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March 28, 2025*

Market Segment Outlook: US Commercial Auto Insurance

**The outlook remains
at Negative owing
to the segment's
ongoing lack of
profitability**

AM Best's outlook for the US commercial auto segment remains Negative, primarily for the following reasons:

- Commercial auto remains an overall drag on the commercial lines market.
- Despite improvement during the pandemic, results have reverted back to historical loss levels in recent years, with a net loss exceeding \$5 billion in 2023 and ongoing losses through 2024—and 2025 is likely to be another unprofitable year.
- Rising severity and frequency trends continue to drive up loss costs.
- Commercial auto premiums have increased significantly but have failed to keep up with rising claims costs.
- A number of challenges—elevated repair costs, macroeconomic concerns, the impact of nuclear verdicts, experienced driver shortages, and distracted driving—have been the main cause of the line's unfavorable results.

Over the past decade, the commercial auto line has been one of the worst performing lines of the property/casualty market and has consistently been a drag on the total commercial lines segment. Commercial auto writers have struggled to be profitable, reporting a combined ratio above 100 every year the past decade, other than 2021. Despite years of rate increases and aggressive underwriting initiatives, the segment marked its worst performance in 2023, with \$5 billion in underwriting losses and a combined ratio of 109.2.

AM Best expects that results will improve slightly in 2025, but the segment will remain unprofitable as carriers continue to struggle to attain rate adequacy and loss costs continue to rise.

Several lingering trends prolong the return to profitability:

- Social inflation, increased litigation, and larger jury awards are contributing to the severity of losses.
- Economic uncertainty and inflationary pressures are affecting the market.
- Claims severity is exacerbated by the rising cost of labor and parts and higher medical costs. Rising loss severity has far outpaced economic inflation.
- Distracted driving, reckless driving, and increasingly congested roads are all contributing to the higher frequency of accidents.

Elusive Profitability

Underwriting losses continue to plague the US commercial auto industry, and AM Best expects that profitability will remain elusive in 2025 and beyond. Despite significant rate increases and changes to underwriting practices, commercial auto insurers struggle to turn a profit and have consistently

Analytical Contact:

Joni Cerbone, Oldwick
+1 (908) 882-1690
Joni.Cerbone@ambest.com

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reported combined ratios well over 100. The only year in which they reported a combined ratio below 100 was in 2021, when frequency dropped to historically low levels, courts were closed, and litigation was paused, owing to the pandemic.

Loss frequency has returned to pre-pandemic levels, and adverse prior year loss reserve development, driven by economic conditions and rising loss costs, is negatively affecting calendar year results. Not only are accidents happening more frequently but the severity of these accidents is also worsening. This is due to several factors—heavier trucks, higher speed collisions, and more serious injuries in accidents involving large commercial vehicles—all of which result in more severe losses.

Persistent Challenges

Commercial auto insurers are grappling with persistent challenges that have led to underwriting losses since 2010. What's more, these hurdles appear to be intensifying and continue to threaten the segment's profitability. These ongoing challenges are forcing insurers to push for significant pricing increases and apply more stringent underwriting guidelines, making commercial auto insurance more expensive and more difficult for businesses to obtain.

The industry also faces the growing challenge of social inflation, characterized by very high jury awards and settlements, particularly in cases involving commercial vehicles or resulting in serious injuries or fatalities. Litigation financing, whereby a third party finances the suit and receives a portion of the settlement, has become increasingly prevalent in commercial auto liability claims that are taken to court. The legal environment in many regions is becoming more favorable to plaintiffs, which means that insurers are forced to settle larger claims or face the financial risk of lengthy trials. Because settlement verdicts for bodily injury claims have been rising steadily, attorneys have become more inclined to go to trial seeking similar outcomes for their clients. Every large settlement sets a new precedence. Large jury verdicts for commercial auto claims make projecting ultimate losses and setting adequate rates difficult for the insurers.

Economic inflation has affected the entire commercial auto insurance market. The cost of repairs, replacements parts, and labor, as well as medical bills and liability claims, have been rising faster than general economic inflation. Global supply chain disruptions, especially in the automotive sector, have led to shortages of essential vehicle parts and chips, leading to longer repair times and higher costs. Repair costs, especially for newer commercial vehicles, continue to climb due to more advanced technology equipment such as sensors, cameras, and telematics systems. Although these features can reduce the frequency of accidents, the repair costs associated with newer vehicles are substantially higher than for older models.

The commercial trucking segment is facing an ongoing shortage of qualified drivers, exacerbated by the pandemic and also other factors such as the aging workforce, higher turnover rates and less attractive working conditions. This shortage increases the pressure on the remaining drivers who may be overworked, fatigued or less experienced, increasing the risk of accidents. Companies have adapted their recruiting strategies, lowering their standards by hiring younger, less experienced and untrained drivers.

Distracted driving and poor behaviors such as reckless driving, impaired driving, and speeding, play a significant role in the growing frequency of accidents. These have become issues, not just for individuals driving their own automobiles, but also for operators driving commercial vans or trucks. Drivers have become very distracted by smart phones, which has become a leading cause of reported accidents. The growing use of smart devices takes a driver's focus off the road. Even when devices are hands free, answering a call or responding to a text message is a distraction.

GUIDE TO BEST’S MARKET SEGMENT OUTLOOKS

Our market segment outlooks examine the impact of current trends on companies operating in particular segments of the insurance industry over the next 12 months. Typical factors we would consider include current and forecast economic conditions; the regulatory environment and potential changes; emerging product developments; and competitive issues that could impact the success of these companies.

A Best’s Market Segment Outlook can be Positive, Negative, or Stable.

Best’s Market Segment Outlook	
Positive	A Positive market segment outlook indicates that AM Best expects market trends to have a positive influence on companies operating in the market over the next 12 months. However, a Positive outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Positive.
Negative	A Negative market segment outlook indicates that AM Best expects market trends to have a negative influence on companies operating in the market over the next 12 months. However, a Negative outlook for a particular market segment does not mean that the outlook for all the companies operating in that market segment will be Negative.
Stable	A Stable market segment outlook indicates that AM Best expects market trends to have a neutral influence on companies operating in that market segment over the next 12 months.

We update our market segment outlooks annually but may revisit them at any time during the year if regulatory, financial, or market conditions warrant.

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***Updates to the Report**

This report was updated on March 28, 2025, to correct formatting.

This report was updated on March 28, 2025, to reflect a correction to the text.

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A.M. Best Company, Inc.
Oldwick, NJ

CHAIRMAN, PRESIDENT & CEO Arthur Snyder III
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Oldwick, NJ

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SENIOR MANAGING DIRECTOR & CHIEF RATING OFFICER Kenneth Johnson
SENIOR MANAGING DIRECTOR Edward H. Easop

AMERICAS

WORLD HEADQUARTERS
A.M. Best Company, Inc.
A.M. Best Rating Services, Inc.
1 Ambest Road, Oldwick, NJ 08858
Phone: +1 908 439 2200

MEXICO CITY

A.M. Best América Latina, S.A. de C.V.
Av. Paseo de la Reforma 412, Piso 23,
Col. Juárez, Alcaldía Cuauhtémoc, C.P. 06600, México, D.F.
Phone: +52 55 1102 2720

EUROPE, MIDDLE EAST & AFRICA (EMEA)

LONDON

A.M. Best Europe - Information Services Ltd.
A.M. Best Europe - Rating Services Ltd.
12 Arthur Street, 8th Floor, London, UK EC4R 9AB
Phone: +44 20 7626 6264

AMSTERDAM

A.M. Best (EU) Rating Services B.V.
NoMA House, Gustav Mahlerlaan 1212, 1081 LA Amsterdam, Netherlands
Phone: +31 20 308 5420

DUBAI*

A.M. Best Europe - Rating Services Ltd. - DIFC Branch*
Office 102, Tower 2, Currency House, DIFC
P.O. Box 506617, Dubai, UAE
Phone: +971 4375 2780

*Regulated by the DFSA as a Credit Rating Agency

ASIA-PACIFIC

HONG KONG

A.M. Best Asia-Pacific Ltd
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827 3400

SINGAPORE

A.M. Best Asia-Pacific (Singapore) Pte. Ltd
6 Battery Road, #39-04, Singapore
Phone: +65 6303 5000



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