

# What's Driving the Cost of Commercial Vehicle Insurance?

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11.13.2018*

When it comes to commercial vehicle insurance, it's a rocky road.

Many companies felt the shock of rising insurance rates in 2015, 2016 and 2017. Unfortunately, 2018 hasn't been any better. Insurance carriers look at their profit margins each year and must maintain required ratios so that future claims can be paid and the company can remain profitable. Because of large payouts and even widespread storm activity, expect commercial vehicle insurance rates to increase for the next few years.

A healthy economy means there are more cars on the road than ever. There are now 264 million cars registered to Americans, an increase of more than 6.2 million cars over the prior year.<sup>1</sup> More drivers mean more potential for accidents.

You'd think safety improvements would have a positive effect on commercial vehicle insurance rates.

The problem: features such as rear-facing cameras, lane assist technology, fancy LED headlights, etc., also means the price to repair a car increases. Understandably, if the cost of repairs increases, then

increasing commercial vehicle insurance rates will follow.

Think of a rear end accident. In the past, what would have been a simple back bumper replacement now includes replacing a pricey camera or sensor as part of the claim. In fact, electronic components of a car now make up 40-50% of its total cost, compared to less than 20% a decade ago.<sup>2</sup>

To compound matters is the ever-growing distracted driver problem. It's difficult for most people to go more than an hour or two without receiving a text message, email or social media notification on their phone. This might not be a problem for those of us with desk jobs, but it becomes a dangerous disturbance for field salespeople or anyone who drives. Many workers rely on their phones for GPS, instructions, changes in scheduling and day-to-day business functions.

Attempts to solve this problem seem to have failed. One study revealed that hands-free systems, such as Bluetooth connections built into cars, can still cause driver distraction for 27 seconds after giving a voice command.<sup>3</sup>

In this oxymoronic landscape of more safety features but higher commercial vehicle insurance claim payouts, there are five things business owners do to take to make themselves more attractive to insurers.

### **1. Adhere to Driver Selection Standards**

A low unemployment rate has likely shrunk the pool of available drivers that meet company standards. The onus is on the employer to also meet increasingly stringent laws that dictate what drivers must comply with every day. Drivers must have enough behind-the-wheel experience, a good safety record and be able to comply with the various electronic logging requirements set by law.

It's also important for employers to require drivers to inform them as soon as possible if they are involved in an accident or receive an infraction on their driving record—even if it's off company time. Your employee handbook should include this protocol for anyone driving a company vehicle or on behalf of the company.

### **2. Implement Strict Distracted Driver Policies**

Your workforce spends time on the road, so what's your policy for talking and texting? Are hands-free devices allowed in vehicles? Create a clear policy and communicate it to your drivers frequently.

### **3. Limit Permissive Users**

Who is and isn't allowed to drive a company car can have a big impact on commercial vehicle insurance premiums. Create a policy that outlines whether employees can drive their company car for non-business trips and detail the approval process. The

policy should also include an approval process for who can drive personal cars on company business.

### **4. Educate Drivers on Collision Protocol**

Sometimes accidents happen to the most cautious drivers. Create a plan for what they should do immediately following an accident while on the job, and include a company review process to identify learning and training opportunities. It's also a good idea to consider monthly or quarterly safe driving courses for the workforce.

### **5. Help Could Be On the Way**

Safety features are becoming more widespread. As your organization buys new vehicles to replenish its fleet, they should be equipped with these features.

Personal technology companies are stepping up, too. GPS app Waze prevents users from entering destinations or reporting accidents or roadside debris while driving. Apple's iPhone software includes a "Do Not Disturb While Driving" feature that detects when you're driving and limits notifications and incoming calls. Drivers can even set a custom automatic reply so friends and colleagues who text know they can't talk right now.

While these settings are optional for users, they can be added to a company policy to help protect drivers on the road. Better yet, the drivers' company-issued smartphones can be set up so this feature is always on, giving peace of mind and potentially saving the company money.

While technology is the culprit for increased repair costs, it may also be the solution for controlling commercial vehicle insurance premium...and making it safer out there on the road.

<sup>1</sup> Forbes, "[Millions More Cars On The Road, And Not Just For Thanksgiving](#)"

<sup>2</sup> PropertyCasualty360, "[Here's how auto technology will change claims](#)"

<sup>3</sup> NPR, "[Even After Hanging Up, Hands-Free Isn't Risk-Free For Distracted Drivers](#)"

For more information, please call **1.877.426.7779**