



# Commercial Auto – At A Crossroads?

**Tim McCarthy**

November 8, 2022  
CAS Annual Meeting



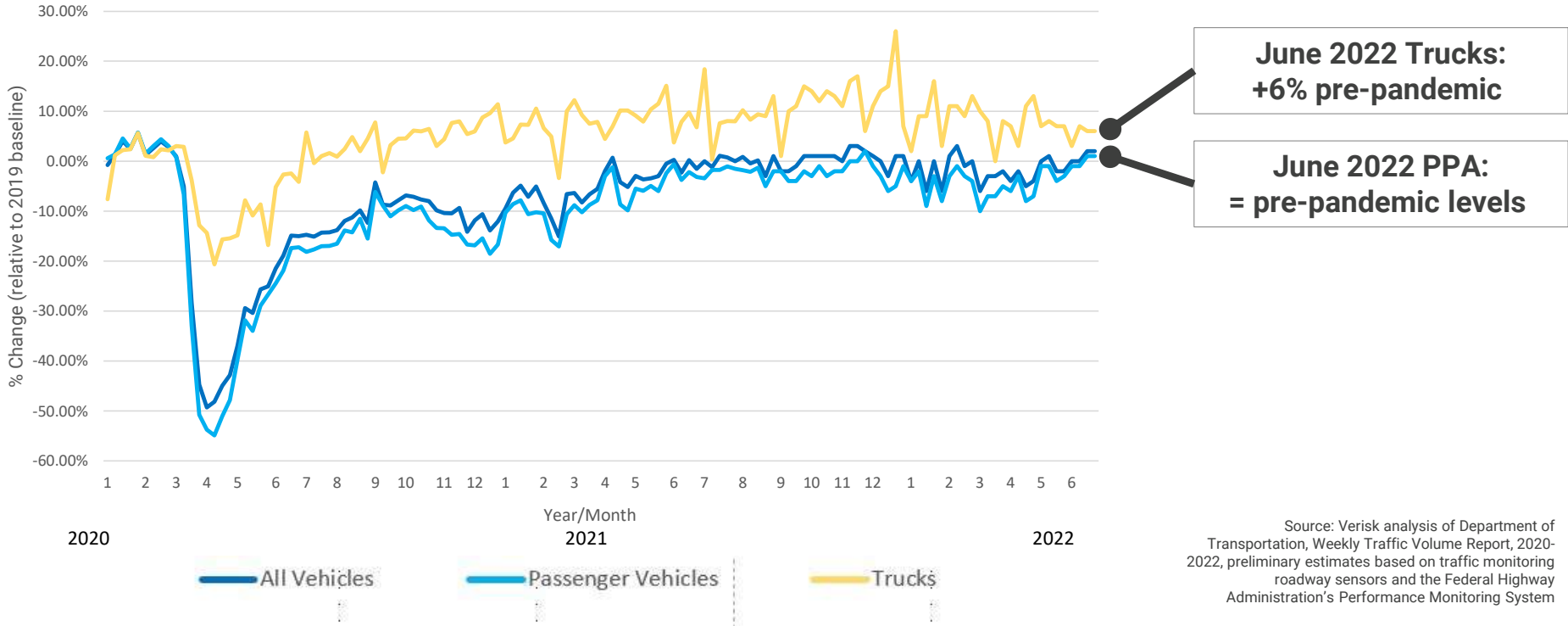
## How Challenges Have Evolved for Commercial Auto

Market expanded  
Driver shortage followed  
by teenage cross-state  
“big rig” driver legislation  
Riskier driving  
Significant Inflation  
Litigation funding and  
social inflation

Hardening market  
Regulatory scrutiny  
Usage-based growth  
Digital investment  
Disciplined spend  
Workforce transformation

# Interstate Driving for Passenger Vehicles Has Returned to Normal, Commercial Mileage Is Up

Weekly Interstate Mileage Trends Relative to Pre-Pandemic Levels



Source: Verisk analysis of Department of Transportation, Weekly Traffic Volume Report, 2020-2022, preliminary estimates based on traffic monitoring roadway sensors and the Federal Highway Administration's Performance Monitoring System

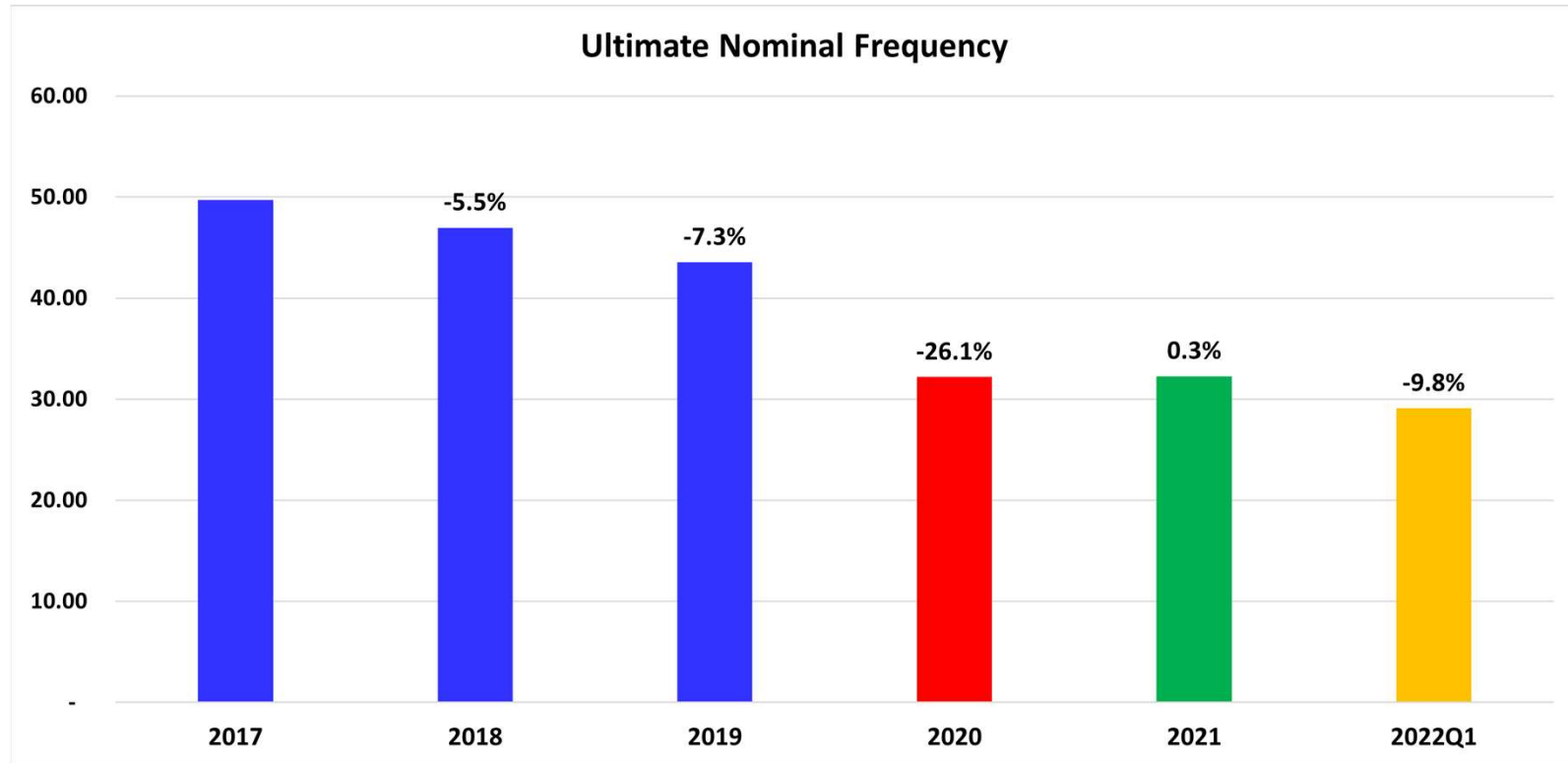
## Commercial Auto Insurance Data Underlying Exhibits

- For the latest five accident years of data through 12/31/2021:
  - Premiums over \$70 billion
  - Expected Ultimate Claims over 2.8 million
  - Expected Ultimate Losses over \$44 billion

## Commercial Auto Experience - High Level Observations

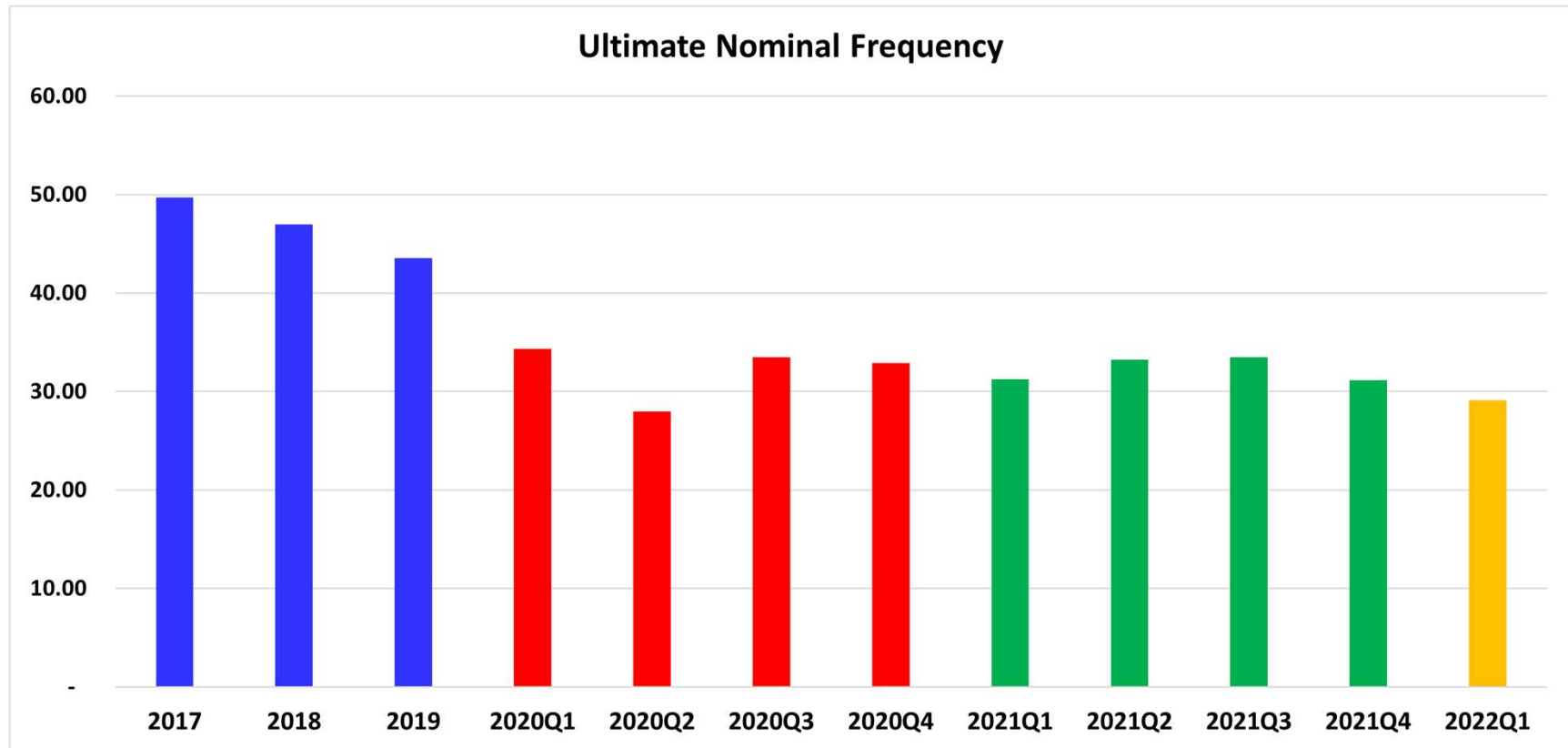
- Frequency Drop with Onset of Covid
- Severity Pressures due to Supply Chain and Inflation
- Short Term - Improved Results in 2020/2021
- Longer Term – Many Challenges Exist

# Recent Trends Impacted by Covid/Inflation – Total CAu



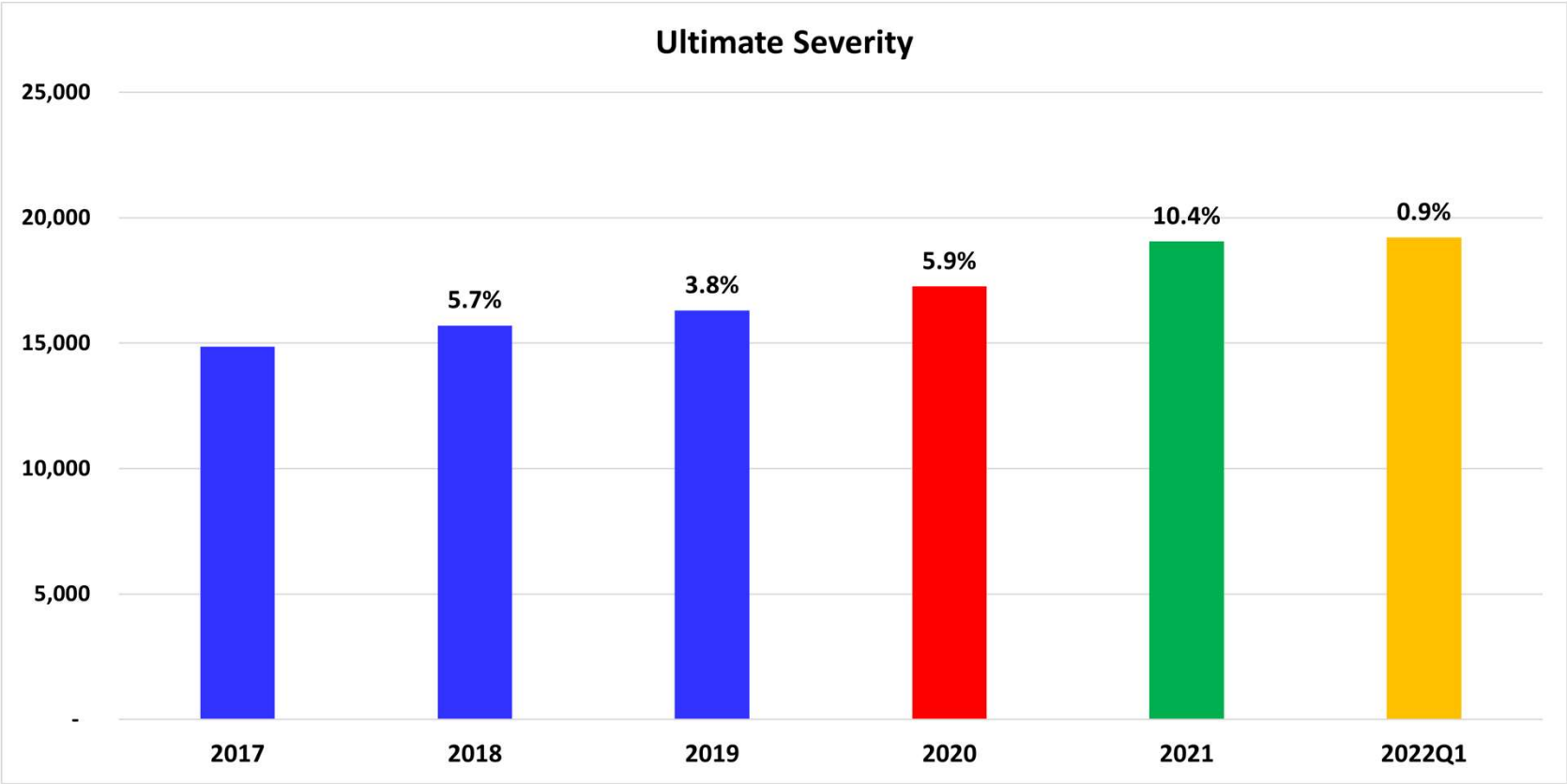
**NB: mechanical selection for LDFs of last 7 qtr VWA used in projections from CAu SOLM-Qtr at 3/31/2022. No tail beyond 2017 supplied.**

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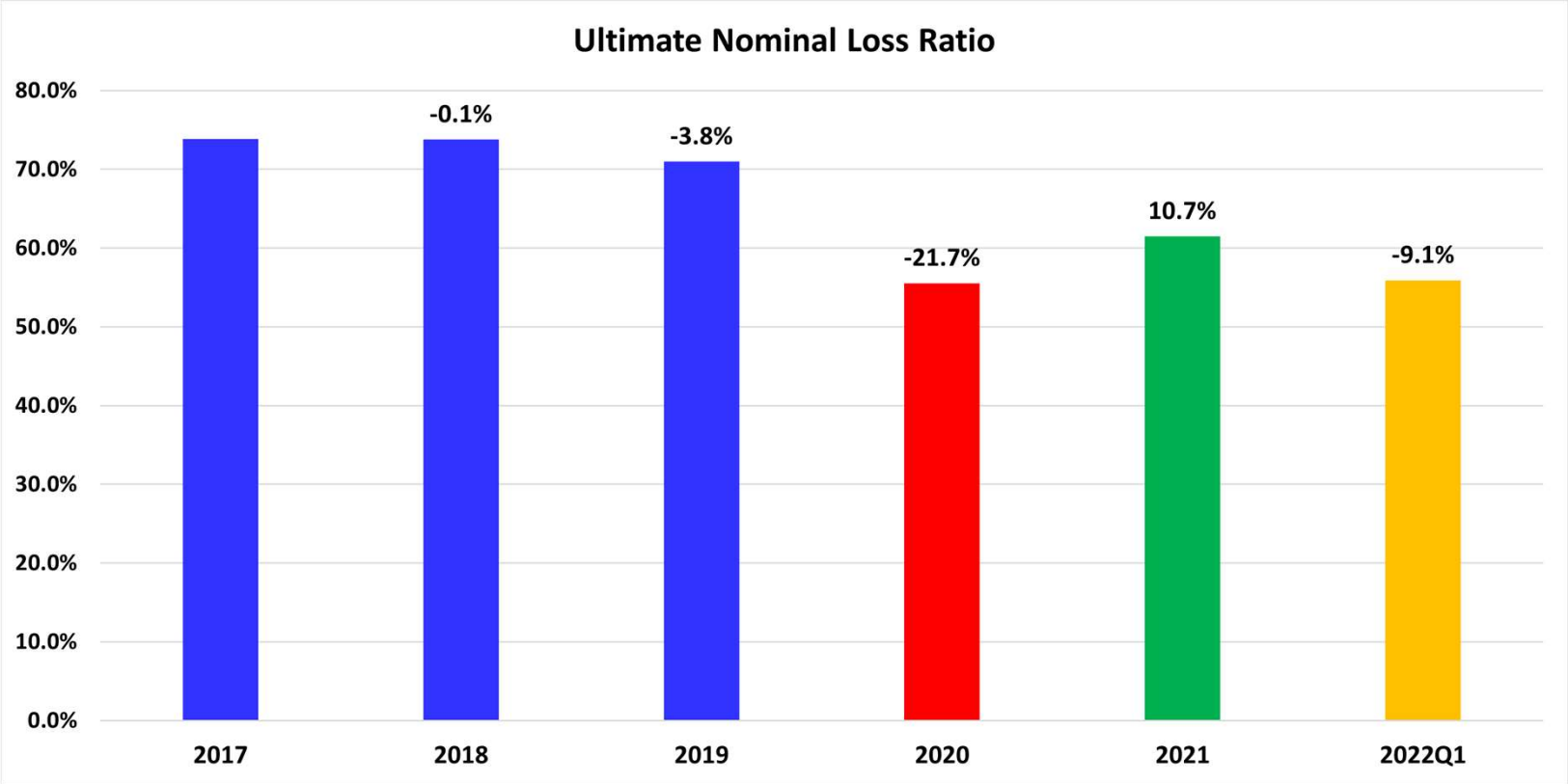
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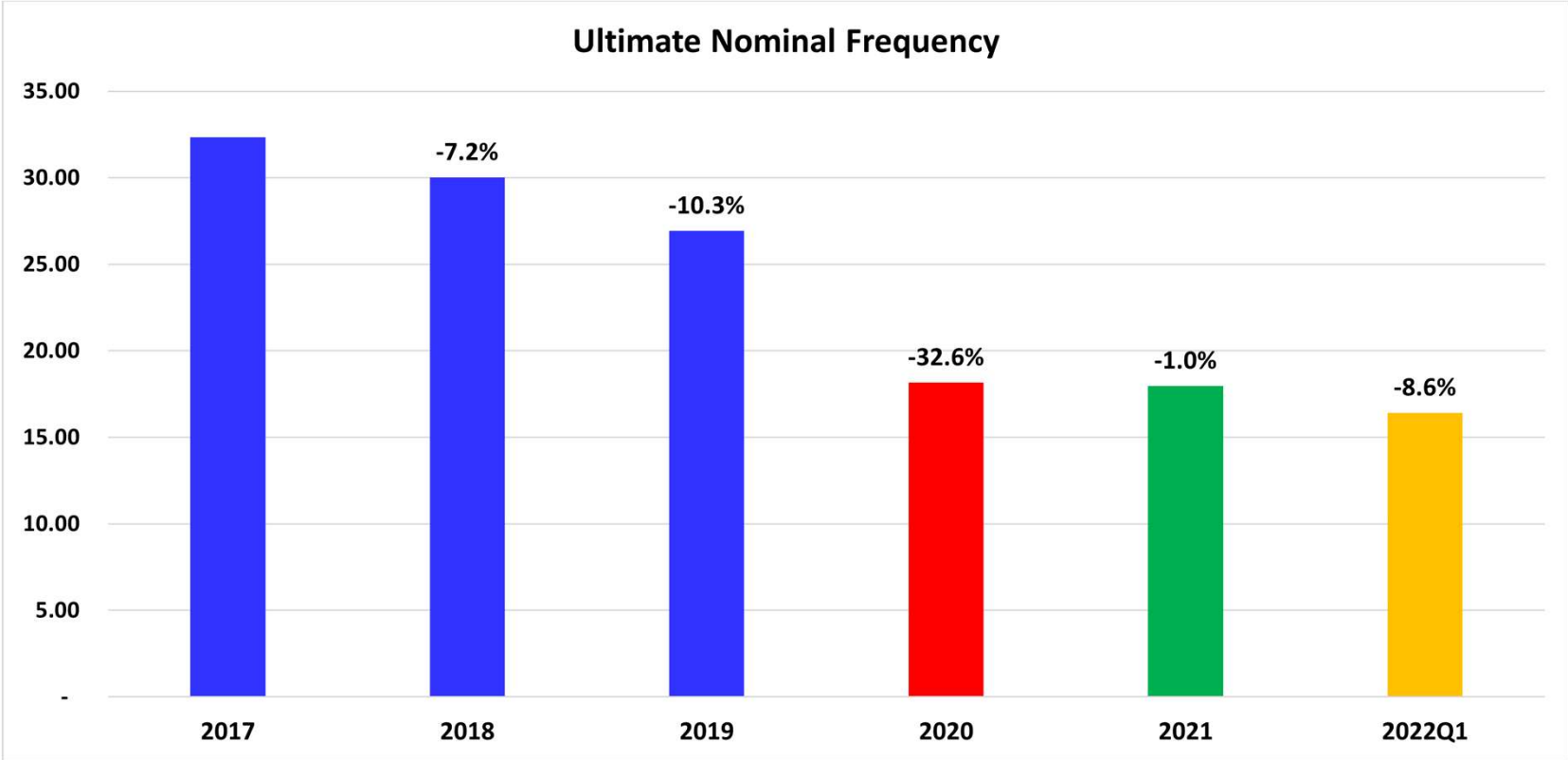


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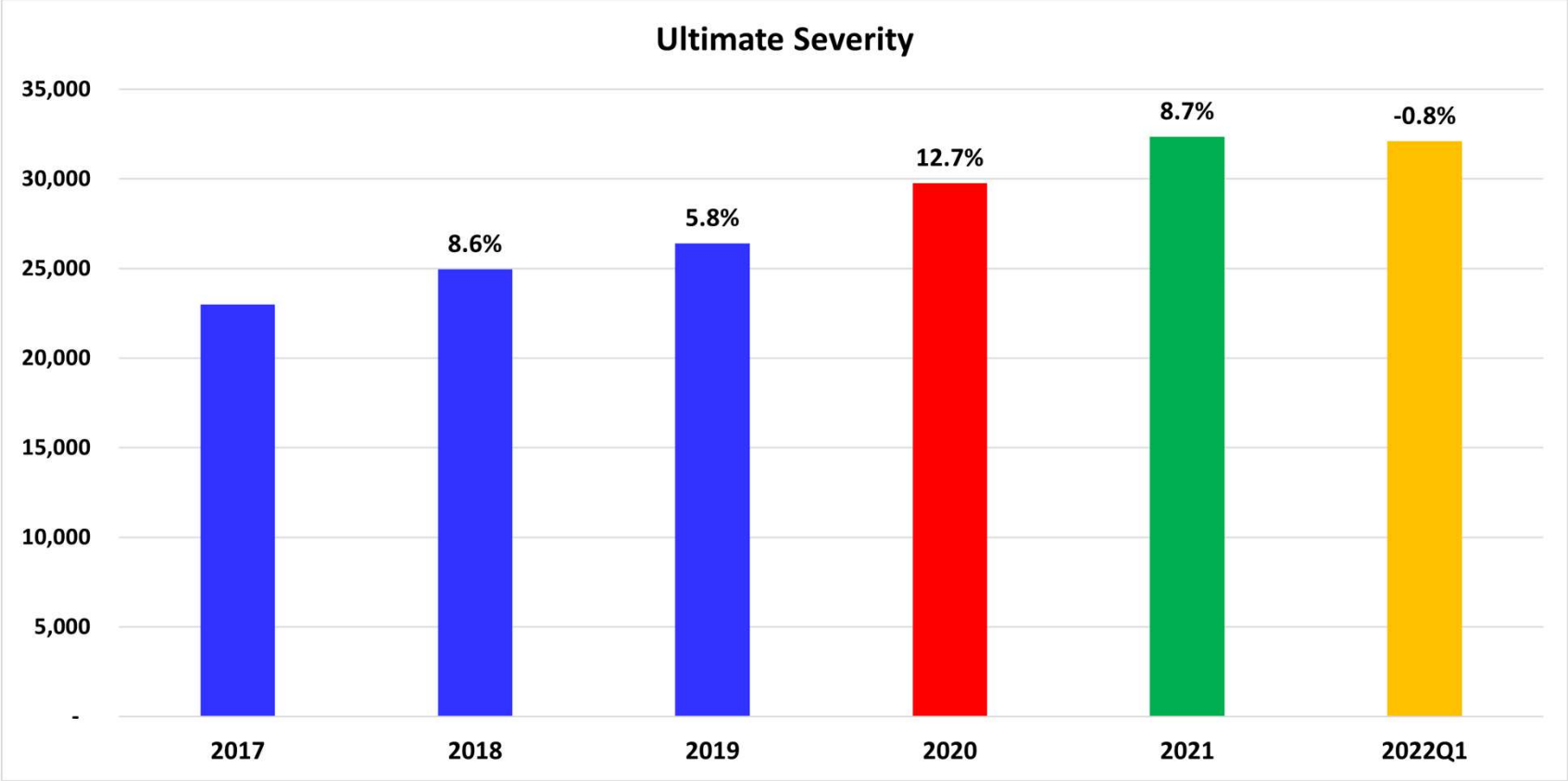
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# Recent Trends Impacted by Covid / Inflation – Total CAu Liability



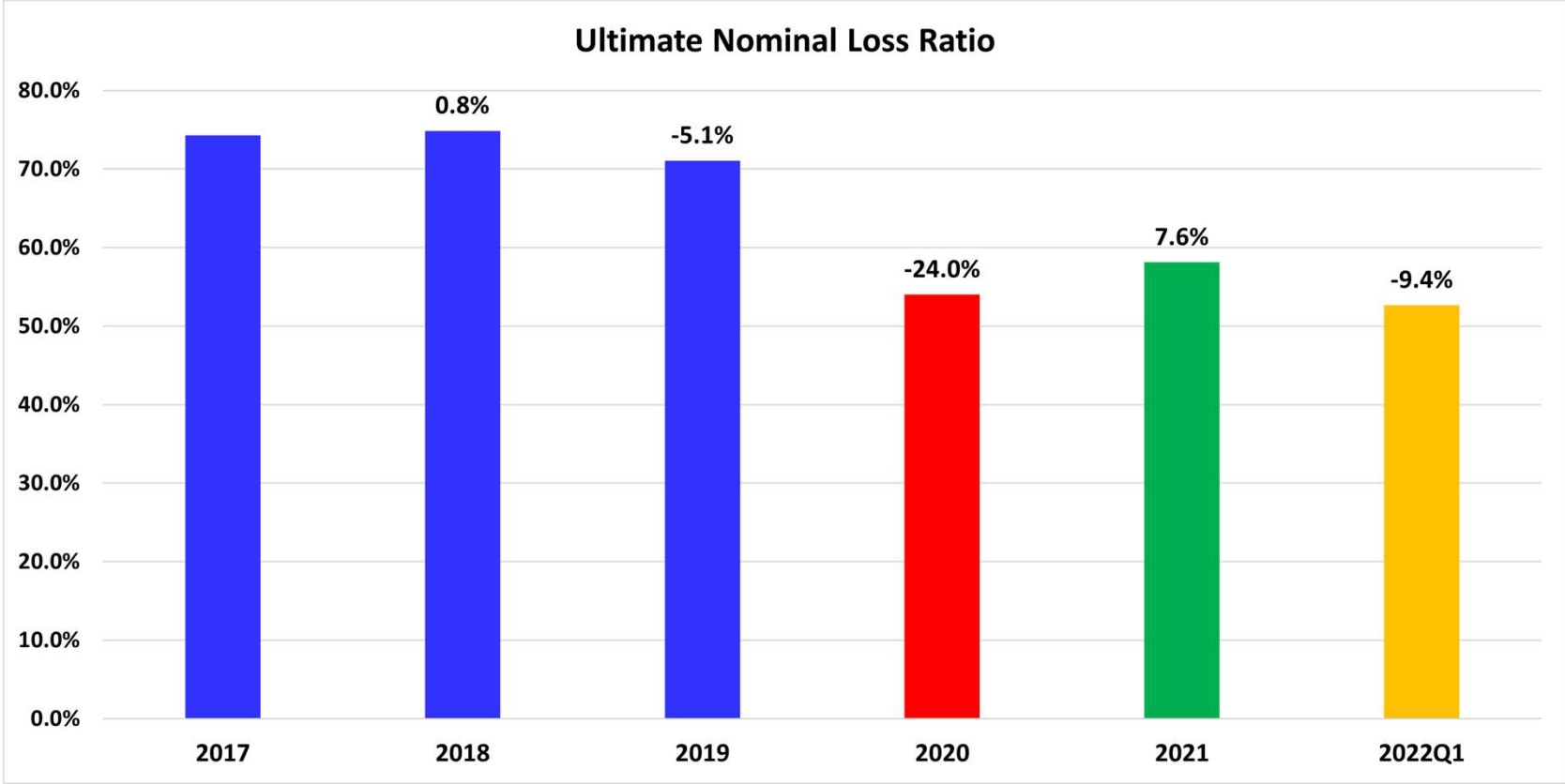
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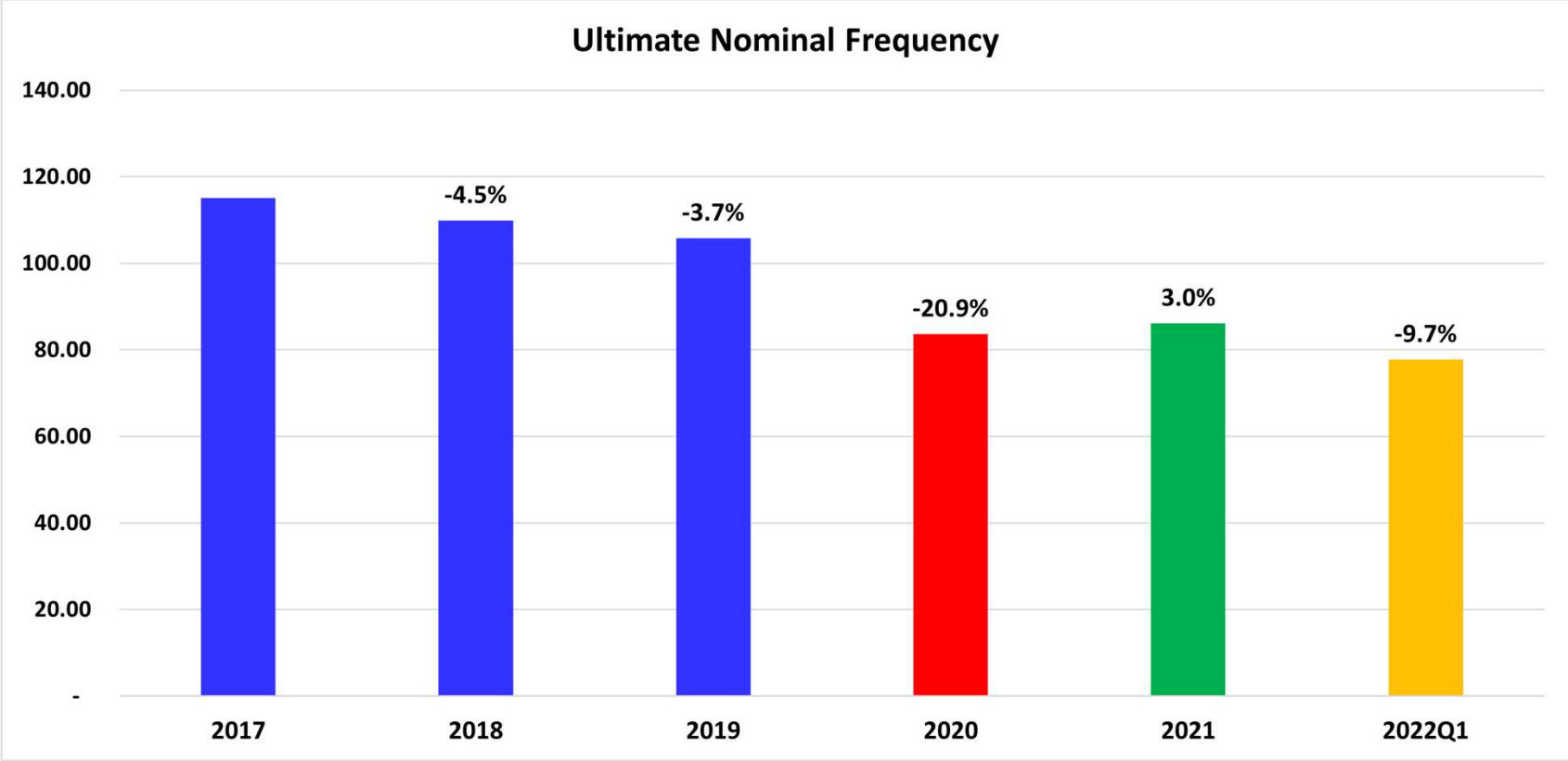
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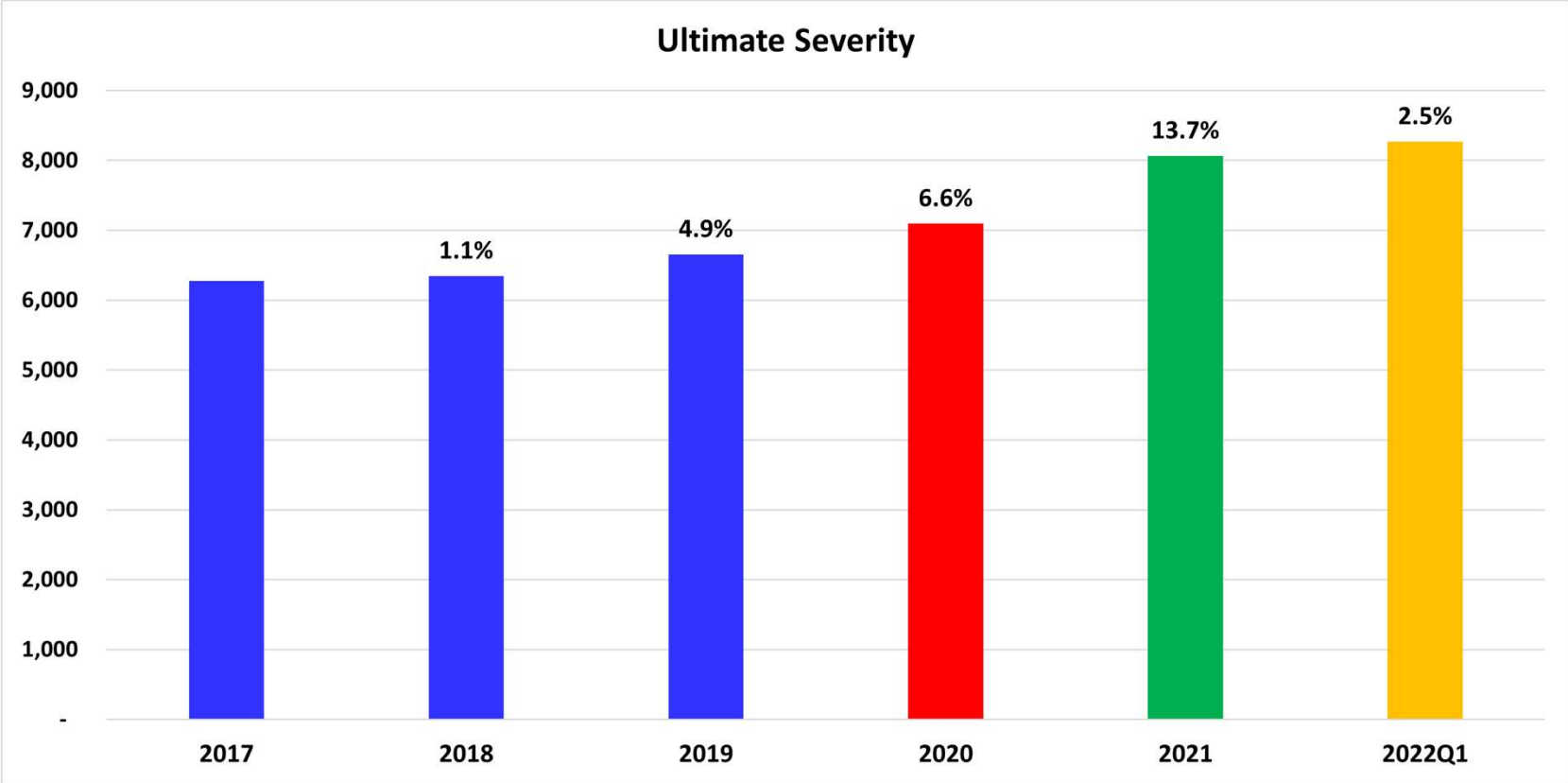
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# Recent Trends Impacted by Covid / Inflation – Total CAu Physical Damage



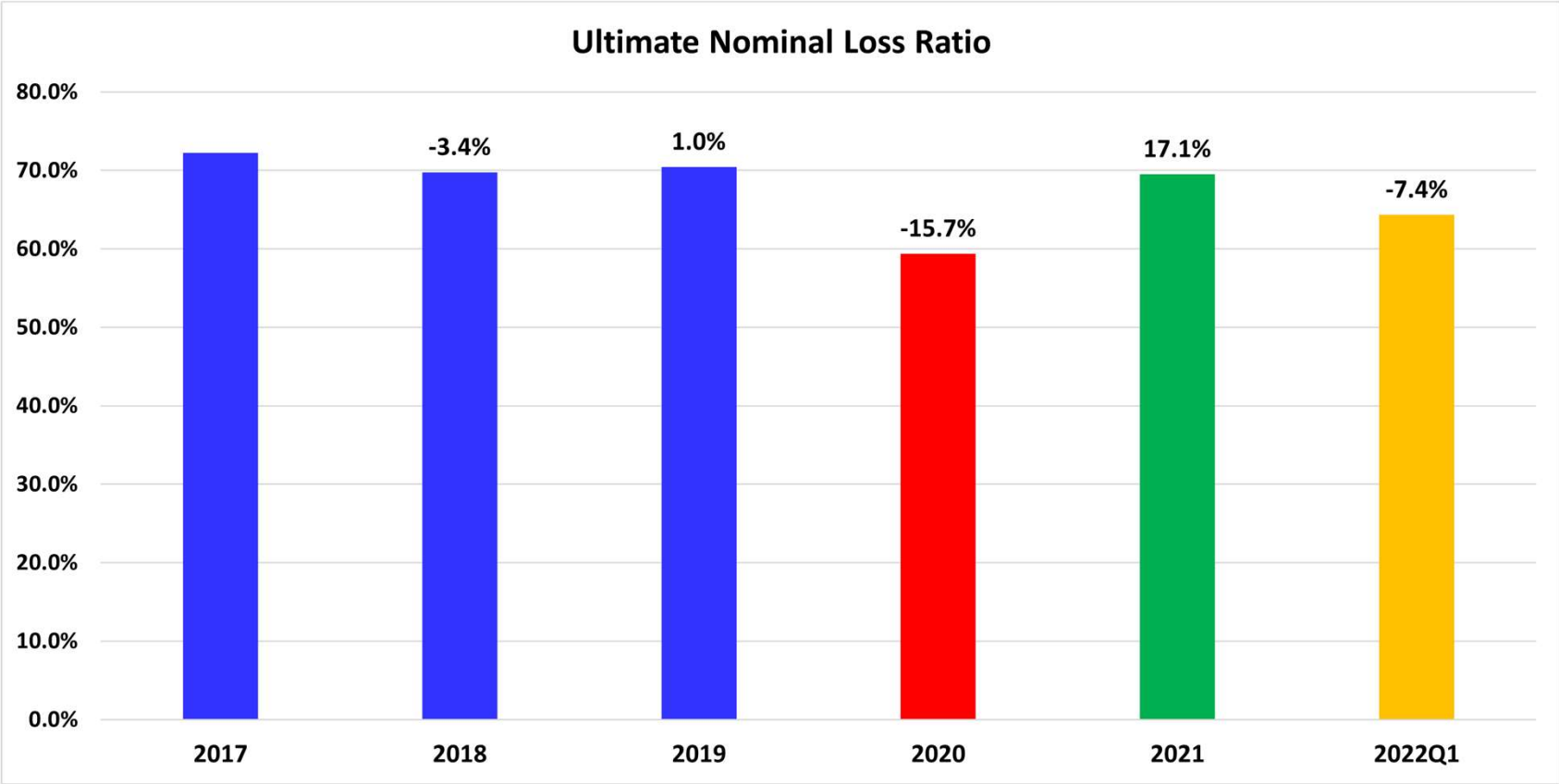
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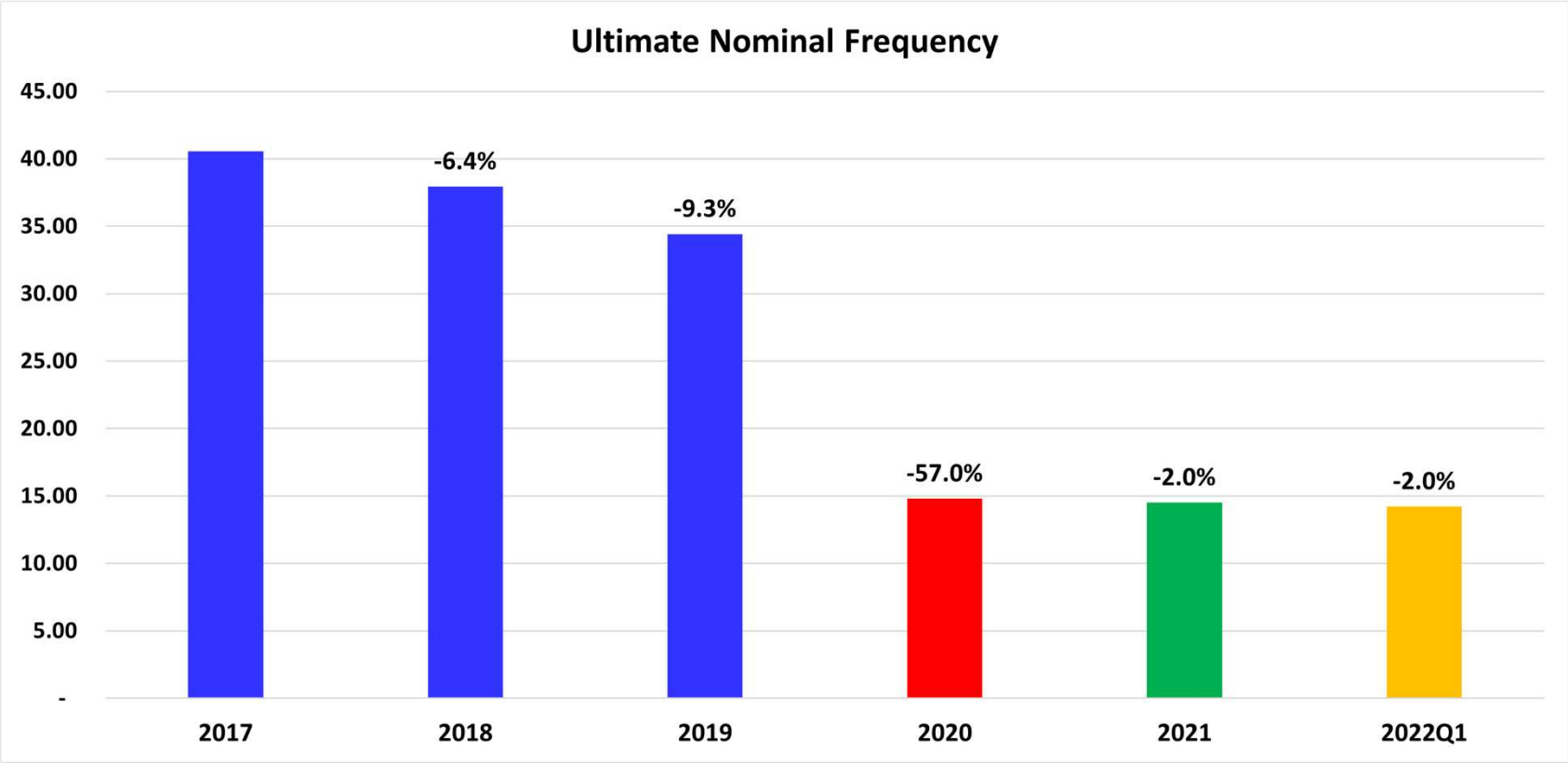
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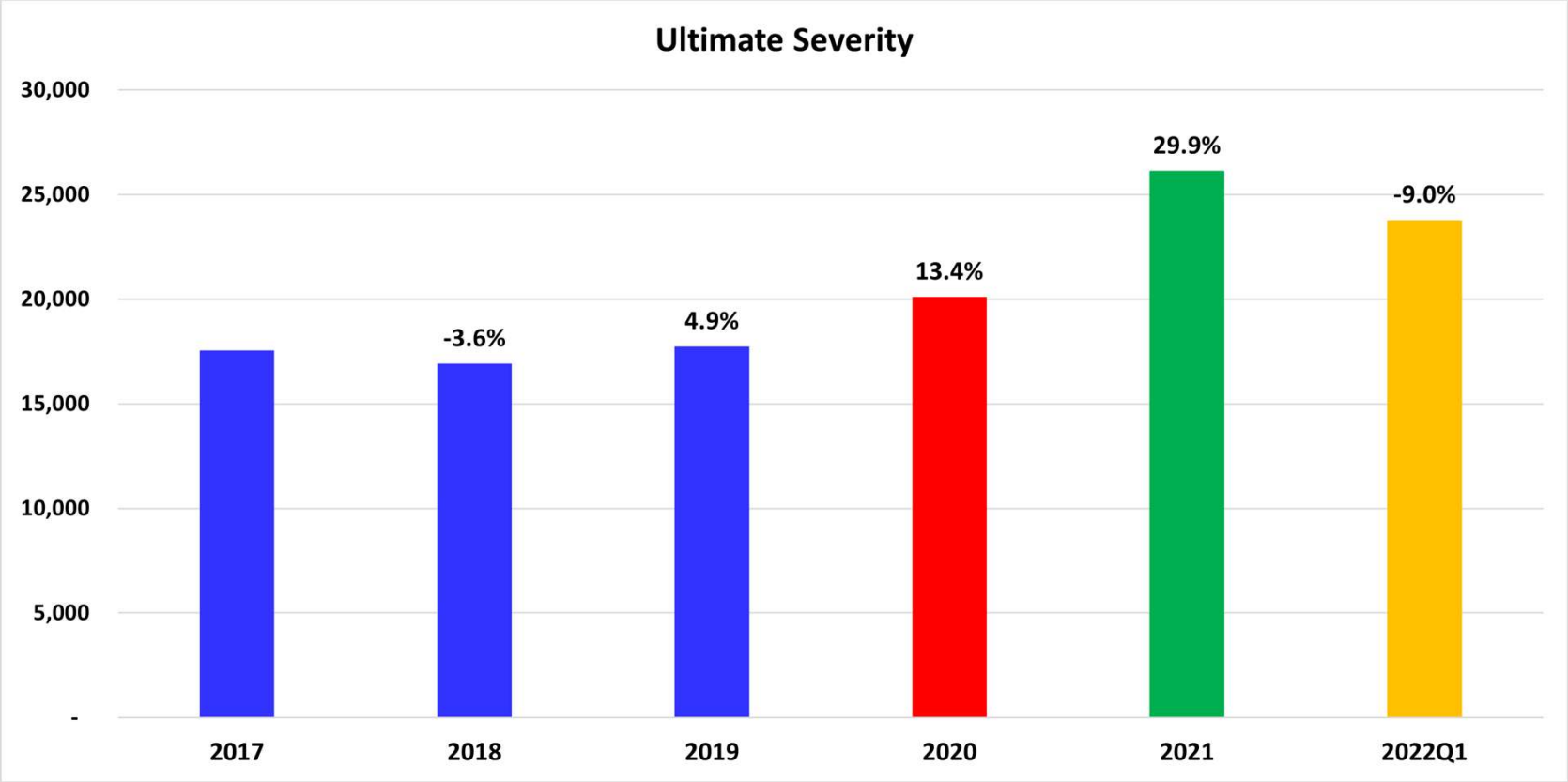
# Recent Trends Impacted by Covid / Inflation – Buses, Garages, and Publics



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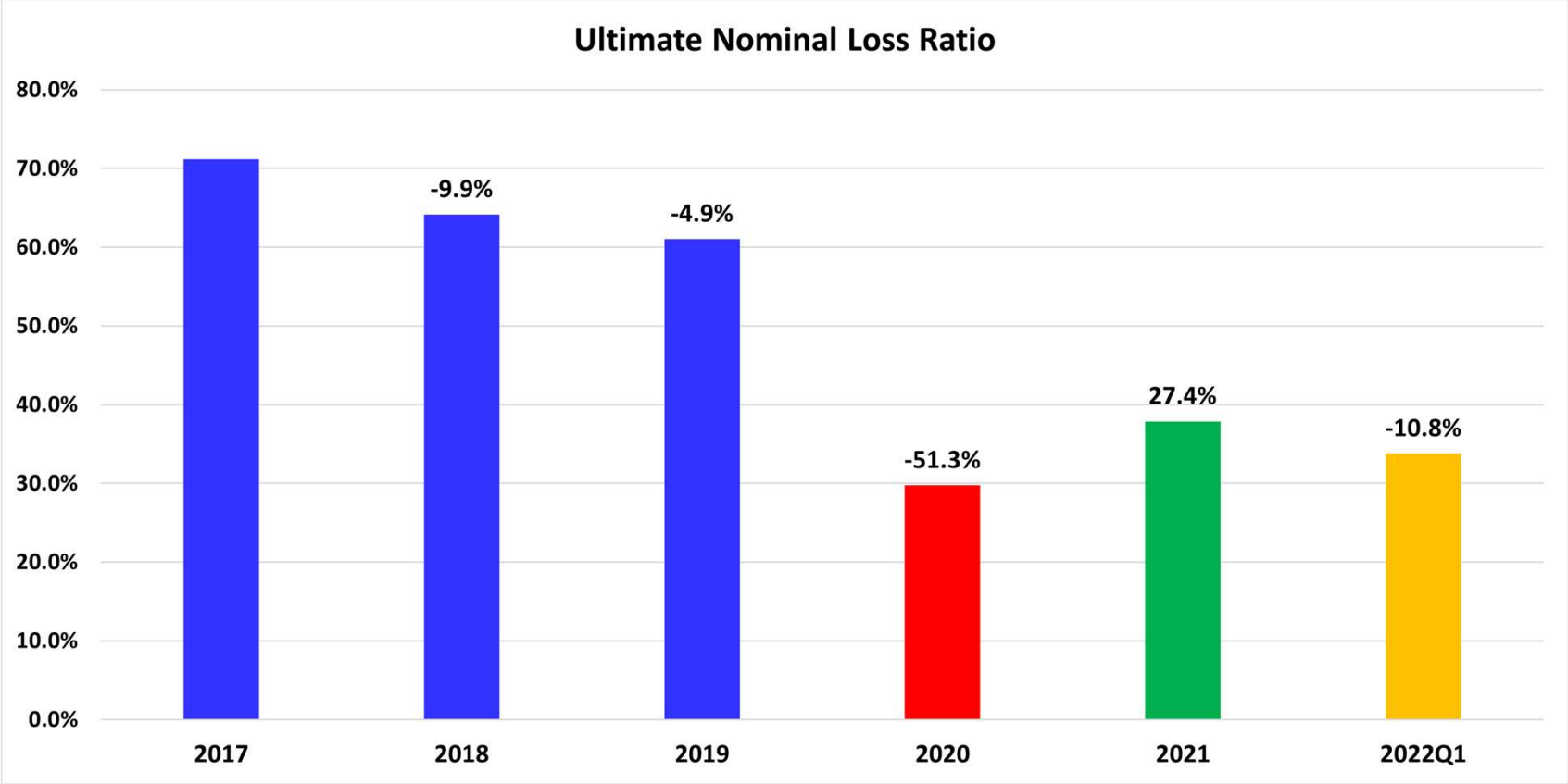


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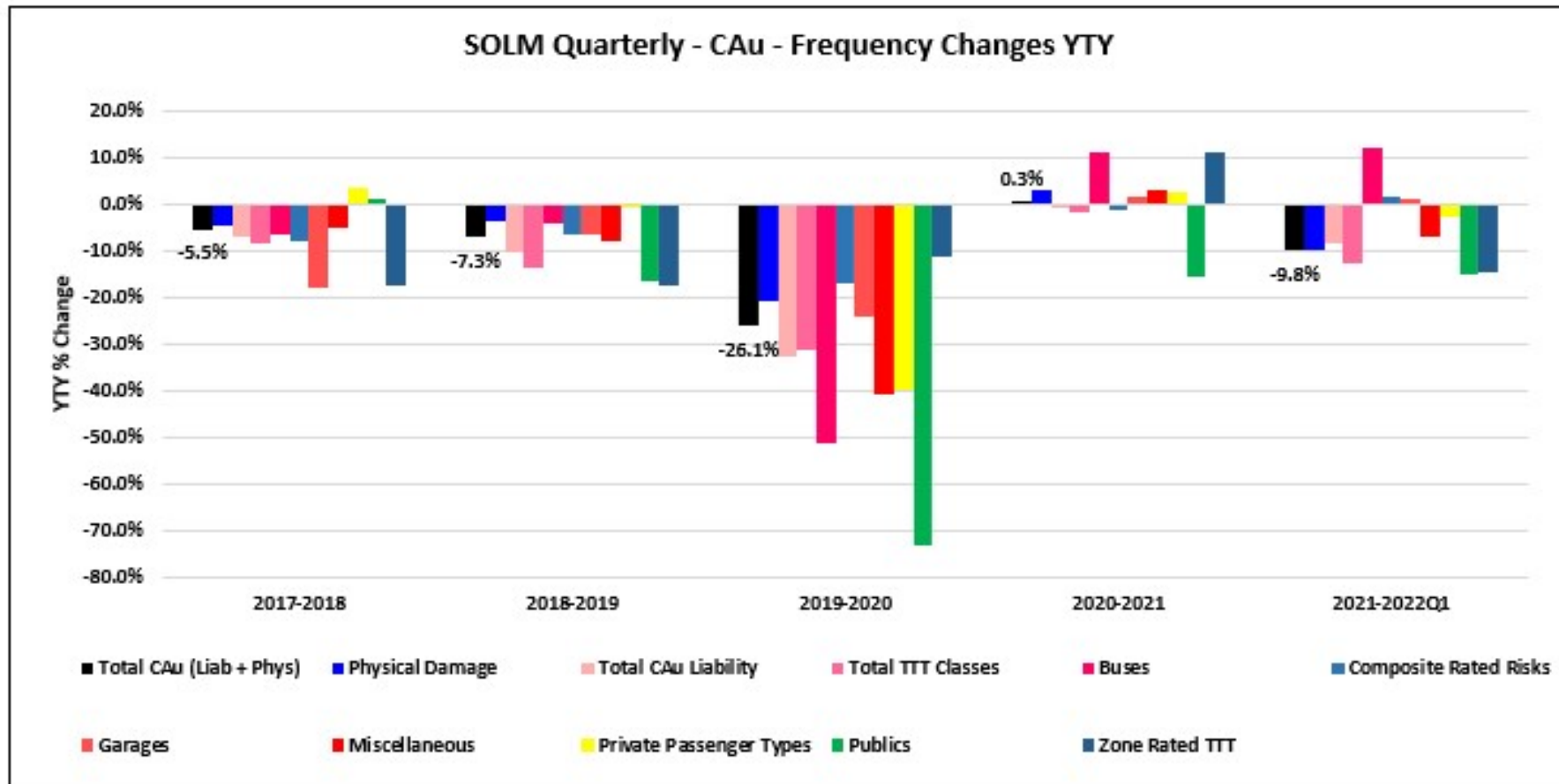
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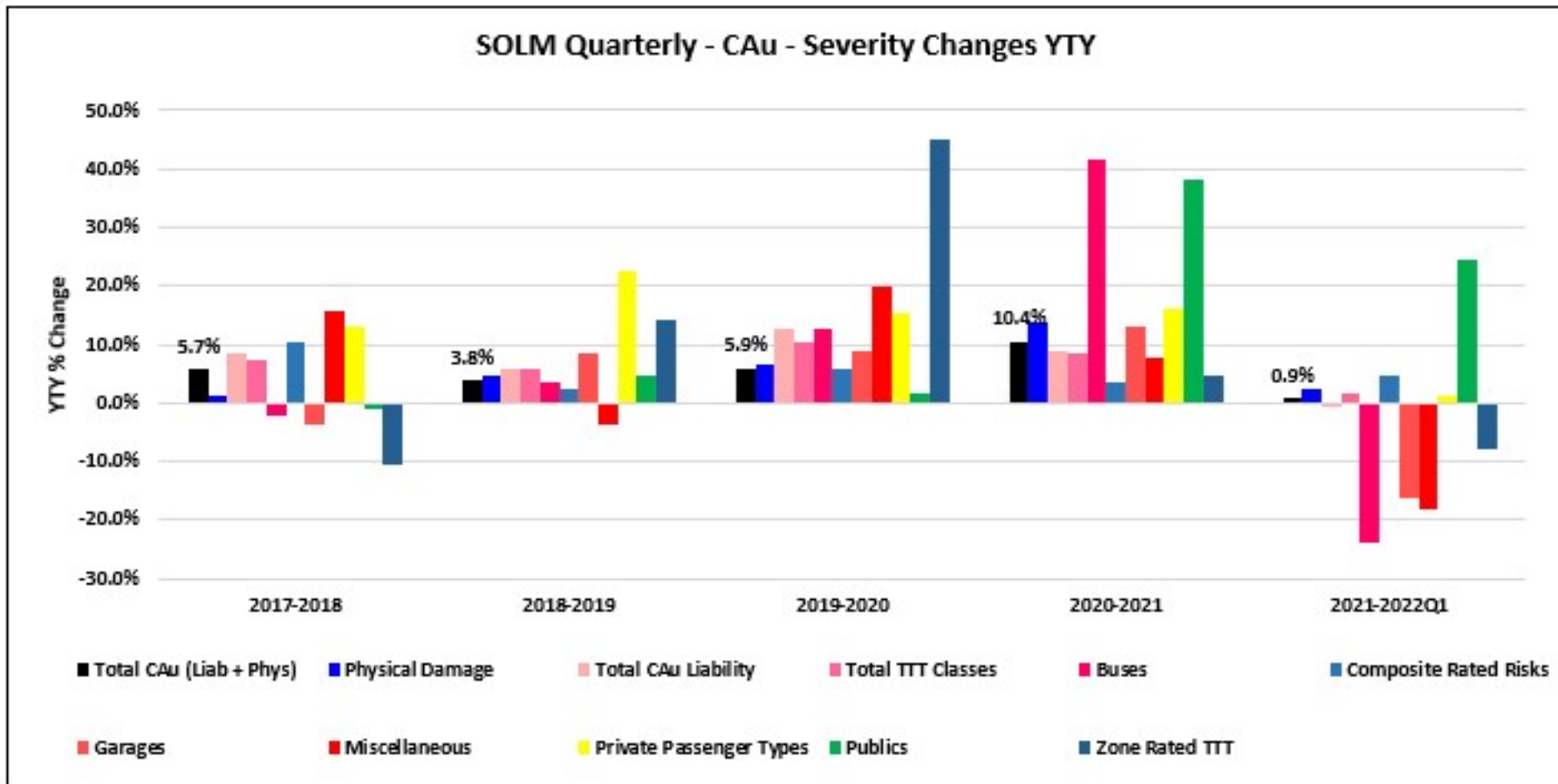
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# Impact of Covid and Inflation 2020-2022Q1 – By CAu Segment



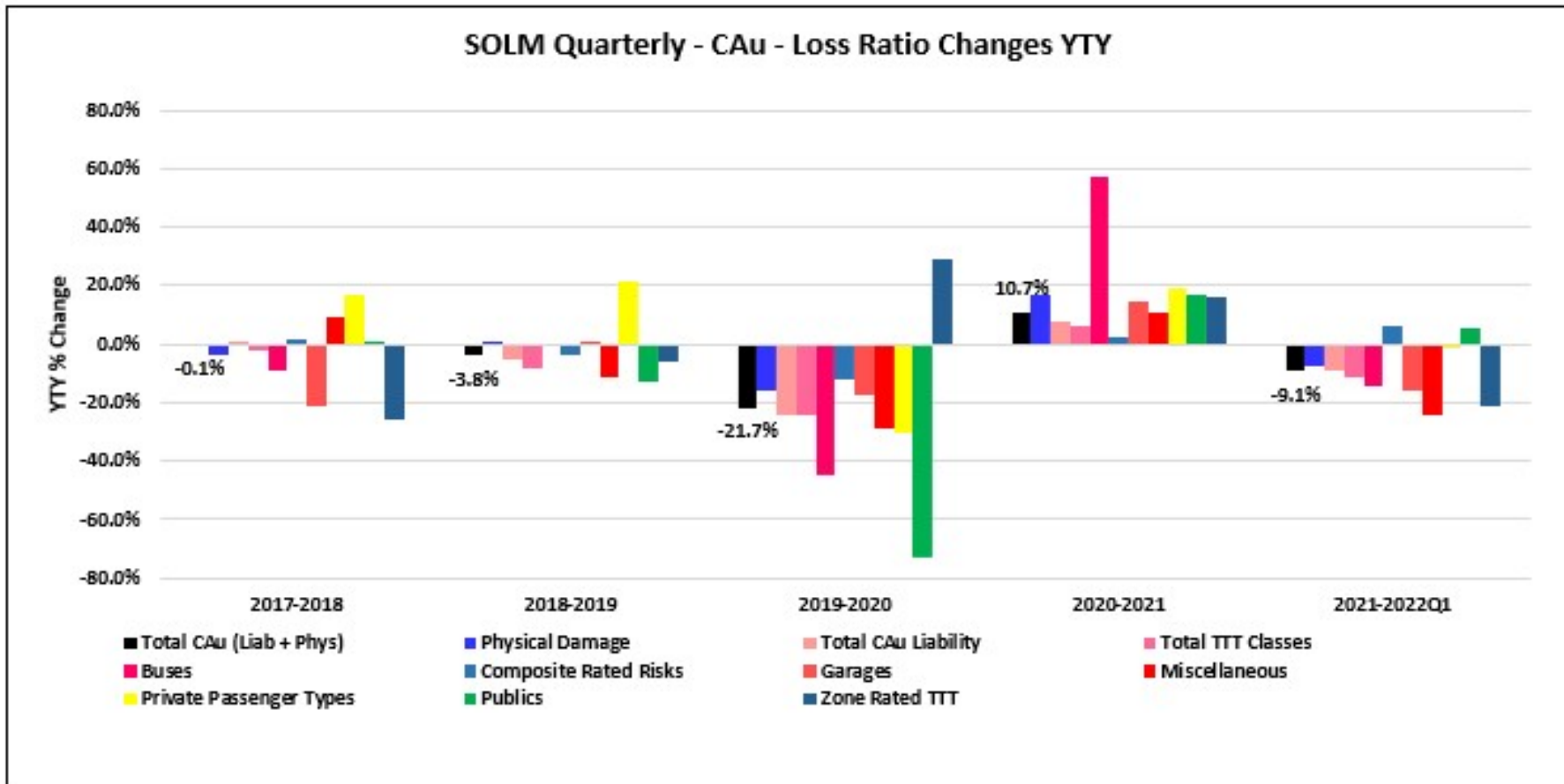
Source: SOLM-Qtr-CAu – using data through 3/31/2022; Ultimates calculated using 7qtr VWA; nominal-no adjustment for rate changes

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# Total Commercial Auto Liability – Reserve Run-off Test @12/31/2020

ISO SOLM 2021 v1 - Development Triangle and Analysis  
Ex-ante Reserving Analysis Runoff Tests (through 12/31/2020)

• Insurance Services Office, Inc., 2021  
SOLM 2021 v1

Market Analysis: CA - All Class Groups - All Carriers  
Assumptions: Incurred \$ Indemnity+Alae (Prorata); Unlimited xs 0; 7 yr VWA (100% wt); 3.0% detrended threshold

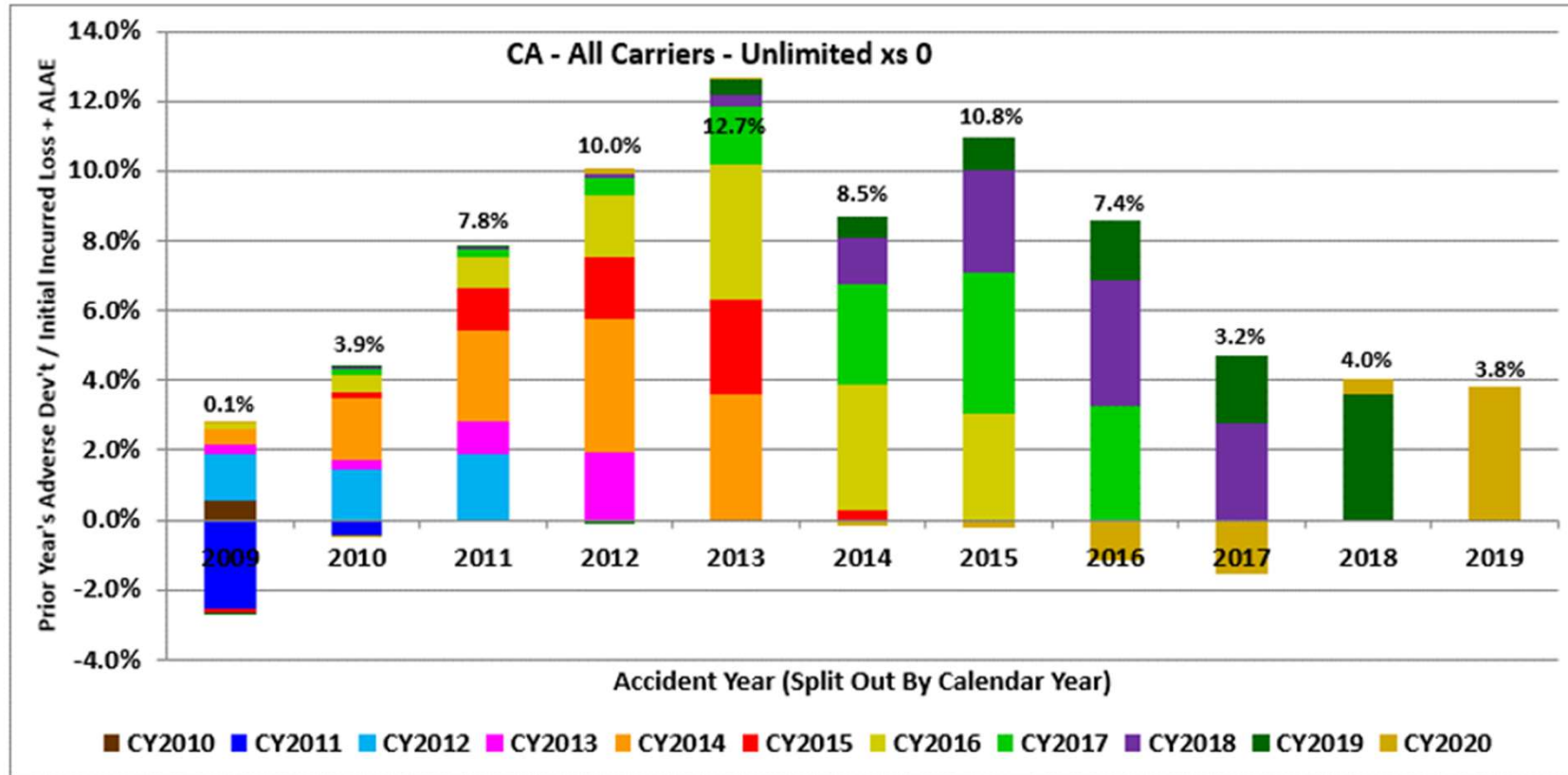
Verisk Metrics Area			CY2020	CY2019	CY2018	CY2017	CY2016	CY2015	CY2014	CY2013	CY2012	CY2011	CY2010	CY2009	CY2008	CY2007	CY2006	CY2005	CY2004	CY2003	CY2002	CY2001
% Adverse (Favorable)	Ultimate Est. INCURRED @12 mos	Adverse (Fav) Devol	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
3.3%	3,008,951,127	103,180,002	311,390	59,327	(110,057)	(53,522)	(143,631)	(389,223)	270,924	368,293	(329,203)	(169,397)	(355,370)	660,439	(2,349,603)	1,310,366	(12,065,666)	(10,340,779)	(14,439,054)	(11,510,335)	40,283,912	(32,843,609)
7.7%	5,907,353,347	457,715,444	(854,528)	2,693,331	514,218	(1,965,283)	62,251	624,508	52,225	(3,012,032)	(176,033)	(383,088)	2,530,470	(1,972,365)	1,158,260	27,153,231	(14,451,463)	(72,321,225)	30,030,665	(26,700,311)	(24,861,368)	
4.9%	5,500,018,796	263,796,708	(1,133,353)	2,086,412	1,016,704	(259,041)	364,858	235,571	4,724,036	(328,735)	(1,519,301)	7,477,935	2,078,722	(4,175,574)	(1,048,048)	54,652,514	4,522,472	(68,339,022)	104,564,484	(16,876,552)		
3.1%	5,392,153,025	164,767,321	(402,683)	529,027	(132,650)	1,171,013	63,373	(1,803,336)	(2,053,353)	(573,079)	2,668,343	12,591,628	(6,380,448)	(14,349,720)	(5,609,037)	27,013,031	78,627,658	(2,480,143)	75,961,165			
1.3%	5,740,410,873	111,256,895	239,353	(1,162,727)	2,546,586	1,581,538	(81,387)	(743,217)	1,078,031	(3,831,704)	3,893,705	3,908,987	(3,587,186)	12,303,802	11,307,841	36,171,927	(1,311,706)	35,863,010				
1.4%	5,895,348,420	82,338,983	714,568	248,463	10,309,525	378,236	(809,518)	(1,013,391)	(1,400,391)	(5,475,830)	476,116	17,133,274	(16,320,082)	11,890,116	21,067,048	(1,046,630)	46,722,187					
-0.4%	6,068,103,198	(25,179,431)	732,870	(1,150,642)	1,061,268	1,479,869	11,101,073	(4,548,077)	5,343,051	3,366,893	1,859,083	(443,079)	(6,530,020)	(28,537,257)	(20,743,711)	13,110,045						
-0.8%	6,124,791,410	(33,789,598)	(3,016,297)	557,810	1,054,311	444,583	(3,807,303)	3,536,802	5,891,103	(7,263,634)	21,135,303	(26,231,225)	(60,103,643)	15,716,229	12,521,811							
-1.7%	5,275,059,697	(91,187,478)	1,910,117	4,243,969	10,210,142	2,332,563	5,235,745	846,400	10,554,324	(5,593,431)	23,198,169	(107,596,101)	(41,578,234)	1,190,917								
0.1%	4,723,183,375	5,362,516	1,576,389	(4,006,470)	4,933,472	(268,747)	1,185,755	(4,300,530)	22,638,500	32,152,344	63,071,194	(119,396,447)	26,525,855									
5.9%	4,051,117,285	189,607,516	2010	(1,016,837)	1,331,773	1,672,744	8,694,588	24,027,065	7,801,945	85,073,441	14,125,037	63,038,358	(22,341,458)									
7.0%	4,985,561,073	388,834,712	2011	(1,016,320)	1,006,443	2,230,123	10,625,128	45,051,237	53,401,533	129,854,432	47,773,404	34,108,336										
10.0%	5,211,512,868	518,302,394	2012	7,140,425	(5,874,113)	7,807,435	25,343,434	30,641,824	52,897,132	139,110,315	101,218,622			-2.5%	-1.2%	6	Favorable development					
12.7%	5,341,996,061	677,378,357	2013	4,227,052	22,356,819	17,211,203	89,102,753	203,144,113	144,009,338	181,828,415				-1.2%	-0.5%	6	Somewhat favorable					
8.5%	5,347,246,504	507,338,289	2014	(8,822,536)	34,717,561	73,873,272	88,343,384	715,413,248	16,744,422					-0.5%	0.5%	153	Within +/- 0.5% of original estimate					
10.8%	6,535,211,382	782,349,938	2015	(12,104,425)	60,595,153	132,488,835	283,463,388	188,588,854						0.5%	2.0%	28	Somewhat adverse					
7.4%	7,282,368,051	535,295,139	2016	(81,720,309)	121,469,876	232,381,511	337,054,086							2.0%	5.0%	18	Adverse development					
5.2%	7,462,089,332	236,771,601	2017	(195,323,883)	145,879,544	286,211,828																
4.0%	7,914,407,742	318,881,451	2018	32,780,134	200,101,111																	
3.8%	8,130,946,653	312,348,578	2019	(12,848,118)																		

Source: SOLM 2021v1 - mechanical selections of VWA (100% 7-year)

# Total Commercial Auto Liability – Reserve Run-off Test @12/31/2020



Illustrative



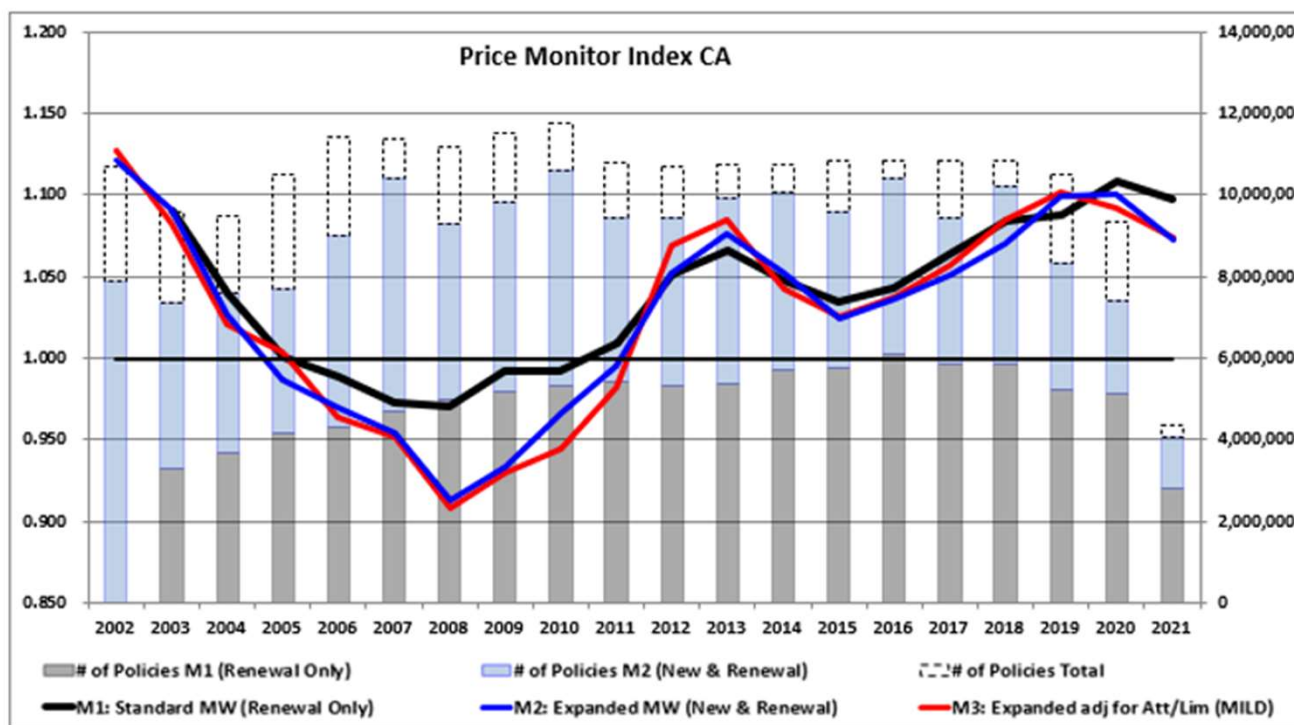
Source: SOLM 2021v1 - mechanical selections of VWA (100% 7-year)

# Commercial Auto – View at 2021

Sample Price Monitors - Commercial Auto Liability – New and Renewal Policies



Illustrative



Note: Renewal Policies (Standard MarketWatch) - the # of policies underlying this policy level method is shown by the height of the grey bar. The black line represents the incremental rate changes. This method analyzes policy level data, only including policies with a common footprint from year to year for limit, attachment, capping, etc.

**New and Renewal Policies (Expanded MW)** - the # of policies underlying this company level method is shown by the total height of the grey and blue bars. The blue line represents the incremental rate changes. This method analyzes company level data from year to year, excluding companies for a particular year that have significant changes. This method does not include impacts due to the average number or type of exposures underlying the policy counts.

**Limit/Attachment Adjusted** - Includes adjustments for aggregated limit and attachment differences using MILD for casualty lines (no adjustment for property).

The total # of policies issued by line of business is the total height of all 3 bars (the bar height is the current year policy counts, rather than the prior year).

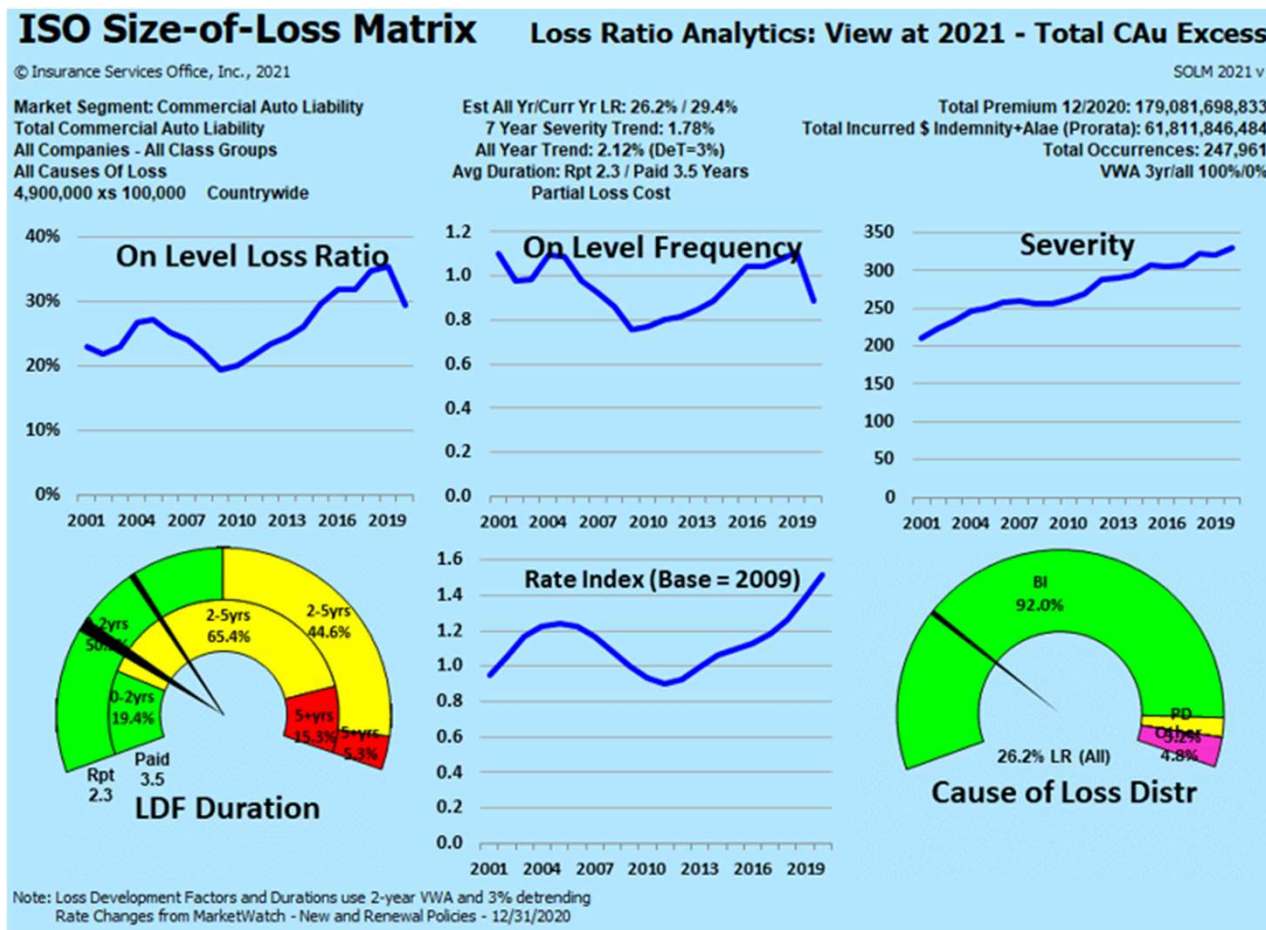
The largest reported exposure bases (by policy count) for this line are: Car Months 77%, Employee Months 20%, Named Insured Months 1%, Cost of Hire 1%



# Commercial Auto – View at 2021 – Total CAu 4.9M X 100K



Illustrative



Source: SOLM 2021v1 (using expanded MarketWatch method 3-new and renewal including impacts from ILFs)

## Contact Info

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