as well as severity for third-party auto liability is quickly becoming a problem that sooner or later will increase a company's cost of doing business.

Fleet Safety needs to be a part of every business risk management program that has vehicles and employees on the road. An effective fleet risk management program requiring a comprehensive approach that starts with the hiring and screening process, driver training using various defensive driving courses (see National Safety Council: nsc.org); ongoing driver safety awareness communications; written distracted driving policies that prohibit texting and other distracting behaviors while driving; regular vehicle maintenance and inspection procedures; collision reviews; and more advanced strategies such as GPS tracking and monitoring of drivers.

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