Commercial Auto

Agent/Broker Talking Points

FOR AGENTS AND BROKERS

As you are probably aware, there are industry-wide profitability challenges with commercial auto insurance. We've developed a library of resources to provide you with an overview of the commercial auto environment and are designed to help you during customer renewal conversations.

Talking Points for Customer Conversations

Q: What is driving higher commercial auto loss costs?

A: The overall increase in miles driven and rising medical costs from crashes are the main factors driving higher loss costs. During the economic downturn, commercial auto losses trended down as a result of lower employment and fewer miles driven. Meanwhile, the economy started to recover. The recovery, as well as low gas prices, resulted in more miles driven, and an increase in new car and truck sales. It also created a higher demand for qualified drivers, and due to the shortage of experienced drivers in the marketplace, the average driver quality went down. In addition, escalating auto repair costs and increasing incidences of distracted driving (multi-tasking, cell phone, texting) all play a role.* This created a "perfect storm" with increased crash frequency and claim costs.

Q: Are these commercial auto loss increases specific to Liberty Mutual Insurance?

A: No, this is an industry-wide challenge and all insurance companies are facing increased loss costs. In fact, Liberty Mutual's commercial auto results are better than the industry as a whole.

Q: What is the future outlook for commercial auto?

A: Commercial auto is a key line of business for the insurance industry and demand continues to grow as the economy rebounds. The industry is still recovering from inadequate rates coming out of the recession and prior crashes are costing more than previously estimated; this is changing our outlook on the cost of future losses. Insurance companies recognize that commercial auto is a problem area and expect higher loss ratio trends will continue over the next few years.

*NHTSA National Center for Statistics and Analysis – Driver Electronic Device Use in 2015.
https://crashstats.nhtsa.dot.gov/Api/Public/ViewPublication/812326

What you can do to help mitigate commercial auto loss costs

When submitting a risk:

- Verify and provide correct information upfront to ensure risks are priced appropriately. This includes, but is not limited to:
  - Correct VIN numbers so we can validate and obtain accurate weight, type, etc.
  - Current driver list
  - Motor Vehicle Records (MVRs) if available
- Properly classify vehicles and trailers in eCLIQ with the correct class code (see the Vehicle Class Code Guide and eCLIQ Common Misclassifications for more information)

Educate your customers on commercial auto risk control measures and encourage them to:

- Implement a fleet safety program and follow proper fleet maintenance procedures.
- Enforce company policy for use of company vehicles (e.g., limitation on personal use, who can use company vehicles, hours of operation, etc.).
- Regularly check employees' driving records and take appropriate action if driving records are not acceptable.
- Use telematics devices to monitor employee driving habits and usage of company vehicles.
- Be aware of the risks involved with employees using their personal vehicles on the job.
- Provide Driver Safety Training for their employees. Important topics include, but are not limited to: Distracted Driving; Speeding; DUI; Need for Rest; What to do if your vehicle breaks down, etc.

Helpful Policyholder Risk Control Resources

- **Liberty Mutual Risk Control Consulting Center:** 866-757-7324 / RCConsultingCenter@LibertyMutual.com
- Liberty Mutual SafetyNet™: 24/7 access to valuable risk control information, tools and resources
- Implementing a Distracted Driving Policy
- Model Written Fleet Safety Plan
- Small Fleet Safety Program
- Driver Selection Toolkit
- Managing Vital Driver Performance
- Vehicle Accident Kit: English version / Spanish version

If you have any questions, please contact your underwriter or territory manager/agency specialist.