

[Why Commercial Auto Rates Keep Rising](#)

Commercial Auto rates have been rising for more than a decade. What gives? In my recent Leader's Edge article, [Where Are We Going?](#) I dig deeper to find the answer.

As you would expect, there are several reasons. The greatest one, in my opinion, is distracted driving.

Yes, you have heard that before. However, I did not fully believe until I spoke to an actuary who looked into the data. The fact that commercial auto premium began to climb in 2011 was no accident. Around the time, smartphones were rapidly replacing flip phones, giving Americans something else to do when they were supposed to be doing a different something else.

Another explanation is higher litigation costs. There is no doubt that commercial auto insurers, especially those that cover trucks, get hit with paying some crazy-huge settlements. If you check out my Actuarial Review article, [Tipping the Scales: Measuring the Impact of Social Inflation](#), you'll see that the actual losses from litigation are difficult to measure as a whole.



In my opinion, the insurance industry needs to pony up for a study that proves how much litigation impacts overall severity and, in turn, rate increases.

The reality is, semi-autonomous vehicles, including trucks, can improve safety for many scenarios (for more on that, please read [Moving Parts: ADAS Go For a Ride in Actuarial Review](#)). Cameras can also track an accident to show true fault, but many truck drivers feel they interfere with individual privacy. Most accidents, a trucking expert told me, are not caused by professionally trained truck drivers. Often the fault rests with the other party.

Just how safe semi-autonomous vehicles are and how much autonomous vehicles will be is a matter of debate. I cover that in another article to be published soon. When it comes out, I'll let you know.

[Commercial Property Insurance in Peril](#)

Commercial property insurance was already struggling before COVID-19 hit the scene. Double-digit rate increases were bad enough but hit the highest in 35 years.



As I cover in [Actuarial Review's article, Perilous Times: COVID 19 & Vexing Variables](#), there were several things going on. Consider:

- Catastrophic weather-related losses have been exceptionally high - at least for the years 2017 and 2018.
- Thanks to the response to the COVID-19 pandemic, commercial space has been at low capacity for seven months.
- Declining investment income due to lower returns on mortgage-backed securities.
- Riots similar to the late 1960s have made a comeback - big time.

I wrote the commercial property insurance article before a multitude of hurricanes hit the United States, especially in the Gulf states. While the article focuses on commercial property insurance, it should also interest homeowners' insurance policyholders as well.

My thoughts on "Civil Unrest"

As an aside, I found it distressing that last summer, some people said it was OK to destroy buildings because that is not harming people. It depends on how someone perceives harm. Small business people who lose their companies and their employees who lose jobs feel harm. So do the neighbors. People have been physically harmed or even killed. Businesses that hang on despite the damage still have to pay deductibles for their commercial property insurance. Their premium can also go up.

By the way, if civil unrest sounds like rioting, then you need to get current. The Associated Press Style manual recently instructed journalists to avoid using "riot" as a term. ["A riot is a wild or violent disturbance of the peace involving a group of people. The term riot suggests uncontrolled chaos and pandemonium,"](#) according to the AP Stylebook's twitter feed. Apparently, the act of going into someone else's neighborhood, stealing property and destroying buildings could be stigmatized like the protests of the 1960s. "Unrest is a vaguer, milder and less emotional term for a condition of angry discontent and protest verging on revolt," [tweets the AP Stylebook](#).

Whatever it is called, I wish the Golden Rule would make a comeback. Treating people the way we want to be treated with kindness, dignity and respect would go a long way. Sounds like Martin Luther King doesn't?

